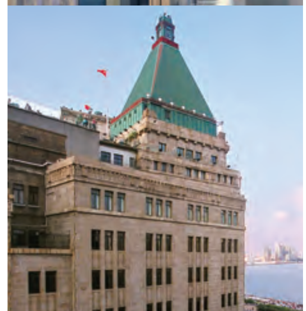
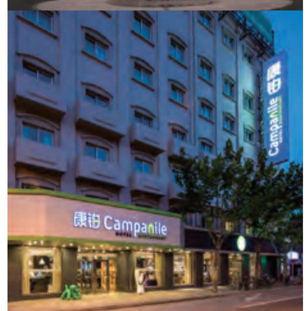
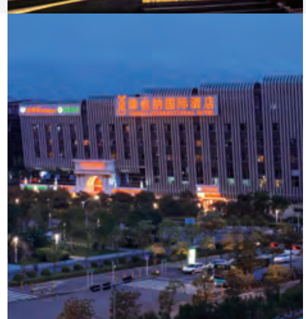





Jin Jiang Hotels

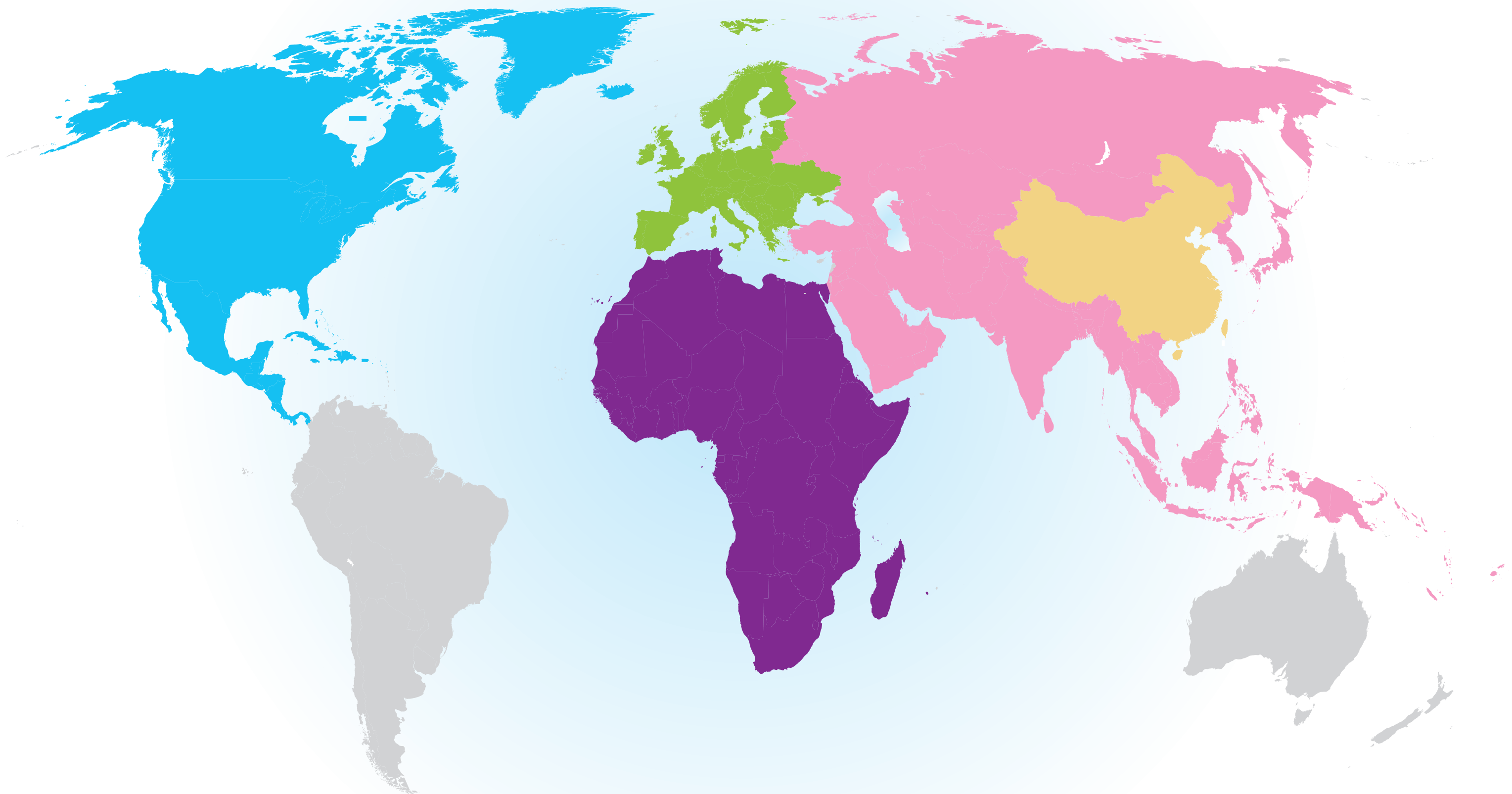
Shanghai Jin Jiang International Hotels (Group) Company Limited

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

Stock Code : 02006

ANNUAL REPORT 2017

Global Hotel Deployment



China
Number of hotels: **5,495**

Europe
Number of hotels: **1,020**

Africa
Number of hotels: **50**

Asia (excluding China)
Number of hotels: **197**

Americas
Number of hotels: **32**

Total
Number of hotels: **6,794**

Note: Above figures are owned or managed hotels in operation around the world.

Contents

CORPORATE INFORMATION

THE FOURTH SESSION OF THE BOARD

EXECUTIVE DIRECTORS

Mr. Yu Minliang *(Chairman)*
Ms. Guo Lijuan *(Vice Chairman)*
Mr. Chen Liming *(Vice Chairman)*
Mr. Zhang Qian *(Chief Executive Officer)*
Mr. Han Min

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ji Gang
Dr. Rui Mingjie
Dr. Tu Qiyu
Dr. Xu Jianxin
Mr. Xie Hongbing
Dr. He Jianmin

THE FOURTH SESSION OF THE SUPERVISORY COMMITTEE

SUPERVISORS

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

EXECUTIVE COMMITTEE

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

AUTHORIZED REPRESENTATIVES

Ms. Guo Lijuan
Mr. Zhang Qian

JOINT COMPANY SECRETARIES

Ms. Zhang Jue
Ms. Mok Ming Wai

QUALIFIED ACCOUNTANT

Dr. Ai Gengyun

NOMINATION COMMITTEE

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

STRATEGIC INVESTMENT COMMITTEE

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

INTERNATIONAL AUDITOR

PricewaterhouseCoopers

PRC AUDITOR

PricewaterhouseCoopers Zhong Tian LLP

LEGAL ADVISERS

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

As to PRC law:
King & Wood Mallesons

CHINESE NAME OF THE COMPANY

上海錦江國際酒店(集團)股份有限公司

ENGLISH NAME OF THE COMPANY

Shanghai Jin Jiang International Hotels (Group) Company Limited

H SHARE REGISTRAR AND TRANSFER OFFICE

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

INVESTOR AND MEDIA RELATIONS CONSULTANT

iPR Ogilvy & Mather

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Bank of China

LEGAL ADDRESS

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

PRINCIPAL PLACES OF BUSINESS IN THE PRC

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

PRINCIPAL PLACES OF BUSINESS IN HONG KONG

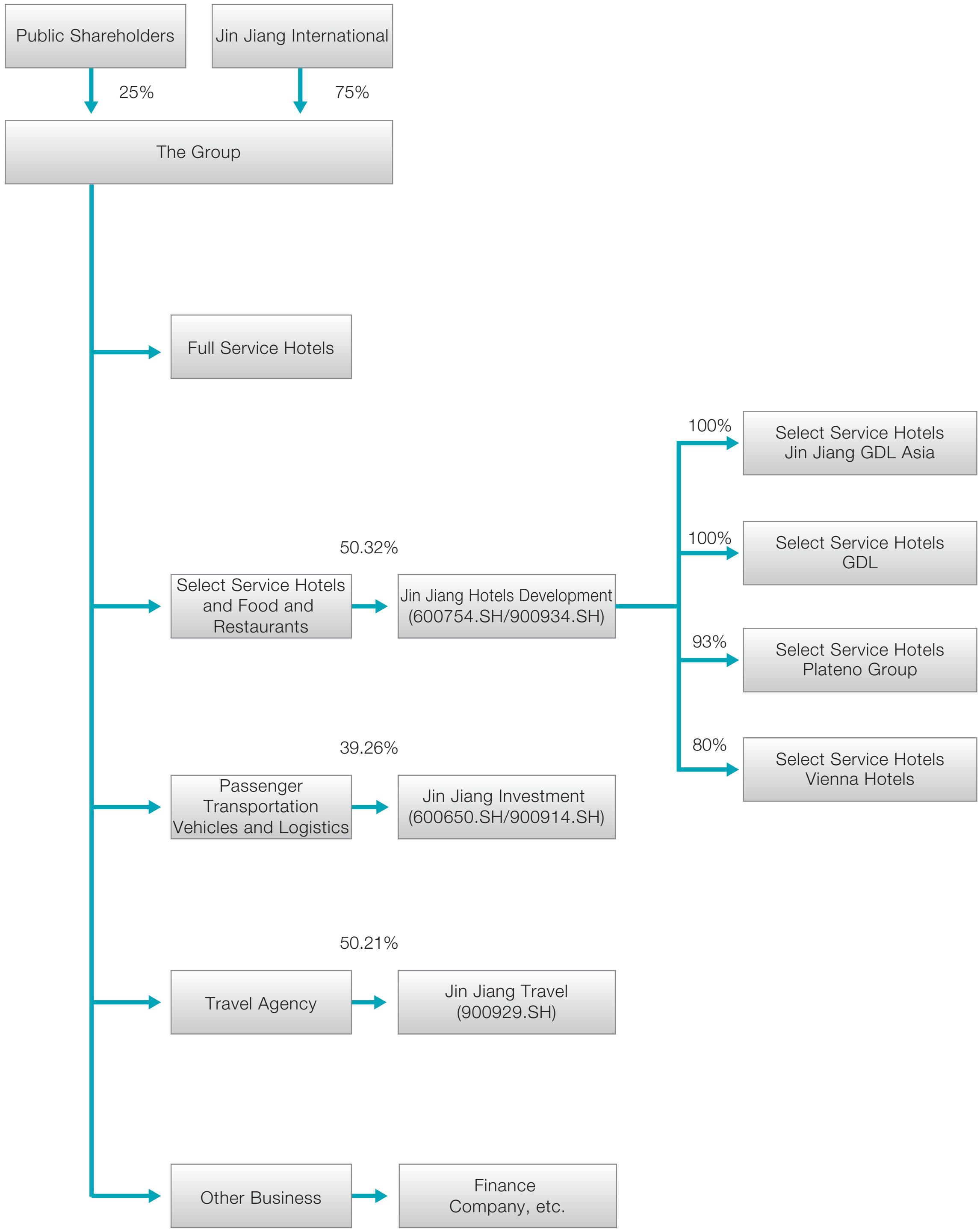
Room 3203, 32nd Floor
Shun Tak Centre, West Tower
200 Connaught Road Central
Hong Kong Special Administrative Region of the PRC ("Hong Kong")

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

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

CORPORATE STRUCTURE

The following graph sets out the major business segments of the Company as at 31 December 2017:



INFORMATION ON HOTELS OF THE GROUP

INFORMATION ON HOTELS OF THE GROUP

	Full Service Hotels		Select Service Hotels		Total	
	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms
China	100	30,479	5,395	540,747	5,495	571,226
Asia (excluding China)	—	—	197	22,228	197	22,228
Europe	—	—	1,020	72,799	1,020	72,799
Americas	—	—	32	6,406	32	6,406
Africa	—	—	50	7,452	50	7,452
Total	100	30,479	6,694	649,632	6,794	680,111

Note:

1. As at 31 December 2017, the Group owned or managed 6,794 hotels with a total of 680,111 guest rooms located in 68 countries around the world, including 5,495 hotels in operation with a total of 571,226 guest rooms owned or managed in China.

INFORMATION ON HOTELS OF THE GROUP

INFORMATION ON HOTELS OF THE GROUP 1 — STATISTICS OF ALL HOTELS

All hotels (As of 31 December 2017)	Hotels in which the Group held Hotel Interests and managed by the Group		Hotels in which the Group held Hotel Interests but managed by third parties		Hotels owned by third parties but managed by the Group		Hotels owned by third parties but operated under franchises granted by the Group		Total number of hotels	
	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms
Hotel Category										
Full Service Hotels										
— 5-star Luxury Hotels	5	2,250	2	940	65	21,284	–	–	72	24,474
— 4-star Luxury Hotels	10	3,323	2	665	44	9,563	–	–	56	13,551
Sub-total	15	5,573	4	1,605	109	30,847	–	–	128	38,025
Commercial Hotels	2	274	–	–	2	366	–	–	4	640
Total Number of Full Service Hotels	17	5,847	4	1,605	111	31,213	–	–	132	38,665
Select Service Hotels										
— Jin Jiang GDL Asia	310	43,071	–	–	–	–	1,140	124,586	1,450	167,657
— GDL	282	21,581	–	–	–	–	1,096	98,293	1,378	119,874
— Plateno Group	442	46,084	–	–	–	–	4,493	370,121	4,935	416,205
— Vienna Hotels	55	13,872	–	–	–	–	1,551	213,518	1,606	227,390
Total Number of Select Service Hotels	1,089	124,608	–	–	–	–	8,280	806,518	9,369	931,126
Total	1,106	130,455	4	1,605	111	31,213	8,280	806,518	9,501	969,791

INFORMATION ON HOTELS OF THE GROUP

INFORMATION ON HOTELS OF THE GROUP 2 — STATISTICS OF HOTELS IN OPERATION

In operation (As of 31 December 2017)	Hotels in which the Group held Hotel Interests and managed by the Group		Hotels in which the Group held Hotel Interests but managed by third parties		Hotels owned by third parties but managed by the Group		Hotels owned by third parties but operated under franchises granted by the Group		Total number of hotels	
	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms
Hotel Category										
Full Service Hotels										
— 5-star Luxury Hotels	5	2,250	2	940	43	15,138	–	–	50	18,328
— 4-star Luxury Hotels	10	3,323	2	665	35	7,833	–	–	47	11,821
Sub-total	15	5,573	4	1,605	78	22,971	–	–	97	30,149
Commercial Hotels	2	274	–	–	1	56	–	–	3	330
Total Number of Full Service Hotels	17	5,847	4	1,605	79	23,027	–	–	100	30,479
Select Service Hotels										
— Jin Jiang GDL Asia	292	40,356	–	–	–	–	928	103,032	1,220	143,388
— GDL	281	21,458	–	–	–	–	1,014	88,859	1,295	110,317
— Plateno Group	432	44,639	–	–	–	–	2,993	236,302	3,425	280,941
— Vienna Hotels	50	12,341	–	–	–	–	704	102,645	754	114,986
Total Number of Select Service Hotels	1,055	118,794	–	–	–	–	5,639	530,838	6,694	649,632
Total	1,072	124,641	4	1,605	79	23,027	5,639	530,838	6,794	680,111

INFORMATION ON HOTELS OF THE GROUP

INFORMATION ON HOTELS OF THE GROUP 3 — STATISTICS OF HOTELS UNDER DEVELOPMENT

Under development (As of 31 December 2017)	Hotels in which the Group held Hotel Interests and managed by the Group		Hotels in which the Group held Hotel Interests but managed by third parties		Hotels owned by third parties but managed by the Group		Hotels owned by third parties but operated under franchises granted by the Group		Total number of hotels	
	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms
Hotel Category										
Full Service Hotels										
— 5-star Luxury Hotels	–	–	–	–	22	6,146	–	–	22	6,146
— 4-star Luxury Hotels	–	–	–	–	9	1,730	–	–	9	1,730
Sub-total	–	–	–	–	31	7,876	–	–	31	7,876
Commercial Hotels	–	–	–	–	1	310	–	–	1	310
Total Number of Full Service Hotels	–	–	–	–	32	8,186	–	–	32	8,186
Select Service Hotels										
— Jin Jiang GDL Asia	18	2,715	–	–	–	–	212	21,554	230	24,269
— GDL	1	123	–	–	–	–	82	9,434	83	9,557
— Plateno Group	10	1,445	–	–	–	–	1,500	133,819	1,510	135,264
— Vienna Hotels	5	1,531	–	–	–	–	847	110,873	852	112,404
Total Number of Select Service Hotels	34	5,814	–	–	–	–	2,641	275,680	2,675	281,494
Total	34	5,814	–	–	32	8,186	2,641	275,680	2,707	289,680

INFORMATION ON HOTELS OF THE GROUP

INFORMATION ON HOTELS OF THE GROUP 4 — LIST OF FULL SERVICE HOTELS IN WHICH THE GROUP HOLDS SUBSTANTIAL INTERESTS (INSIDE THE PRC)

Name of hotel	Effective interests held by the Company	Number of rooms	Address
5-star hotels			
Shanghai Jin Jiang Hotel	100.00%	442	No. 59, Maoming South Road, Shanghai, the PRC
Shanghai Peace Hotel	100.00%	270	No. 20, Nanjing East Road, Shanghai, the PRC
Shanghai Jin Jiang Tower	100.00%	582	No. 161, Changle Road, Shanghai, the PRC
Shanghai Jin Jiang Tomson Hotel	50.00%	398	No. 777, Zhangyang Road, Shanghai, the PRC
Shanghai Renaissance Yangtze Hotel	66.67%	542	No. 2099, Yan'an West Road, Shanghai, the PRC
Beijing Kunlun Hotel	47.50%	558	No. 2, Xinyuan South Road, Beijing, the PRC
Wuhan Jin Jiang International Hotel	100.00%	398	No. 707, Jianshe Avenue, Wuhan, Hubei Province, the PRC
4-star hotels			
Shanghai Park Hotel	100.00%	261	No. 170, Nanjing West Road, Shanghai, the PRC
Shanghai Jian Guo Hotel	65.00%	455	No. 439, Caoxi North Road, Shanghai, the PRC
Shanghai Rainbow Hotel	100.00%	602	No. 2000, Yan'an West Road, Shanghai, the PRC
Shanghai Cypress Hotel	100.00%	152	No. 2419, Hongqiao Road, Shanghai, the PRC
Shanghai Hotel	100.00%	521	No. 505, Wulumuqi North Road, Shanghai, the PRC
Shanghai Jing An Hotel	100.00%	132	No. 370, Huashan Road, Jing'an District, Shanghai, the PRC
Shanghai Sofitel Hyland Hotel	66.67%	383	No. 505, Nanjing East Road, Shanghai, the PRC
Holiday Inn Downtown Shanghai	100.00%	282	No. 585, Hengfeng Road, Shanghai, the PRC
Wuxi Jin Jiang Grand Hotel	25.00%	349	No. 218, Zhongshan Road, Chong'an District, Wuxi, Jiangsu Province, the PRC
Kunming Jin Jiang Hotel	100.00%	315	No. 98, Beijing Road, Kunming, Yunnan Province, the PRC
West Capital International Hotel	100.00%	230	No. 135, West Street, Lianhu District, Xi'an, Shaanxi Province, the PRC
Jiangsu Nanjing Hotel	40.00%	306	No. 259, Zhongshan North Road, Nanjing, Jiangsu Province, the PRC
Commercial Hotels			
Shanghai Pacific Hotel	100.00%	177	No. 108, Nanjing West Road, Shanghai, the PRC

Note: Substantial interests refer to 20% or more equity interests held by the Group.

MAJOR AWARDS

MAJOR AWARDS RECEIVED BY THE GROUP IN 2017

"Jin Jiang"	Top 10 Influential High-end Hotel Brands in China 2016
"Jin Jiang Hotels Development"	Securities Times — List of 100 Companies with Greatest Potential Reputable Listed Chinese Companies Selection 2017 — Best Shareholders' Returns Award
"Jin Jiang Metropolo"	China Hotel Golden Horse Award — Hotel Brand with Best Investment Value in China China Hotel Starlight Awards — Best Midscale Hotel Brand in China Global Tourism Golden Award — Global (China) Outstanding Midscale Hotel Brand
"Campanile"	China Hotel Golden Horse Award — New & Remarkable Hotel Brand in China China Hotel Association — Top 10 Hotel Brands Favoured by International Tourists China Hotel Starlight Awards — Most Popular New Hotel Brand in China
"Jin Jiang Inn"	China Hotel Starlight Awards — Chain Hotel Brand with Best Investment Value in China Preferred Brands Selection 2017 — Investors' Most Favoured Brand Preferred Brands Selection 2017 — Golden Business Partner
"7 Days Inn"	China Hotel Starlight Awards — Best Economy Chain Brand in China
"7 Days Premium"	China Hotel Golden Horse Award — Hotel Brand with Best Investment Value in China
"IU Hotels"	China Hotel Starlight Awards — Hotel Brand with Highest Potential for Development in China
"Pai Hotels"	China Hotel Golden Horse Award — Most Popular Hotel Brand among Consumers in China
"James Joyce Coffetel"	China Hotel Starlight Awards — Chain Hotel Brand with Best Investment Value in China
"Vienna Hotels Group"	HOTELN Awards — Hotel Group with Best Investment Value in China China Hotel Golden Horse Award — Most Popular National Hotel Brand Group in China among Consumers MBI Award Ceremony — First place in Midscale Select Service Hotel Brands
"Vienna Hotels"	China Hotel Starlight Awards — Chain Hotel Brand with Best Investment Value in China China Hotel Industry Golden Tripod Award —Top 10 Chain Hotel Brands 2017
"Vienna International Hotels"	China Hotel Golden Horse Award — Hotel Brand with Best Investment Value in China

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
"Commercial Hotels"	hotels in which the Group holds Hotel Interests or which are owned by the third parties but managed by the Group, which have obtained or are expected to obtain 3-star or 2-star ratings, according to the criteria set by the Group
"Company"	Shanghai Jin Jiang International Hotels (Group) Company Limited
"Director(s)"	the director(s) of the Company
"EUR"	Euros, the lawful currency of the European Union
"Finance Company"	Jin Jiang International Finance Company Limited
"Franchisee(s)"	third party(ies) who have entered into franchise agreement(s) with the Group for the license to use the Jin Jiang trademark or Jin Jiang Inn trademark
"Full Service Hotels"	hotels which provide all-rounded quality services for guests on the basis of comprehensive hotel functions and facilities
"Galaxy Hotel"	Shanghai Galaxy Hotel Co., Ltd.
"GDL"	Groupe du Louvre, a société par actions simplifiée incorporated under the laws of France
"Group"	the Company and its subsidiaries or, where the context so requires, in respect of the period prior to the date of incorporation of the Company, those entities and businesses which were consolidated into and operated by the Company upon its establishment
"HAC"	HOTEL ACQUISITION COMPANY, LLC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"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 retained 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.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"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 Hotel Investment"	Shanghai Jin Jiang International Hotel Investment 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 Holdings Company Limited
"Jin Jiang International Investment"	Shanghai Jin Jiang International Investment & Management Company Limited
"Jin Jiang Investment"	Shanghai Jin Jiang International Industrial Investment Company Limited
"Jin Jiang Metropolo"	budget hotels in which the Group holds Substantial Hotel Interests and managed by Jin Jiang GDL Asia Co., Ltd., or Select Service Hotels which are owned by third parties to which Jin Jiang GDL Asia Co., Ltd. has granted a franchise, most of which are operating under the brand names of Jin Jiang Metropolo or Jin Jiang Inn
"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
"Luxury Hotels"	hotels in which the Group holds Hotel Interests or which are owned by third parties but managed by the Group which have obtained or are expected to obtain 5-star or 4-star ratings, according to the criteria set by the Group
"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
"Prospectus"	the prospectus issued by the Company on 30 November 2006
"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

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"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
"Substantial Hotel Interests"	the equity interests held by the Group in companies engaged in hotel operations which are associated companies, joint ventures or subsidiaries of the Company
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company
"Supplies Company"	Shanghai Jin Jiang International Hotel Supplies Company Limited (上海錦江國際酒店物品有限公司)
"Total Number of Rooms"	number of available rooms per hotel
"US$"	United States Dollars, the lawful currency of the United States
"Vienna Hotels"	Vienna Hotels Group Co., Ltd. (維也納酒店有限公司), a limited liability company established in the PRC
"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)

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
Item 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 amortization (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

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 Shanghai Yangtze Hotel Limited ("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 Hyland 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 (康铂)", "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.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present on behalf of the Board the annual report of the Group for the year ended 31 December 2017.

Year 2017 saw sustained development in China's tourism industry underpinned by stable operations for high star-rated hotels, surging growth for middle-end hotels and stabilised market sentiments for budget hotels. In a proactive move to adapt itself to the new normal in economic development, the Group adopted the strategy of "intensive domestic business development, global deployment and multinational operations", capitalising on new 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.

For 2017, the Group realised sales revenue of approximately RMB19.76 billion, representing an increase of approximately 16.1% as compared to the same period of last year. EBITDA of the Group amounted to approximately RMB4.47 billion, 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 RMB761 million, representing an increase of approximately 0.3%, attributable mainly to the growth in business results in tandem with the expansion of our hotel operations. The Board has proposed a final dividend of RMB8.0 cents (inclusive of tax per share) for the year 2017, unchanged as compared to the same period of last year.

ONGOING IMPROVEMENTS IN OPERATING RESULTS ON THE BACK OF NOTABLE ENHANCEMENTS IN OPERATIONAL ABILITY

During the Reporting Period, the Full Service Hotels of the Group sustained positive developments in operations, delivering excellent results in terms of revenue, operating profit, staff satisfaction and customer satisfaction. Our Select Service Hotels was engaged in rapid development underpinned by stronger market sentiments. The middle-end business hotels enjoyed fast expansion with growth in both average room rates and Occupancy Rates in operations. As the in-depth integration of the Group's hotel business segment has gained pace with a stronger focus on its principal operations, there has been a steady increase in the profitability of its hotel assets with ongoing improvements in operating results.

As at the end of 2017, the Group owned or managed about 6,794 hotels which were in operation in the world with a total of approximately 680,000 guest rooms in 68 countries across the globe. Our offering of hotel rooms was ranked 5th among hotel groups in the world. Moreover, the Group had also about 2,707 hotels under development with a total of approximately 290,000 guest rooms projected.

The market position and brand influence of "Jin Jiang" has continued to grow. Leveraging the Group's competitive edge in the industry chain for specific as well as general businesses, we have successfully completed major hospitality tasks during the Reporting Period with the deployment of "Jin Jiang Hotel Task Forces for Significant Hospitality Assignments" formed by our very best personnel selected from various subsidiaries to the wide acclaim of the community.

CHAIRMAN'S STATEMENT

INITIAL ACHIEVEMENTS IN GLOBAL BUSINESS INTEGRATION DRIVEN BY INNOVATIVE TRANSFORMATION

The Group has lent itself a greater scope for global development and multinational operations with its progress in business integration and restructuring with a strong emphasis on innovation-driven development which has brought post-acquisition synergies into full play. Efficient and coordinated operating systems have been built to support our global deployment, while improvements have been made to our organizational structure and rules and regulations in the light of the new features of the mixed ownership economy, with necessary adaptations to cater to actual conditions. Focused on industry research, brand innovation, design work and capital incubation, we have built our own high-end hotel brands and cemented our strengths in the diverse range of middle-end hotel brands, with a strong emphasis on rebranding, quality improvement and efficiency enhancement.

The Group has committed full efforts to the creation of a global hotel sharing platform for finance, procurement and IT integration. On the back of global planning, we have been primarily focused on the parallel integration and coordination of our operations in the PRC and European operations. Through comprehensive amalgamation, the core competitiveness of our brand has been enhanced.

JOINT PROMOTION OF BRANDS FORGING POTENTIALS FOR DEVELOPMENT WHILE CROSS-SECTOR MARKETING FACILITATED STRENGTHS IN SYNERGY

During the Reporting Period, the Group has made stronger efforts in brand innovation and research to leverage the respective strengths of the names in our portfolio of brands, with a view to joint development, joint marketing and resource-sharing which have resulted in more solid regional deployment. The hotels brands joined WeHotel and Jin Jiang Travel in spectacular debut exhibitions in the overseas and domestic markets as a group of brands under the umbrella of "Jin Jiang International" in ITB Berlin and ITB China Travel Exhibition, the largest exhibition for the world's tourism industry, showcasing our formidable strengths and brand culture to tourism companies and investors from around the world.

The management companies of the Group's branded hotels have worked with WeHotel to plan for hotel marketing activities, designing tourism and vacation products in association with Jin Jiang Travel that capitalised on the premium resources of both parties. The food catering business segment has commenced the adjustment and integration of its catering business to produce bespoke gift packages of Chinese New Year food for high star-rated hotels of the Group, while cooperating with "Xintiantian" under Jin Jiang Investment to provide distribution services for the Group's group catering business and the domestic hotels of the Group.

CORPROATE STRATEGIES AND OUTLOOK FOR FUTURE DEVELOPMENT

In 2018, the uncertainties in the global economic recovery, slowdown in domestic macro-economic growth, periodic structural supply and demand issues 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 Disney Resort, broad prospects for future development still hold out for the PRC's hotel and tourism industry. As such, the Group will actively address any challenges and seize any opportunities that might arise.

The Group will further entrench supply-side reforms in line with the "13th Five Year Plan" planning and bolster and rebrand "Jin Jiang" as a national name through quality improvement and efficiency enhancement on all fronts in persistent implementation of the strategy of "intensive domestic business development, global deployment and multinational operations". We will make vigorous efforts to ensure proper integration relating to mergers and acquisitions and take the Group's management standard and quality to a new level by absorbing and realising the strengths of our various brands. We will continue to drive international business deployment in a steady manner to enhance our ability in multinational operations.

CHAIRMAN'S STATEMENT

In the coming year, the Group will focus on qualitative development and drive transformation with improved quality and efficiency. Innovation and transformation will be further expedited to drive operational excellence, 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 aiming at the highest international standards. Staff exchange and training sessions will be expedited to develop a strong reserve of global talents, while risk control and corporate governance will also be enhanced.

The Group will seize the opportunity presented by the reform of state-owned assets to enhance its development towards a market-oriented corporation. We will advance reforms of our mechanisms and regimes and explore the innovation and transformation of business and service models compatible with the age of new economy, while optimising our market-based remuneration regime and incentive and restraint mechanism. The Group will leverage on our strengths in specialisation, in a bid to foster a modern tourism service industry chain centered on hotels and shared economic platforms. We will continue to improve the asset liquidity and adjust our structure to further increase our overall asset return and enterprise value.

Last but not least, I wish to express sincere gratitude to all employees for the invaluable contributions they have made to the Group. I would also like to take this opportunity to thank all shareholders, investors and the public for their longstanding support of the Group. In united effort with our shareholders, we pledge to enhance the value of the Company and deliver sound rewards for all on a continuous basis.

Yu Minliang
Chairman
Shanghai, the PRC
29 March 2018

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Yu Minliang (俞敏亮), aged 60, the chairman of the Board and an executive Director. Mr. Yu is an economist with a master's degree in economics from Fudan University. With rich experience in hotel management, he has been the general manager respectively of Yangtze Hotel, Jin Jiang Hotels Development and Shanghai New Asia (Group) Company Limited, chairman of Jin Jiang (Group) Company Limited and chairman, chief executive officer and chairman of the executive committee of the board of Jin Jiang International since joining the Group in 1984. Mr. Yu is currently the chairman of Jin Jiang International, Jin Jiang Hotels Development and Shanghai Yangtze Hotel Company Limited, respectively.

Ms. Guo Lijuan (郭麗娟), aged 55, the vice chairman of the Board, an executive Director and the chairman of the executive committee of the Board. Ms. Guo obtained a master's degree in business administration from China Europe International Business School (CEIBS). Ms. Guo was formerly the deputy head of the suburban department and the rights and interests department of China Communist Youth League Shanghai Committee (共青團上海市委); general manager and chairperson of Shanghai Advertising Co., Ltd. (上海廣告有限公司); director and vice president of Shanghai World Expo (Group) Co., Ltd. (上海世博(集團)有限公司); executive director and chairperson of Shanghai Foreign Service Co., Ltd. (上海對外服務有限公司); as well as vice president of Shanghai East Best International (Group) Co., Ltd. (上海東浩國際服務貿易(集團)有限公司). Ms. Guo is currently the president and a director of Jin Jiang International and vice chairperson of Jin Jiang Hotels Development.

Mr. Chen Liming (陳禮明), aged 57, the vice chairman of the Board, an executive Director and the vice chairman of the executive committee of the Board. Mr. Chen is an economist with a master's degree in business administration. He was previously the general manager of Holland Shanghai City Restaurant Co., Ltd. (荷蘭上海城酒家有限公司), deputy general manager of Shanghai Sofitel Hyland Hotel (上海海侖賓館), executive manager of Jin Jiang Hotels Development and secretary general (vice president) of the executive committee of the board of directors of Jin Jiang International. He is currently a vice president of Jin Jiang International and a director of Jin Jiang Hotels Development.

Mr. Zhang Qian (張謙), aged 50, an executive Director, the chief executive officer and an authorized representative of the Company. He holds a master's degree and has extensive experience in hotel management. He was previously the director of the marketing department of Shanghai Jian Guo Hotel, deputy general manager of Shanghai Renaissance Yangtze Hotel, general manager of Shanghai Jin Jiang Tomson Hotel Company Limited, general manager of Jin Jiang Hotel and general manager of Jin Jiang Tower. He is currently a vice president of Jin Jiang International.

Mr. Han Min (韓敏), aged 60, an executive Director. He holds a master's degree in international law from Fudan University. He has been a manager of the investment development division of Jin Jiang (Group) Company Limited, manager of the merger division of Jin Jiang International and director of Jin Jiang Travel since joining the Group in 2005.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ji Gang (季崗), aged 60, an independent non-executive Director, is a senior economist with a master's degree in economics from Fudan University. Mr. Ji was previously an independent director of Jin Jiang Hotels Development from 2003 to 2006, and served as the general manager of Shanghai Zhongya Hotel, general manager and chairman of Shanghai Everbright City Company Limited, director of Zhabei District Commercial Committee, director of Zhabei District Economic Committee, president of SIIC Investment Company Limited in Hong Kong as well as the vice-chairman and president of Shanghai Industrial Development Company Limited. Mr. Ji is currently the chairman of the board, president and executive director of Shanghai Industrial Urban Development Group Limited.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Dr. Rui Mingjie (芮明杰), aged 63, an independent non-executive Director, is a professor and an instructor for doctoral candidates with a doctoral degree in economics. Dr. Rui is currently the head of the Department of Industrial Economics, member of the degree committee, chairman of the degree committee of the School of Management, discipline leader in the national key discipline of Industrial Economics, deputy director of the Yangtze Delta Research Institute, and person-in-charge of the post-doctoral mobile station in applied economics at Fudan University. He is also the executive vice president of China Society of Industrial Economics, chief specialist of Shanghai Innovative Research Base of Social Sciences (Industry Structural Adjustment) (上海市社會科學創新研究基地(產業結構調整)), and a leading figure of Rui Mingjie's Office of Government Policy Counselling and Research Base of Shanghai Municipal Government (上海市政府决策諮詢研究基地芮明杰工作室).

Dr. Tu Qiyu (屠啓宇), aged 48, an independent non-executive Director. Dr. Tu is currently a vice chairman and research fellow of the City and Population Development Research Institute of the Shanghai Social Science Academy and adjunct professor and doctoral instructor of East China Normal University, specializing in international economics and urban studies. Dr. Tu was a Fulbright Scholar of the United States and Marie Curie Scholar of the European Union. Since 2011, Dr. Tu has been the chief editor of "The Blue Book of World Cities". He was appointed by the mayor of Shanghai in 2014 as the core specialist of the new session of master urban planning of Shanghai. He was appointed by the Beijing Municipal Government in 2015 as a member of the Advisory Board of Planning Experts for the Thirteenth Five-Year Plan of Beijing.

Dr. Xu Jianxin (徐建新), aged 62, an independent non-executive Director. He holds a doctoral degree in economics and is a professor-grade senior accountant and Certified Public Accountant in the PRC. He was previously a lecturer and associate professor at Shanghai University of Finance and Economics, practicing Certified Public Accountant of Dahua Accountants' Firm (大華會計師事務所), deputy general manager of Shanghai Brilliance Credit Rating and Investors Service Company Limited* (上海新世紀投資服務公司), deputy chief accountant, director, financial controller and chief economist of Orient International (Holding) Company Limited, vice chairman of Orient International Enterprise Limited, director of Shanghai Pudong Development Bank and independent director of Jin Jiang Hotels Development. He has been named as "Outstanding Accountant in Shanghai". Dr. Xu is currently a senior vice president of Shanghai Puyi Investment Management Co., Ltd.* (上海樸易投資管理有限公司).

Mr. Xie Hongbing (謝紅兵), aged 67, an independent non-executive Director. He holds a bachelor's degree. Mr. Xie served as the branch manager of Jing'an Sub-branch and Yangpu Sub-Branch, respectively, of the Shanghai Branch of Bank of Communications, general manager of Fund Custody Department of Bank of Communications, the chairman of Bank of Communications Schroder Fund Management Co., Ltd., and the vice chairman of China BOCOM Insurance Co., Ltd. (Hong Kong).

Dr. He Jianmin (何建民), aged 61, an independent non-executive Director. He obtained a doctorate in economics from Fudan University. Dr. He is currently the head and professor of the Department of Tourism Management, an instructor for doctoral candidates in tourism management, and an adjunct instructor in tourism management for post-doctoral researchers at the post-doctoral mobile station of the School of Business Administration at the Shanghai University of Finance and Economics and an independent director of New Century Real Estate Investment Trust. He has been named as a State Council Expert for Special Allowance and a National Outstanding Instructor. He has been involved in the research in tourism development and management for many years, and was appointed by China National Tourism Administration as a member of the Advisory Board for Reform and Development of China Tourism.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

Mr. Wang Guoxing (王國興), aged 54, the chairman of the Supervisory Committee. He is a senior accountant with a master's degree in economics from Shanghai University of Finance and Economics. Mr. Wang joined the Group in 1992 and was previously a lecturer of the School of Finance of Shanghai University of Finance and Economics, board secretary of Jin Jiang Hotels Development, board secretary and deputy financial director of Shanghai New Asia (Group) Company Limited, as well as deputy financial director and chief secretary (vice president) of the executive committee of the board of Jin Jiang International. He is currently a vice president of Jin Jiang International, the chairmen of the supervisory committees of Jin Jiang Hotels Development and Jin Jiang Investment.

Mr. Ma Mingju (馬名駒), aged 57, a Supervisor. He is a senior accountant with a master's degree in business administration from the Asia International Open University (Macau). Mr. Ma joined the Group in 2005 and was formerly a director of Jin Jiang Inn. Mr. Ma is currently the vice president and general manager of the Finance Business Division of Jin Jiang International, chairman of Shanghai Jin Jiang International Investment and Management Company Limited, the supervisor of Jin Jiang Hotels Development, the director of Jin Jiang Investment, Beijing Kunlun Hotel Company Limited and the chairman of Finance Company, respectively.

Mr. Zhou Qiquan (周启全), aged 67, a Supervisor. Mr. Zhou graduated from Shanghai College of Finance (now known as Shanghai University of Finance and Economics) with a post-secondary diploma on bank credit studies. Mr. Zhou is an accountant. He joined the Group in 2003 and was formerly the person-in-charge of the department of finance of Shanghai Luwan Residential Property Company (上海盧灣住宅公司), the head and deputy manager of the planning and finance department and manager of the finance department of Shanghai Minhang United Development Company Limited.

Ms. Zhou Yu (周怡), aged 58, a Supervisor. Ms. Zhou graduated from East China University of Politics and Law (now known as East China University of Political Science and Law) with a bachelor's degree. She was formerly the person-in-charge of the marketing division of credit card department, deputy head of the deposit office, deputy head of the office of financial accounting, general manager of the marketing department, general manager of the company department and the senior manager of the retail credit management department of the Shanghai Branch of Bank of Communications.

Mr. Chen Yinghao (陳英豪), aged 44, a Supervisor and the deputy secretary of the Party committee. He holds a bachelor's degree. He was the department head and commander (deputy regimental commander) of a brigade of Shanghai Fire Bureau, and assistant to the manager of the security department of Jin Jiang International.

Mr. He Yichi (何一遲), aged 38, a Supervisor and the head of the audit office of Jin Jiang Hotels Development. He holds a master's degree in finance. He was formerly a senior auditor, audit manager and senior audit manager of PricewaterhouseCoopers Zhong Tian LLP, and the senior manager of financial solutions of BASF (China) Co., Ltd..

JOINT COMPANY SECRETARIES

Ms. Zhang Jue (張珏), aged 35, the Board secretary and joint company secretary of the Company. She holds a bachelor's degree. She was a securities affairs representative of Jin Jiang Hotels Development, a board secretary and a deputy director of planning and development department of Jin Jiang Travel.

Ms. Mok Ming Wai (莫明慧), aged 46, the joint company secretary of the Company. Ms. Mok joined the Company on 28 March 2014. Ms. Mok is a director of TMF Hong Kong Limited and has over 20 years of experience in the company secretarial field. She is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Zhang Qian (張謙), an executive Director and the chief executive officer of the Company. Please refer to his biography under the paragraph headed "Executive Directors" in this section.

Ms. Yin Yanhong (尹嫣紅), aged 49, the chief financial officer and finance controller of the Company. She is a senior accountant with a master's degree in accounting. She was the manager of the audit department and finance department of Hua Lian Supermarket Co. Ltd, and the assistant to the manager and deputy manager of the planning and finance department of Jin Jiang International.

Ms. Zhang Wei (張偉), aged 51, the vice president of the Company. She is a senior political analyst with a bachelor's degree. She was the deputy secretary and deputy general manager of the Metropole Hotel, the deputy general manager of Nanjing Hotel, the secretary to the Party Committee and deputy general manager of Jin Jiang East Asia Hotel, the deputy secretary to the Party Committee and executive deputy manager of Peace Hotel, and the general manager of Expo Jin Jiang Apartment Hotel (世博錦江公寓酒店) as well as the deputy secretary to the Party Committee of the Company.

Mr. Xia Li (夏力), aged 49, a vice president of the Company. He holds a master's degree in business administration. He was formerly the general manager of Holland Shanghai City Co., Ltd. (荷蘭上海城有限公司), deputy general manager of Shanghai Marriott Hotel Hongqiao, executive deputy general manager of Shanghai Zitai Hotel Management Co. Ltd. (上海紫泰酒店管理有限公司), deputy general manager of Shanghai Zizhu Hotel Co. Ltd. (上海紫竹酒店有限公司), general manager of Shanghai Tower Jin Jiang Hotel Assets Management Company Limited (上海中心大廈錦江酒店資產管理有限公司), and the vice president of the asset management centre of the Company.

Dr. Ai Gengyun (艾耕雲), aged 47, a qualified accountant of the Company. Dr. Ai was the director of the planning and finance department of Jin Jiang Hotels Development, deputy general manager of Shanghai Kentucky Fried Chicken Company Limited, director of the planning and finance department of Jin Jiang Hotel and a director of GDL. Dr. Ai is a member of the Chinese Institute of Certified Public Accountants and a senior accountant in the PRC with extensive professional experience in financial reporting, management and internal control.

Mr. Cai Jianping (蔡建平), aged 56, a vice-president and a director of human resources department of the Company. He holds a bachelor's degree. He was a director of human resources department of Shanghai New Asia (Group) Company Limited, a deputy general manager of Shanghai Sofitel Hyland Hotel and a deputy general manager of Yangtze Hotel.

Ms. Zhang Jue (張珏), the Board secretary and joint company secretary of the Company. Please refer to her biography under the paragraph headed "Joint Company Secretaries" in this section.

With effect from 28 July 2017, Mr. Kang Ming has ceased to be an executive Director, vice president, chief secretary of the Board, the Board secretary and joint company secretary of the Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

In accordance with code B.1.5 of the Corporate Governance Code set out in Appendix 14 of the Listing Rules, the annual remuneration and relevant bands of the senior management listed in the section headed "Directors, Supervisors and Senior Management" in this annual report for 2017 are set out as follows:

	Year ended 31 December 2017 RMB'000
Salary and other allowances	1,644
Discretionary bonus	743
Retirement scheme contributions	537
	2,924

The emoluments fell within following bands:

	Year ended 31 December 2017 Number
Nil to RMB417,955 (equivalent to HK$500,000)	4
RMB417,955 (equivalent to HK$500,000) to RMB835,910 (equivalent to HK$1,000,000)	4
	8

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Jing'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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Group's Full Service Hotels in Shanghai			2016 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 Hyland 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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%

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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).

MANAGEMENT DISCUSSION AND ANALYSIS

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).

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 liabilities	**(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 liabilities	**13,557**	11,451
	3,828,870	8,553,405

MANAGEMENT DISCUSSION AND ANALYSIS

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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

REPORT OF THE DIRECTORS

The Board is pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Group is principally engaged in hotel investment and operation and the related businesses, passenger transportation vehicles, logistics and the related businesses and travel agency and the related businesses. The Group is structured as a horizontally integrated hospitality and travel services provider, offering hospitality services tailored to all segments ranging from budget accommodation to 5-star hotels. This structure enables the Group to enjoy economies of scale as well as providing the Group with a platform to increase its market presence.

OPERATIONAL REVIEW

Management discussion and analysis on the Group's operations are set out on pages 23 to 37 in this annual report.

FINANCIAL REVIEW

The annual results of the Group for the year ended 31 December 2017 are set out in the consolidated income statement on page 96 in this annual report. Management discussion and analysis on financial review are set out on pages 23 to 37 in this annual report. Financial highlights of the Group for the years ended 31 December 2013, 2014, 2015, 2016 and 2017 are set out on page 13 in this annual report.

BUSINESS REVIEW AND PROSPECTS

Discussion and analysis as required by Schedule 5 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of the Group's business, discussion of major risks and uncertainties faced by the Group, details of material events affecting the Group that have occurred subsequent to the end of the 2017 financial year, the Company's environmental policy and performance, the Company's compliance with relevant laws and regulations having a significant impact on the Company, the Company's important relations with its employees, customers and suppliers, and an indication of likely future developments in the Group's business, are set out in sections headed "Chairman's Statement", "Management Discussion and Analysis", "Corporate Governance Report" and "Notes to the Consolidated Financial Statements" in this annual report. The above sections form part of the Report of the Directors.

SHARE CAPITAL

For the year ended 31 December 2017, there was no issuance of new shares or bonds by the Company. The number of shares in each class of shares of the Company as at 31 December 2017 is set out as follows:

Class of shares	Number of shares in issue ('000)	As a percentage of total share capital (%)
Domestic shares	4,174,500	75.00
Including:		
Jin Jiang International	4,174,500	75.00
H shares	1,391,500	25.00
Total	5,566,000	100.00

REPORT OF THE DIRECTORS

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company was successfully listed on the Main Board of the Stock Exchange on 15 December 2006 and raised a net amount (after listing expenses) of approximately RMB2,676,100,000 under the global offering.

According to the plan described in the Prospectus, the proceeds were applied as follows:

In 2007, approximately HK$1,091,600,000 (RMB1,098,200,000) was injected into Jin Jiang Hotel Investment by way of addition of capital on a pro-rata basis for the development and expansion of the Jin Jiang Metropolo hotels network, pursuant to an arrangement between the Company and Jin Jiang Hotels Development. As at 31 December 2017, the issue proceeds applied to the development and expansion of Jin Jiang Metropolo network had been fully utilized.

Issue proceeds of approximately RMB725,000,000 were applied as additional capital and investments in relevant affiliated hotels for the refurbishment of certain landmark hotels and Luxury Hotels, including Peace Hotel, Jin Jiang Tower, Jin Jiang Hotel, Cypress Hotel, Galaxy Hotel, Rainbow Hotel and Marvel Y.M.C.A. As of 31 December 2017, issue proceeds applied for the refurbishment of landmark hotels and Luxury Hotels had already been paid.

From March 2007 to May 2007, issue proceeds of approximately RMB852,900,000 were used for partial repayment of bank borrowings of the Group.

DIVIDENDS

On 29 March 2018, the Board proposed to declare a final dividend of RMB8.0 cents (inclusive of tax) per share for the year ended 31 December 2017, totalling RMB445,280,000. The payment of the dividend is expected to take place on 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 Organization 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 organizations 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.

REPORT OF THE DIRECTORS

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.

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.

PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Company are set out in Note 39 to the consolidated financial statements.

RESERVES

The Group had reserves with an amount of approximately RMB3,919,024,000 as at 31 December 2017, of which RMB3,212,060,000 was retained earnings. Details of which are set out in the retained earnings in Note 20 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

According to the articles of association of the Company (the "Articles of Association"), distributable reserves are determined based on the profit of the Company calculated according to the PRC Accounting Standards or the profit calculated according to the HKFRS, whichever is lower.

According to the PRC Company Law, the profit after tax (after transferring appropriate amount into the statutory surplus reserve fund) can be distributed as dividend.

As of 31 December 2017, based on the calculation made in accordance with the China Accounting Standards for Business Enterprises, relevant PRC laws and the Articles of Association, the distributable reserves of the Company amounted to RMB1,972,194,000, of which about RMB445,280,000 is proposed to be the final dividend for the year.

FIXED ASSETS

Details of hotels in which the Group held substantial equity interests are set out on page 8 in this annual report.

BORROWINGS

The details of short- and long-term borrowings are set out in Note 22 to the consolidated financial statements.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

The Group's customers mainly comprised Franchisees, travel agencies, corporate customers and guests at its hotels. For the year ended 31 December 2017, the Group's five largest customers in aggregate accounted for less than 30% of the Group's total sales. Pursuant to the Group's franchise agreements with its Franchisees, no credit term is granted to the Franchisees and the Group's Franchisees are required to pay the continuing franchise fee on or before the tenth day of every month. A Franchisee would be obliged to pay a certain percentage of the amount payable as penalties in case of a default in payment.

The Group's suppliers mainly comprise vendors who supply the Group's hotel operations with hotel supplies such as food and beverages, as well as bath products. For the year ended 31 December 2017, the Group's five largest suppliers in aggregate accounted for less than 30% of the Group's total purchases. Generally, the credit term provided by the Group's suppliers is about two to six months.

None of the Directors, their close associates or any shareholder (who to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in the major suppliers or customers mentioned above.

CONNECTED TRANSACTIONS

Continuous Connected Transactions

According to the announcements issued by the Company on 28 July 2015 and 15 April 2016 (the "Connected Transaction Announcements"), the Company and Jin Jiang International, the controlling shareholder of the Company, and/or its associates had carried out the following continuing connected transactions. Since the applicable percentage ratios for the proposed maximum annual caps of the continuing connected transactions conducted under (1) the Master Provision of Hotel Rooms Agreement; (2) Master Property Leasing Agreement; (3) Master Electronic Commerce Service Agreement; and (4) Loan Services Framework Agreement for the respective years are more than 0.1% but less than 5%, the continuing connected transactions under these agreements are only subject to the reporting, announcement and annual review requirements of the Listing Rules and are exempted from the independent shareholders' approval requirement, which are included in the disclosure of related party transactions in accordance with HKFRS 24 (revised) presented in Note 36 to the audited consolidated financial statements for the year ended 31 December 2017. All terms used below shall have the same meanings as defined in the Connected Transaction Announcements, unless the context requires otherwise.

(i) Master Provision of Hotel Rooms Agreement

On 28 July 2015, the Company and Jin Jiang International entered into the Master Provision of Hotel Rooms Agreement to replace the Previous Master Provision of Hotel Rooms Agreement entered into on 20 November 2006 to regulate the provision of hotel rooms by the Group to Jin Jiang International Group for the three years ending 31 December 2015, 2016 and 2017. Details of the Master Provision of Hotel Rooms Agreement are set out below:

Date:	28 July 2015
Parties:	(i) Jin Jiang International as the recipient; and
	(ii) the Company as the provider
Term:	1 January 2015 to 31 December 2017. The Master Provision of Hotel Rooms Agreement can be terminated by either party by giving three months' prior written notice to the other party. The term of the Master Provision of Hotel Rooms Agreement can be extended, provided that Jin Jiang International and the Company agree to such extension and the Listing Rules are complied with.

REPORT OF THE DIRECTORS

Nature of transactions: (i) provision of hotel rooms; and (ii) other related or ancillary goods and services by the Group to Jin Jiang International and its associates (excluding the Group) (the "Jin Jiang International Group").

It is envisaged that from time to time and as required, individual implementation agreements may be entered into between the Group, Jin Jiang International, its subsidiaries and/or associates, as appropriate.

As the implementation agreements are simply further elaborations on the provision of products and services as contemplated by the Master Provision of Hotel Rooms Agreement, therefore they do not constitute new categories of connected transactions.

Pricing policy: The prices for the provision of relevant products and services to Jin Jiang International and/or its subsidiaries and associates under the Master Provision of Hotel Rooms Agreement shall be determined with reference to the "Hotel Negotiated Prices for Major Customers" (as defined below) offered by the Company to independent third party customers with equivalent or similar volume of annual room reservations and level of aggregate consumption to Jin Jiang International Group.

"Hotel Negotiated Prices for Major Customers" shall be determined with reference to the prevailing price being charged by independent third parties in the ordinary and usual course of business for the provision of the same type of products and services.

A designated department or personnel of the Company shall primarily be responsible for checking the quotations and terms for similar types of products and services provided by independent third parties to determine the "Hotel Negotiated Prices for Major Customers". Generally, the quotations and terms will be obtained from at least two independent third parties via email, facsimile or telephone enquiry. The Company will determine the "Hotel Negotiated Prices for Major Customers" after comparing and considering certain factors, including the quotation, quality of products and services, seasonal demand in hotel industry, locations of the hotels and specific requirements of the counterparty, etc.

The historical amounts for the continuing connected transactions conducted under the Previous Master Provision of Hotel Rooms Agreement and the Master Provision of Hotel Rooms Agreement for each of the three years ended 31 December 2017, as well as the respective annual caps for the three years ended 31 December 2017, are set out below:

	Historical amounts (RMB in millions)			Annual caps (RMB in millions)		
Item	For the year ended 2015	For the year ended 2016	**For the year ended 2017**	For the year ended 2015	For the year ended 2016	**For the year ended 2017**
Fees received by the Group under the Previous Master Provision of Hotel Rooms Agreement and the Master Provision of Hotel Rooms Agreement for the relevant period	21.1	23.1	**30.9**	30.0	31.5	**33.0**

REPORT OF THE DIRECTORS

(ii) Master Property Leasing Agreement

As the Previous Master Property Leasing Agreement entered into on 23 December 2011 expired on 31 December 2014, the Company and Jin Jiang International agreed to renew the transaction terms, and entered into the Master Property Leasing Agreement on 28 July 2015 to regulate the provision of property leasing services by Jin Jiang International Group to the Group for the three years ending 31 December 2015, 2016 and 2017. Details of the Master Property Leasing Agreement are set out below:

Date:	28 July 2015
Parties:	(i) Jin Jiang International as the lessor; and (ii) the Company as the lessee
Term:	1 January 2015 to 31 December 2017. The Master Property Leasing Agreement can be terminated by either party by giving three months' prior written notice to the other party. The term of the Master Property Leasing Agreement can be extended, provided that Jin Jiang International and the Company agree to such extension and the Listing Rules are complied with.
Nature of transactions:	Jin Jiang International Group shall lease some properties legally owned by it to the Group and provide other property leasing related services to the Group. It is envisaged that from time to time and as required, individual implementation agreements may be entered into between the Group, Jin Jiang International, its subsidiaries and/or associates, as appropriate. As the implementation agreements are simply further elaborations on the provision of services as contemplated by the Master Property Leasing Agreement, therefore they do not constitute new categories of connected transactions.
Pricing policy:	Prices for the relevant property leasing services under the Master Property Leasing Agreement shall be determined according to the Market Price (as defined below). "Market Price" shall be determined with reference to quotation and market transaction price for similar types of property leasing services provided by independent third parties in neighbouring areas. A designated department or personnel of the Company shall primarily be responsible for checking the quotation and market transaction price for similar types of property leasing services provided by independent third parties in neighbouring areas to determine the Market Price. Generally, the quotations and terms will be obtained from at least two real estate agents who are independent third parties via email, facsimile or telephone enquiry. The Company will determine the Market Price after comparing and considering certain factors, including the condition of the relevant property, availability of ancillary facilities and service items to be provided, etc.

REPORT OF THE DIRECTORS

Other major terms: Starting from the effective date of the Master Property Leasing Agreement, all existing agreements between the Group and Jin Jiang International and/or its subsidiaries and associates in relation to property leasing transactions (including property leasing transactions after the effective date of the Master Property Leasing Agreement) will be deemed as implementation agreements made under the Master Property Leasing Agreement.

The historical amounts for the continuing connected transactions conducted under the Previous Master Property Leasing Agreement and the Master Property Leasing Agreement for each of the three years ended 31 December 2017, as well as the respective annual caps for the three years ended 31 December 2017, are set out below:

	Historical amounts (RMB in millions)			Annual caps (RMB in millions)		
Item	For the year ended 2015	For the year ended 2016	**For the year ended 2017**	For the year ended 2015	For the year ended 2016	**For the year ended 2017**
Property leasing service fees paid by the Group under the Previous Master Property Leasing Agreement and the Master Property Leasing Agreement for the relevant period	35.1	42.0	**38.6**	50.0	52.5	**55.0**

(iii) *Master Electronic Commerce Service Agreement*

As the Previous Master Electronic Commerce Service Agreement entered into on 23 December 2011 expired on 31 December 2014, the Company and Jin Jiang International agreed to renew the transaction terms, and entered into the Master Electronic Commerce Service Agreement on 28 July 2015 to regulate the provision of the Electronic Commerce Services by Jin Jiang International Group to the Group for the three years ending 31 December 2015, 2016 and 2017. Details of the Master Electronic Commerce Service Agreement are set out below:

Date: 28 July 2015

Parties: (i) Jin Jiang International as the service provider; and

(ii) the Company as the service recipient

Term: 1 January 2015 to 31 December 2017. The Master Electronic Commerce Service Agreement can be terminated by either party by giving three months' prior written notice to the other party. The term of the Master Electronic Commerce Service Agreement can be extended, provided that Jin Jiang International and the Company agree to such extension and the Listing Rules are complied with.

Nature of transactions: Jin Jiang International Group shall provide the Electronic Commerce Services to the Group.

It is envisaged that from time to time and as required, individual implementation agreements may be entered into between the Group, Jin Jiang International, its subsidiaries and/or associates, as appropriate.

As the implementation agreements are simply further elaborations on the provision of services as contemplated by the Master Electronic Commerce Service Agreement, therefore they do not constitute new categories of connected transactions.

REPORT OF THE DIRECTORS

Pricing policy: Prices for the Electronic Commerce Services shall be determined in accordance with the following principles:

1) *Services for bonus-point redemption gifts*

Upon checking in a member hotel of the Group at the member room rate, a member guest may choose to receive a room rate discount or bonus points or both (depending on the category of his/her membership). If the member guest chooses to receive the room rate discount, the member hotel of the Group concerned is not required to pay any bonus costs to Jin Jiang International Group; if the member guest chooses to receive bonus points, the member hotel of the Group shall pay to Jin Jiang International Group a fixed percentage of the reasonable room charges incurred by such member guest as bonus costs.

If a member hotel of the Group launches other promotional activities that involve the grant of bonus points to member guests, an amount equivalent to the RMB cash value of the bonus points accrued shall be paid to Jin Jiang International Group.

Where a member hotel of the Group provides a complimentary room to a member guest at a discounted rate through the redemption of bonus points, Jin Jiang International Group shall settle the account with such member hotel of the Group at 100% of such discounted rate.

2) *Cooperative services for prepayment*

Settlement of spot-payment orders: Jin Jiang International Group is responsible for sending the orders to the member hotel of the Group only. Charges shall be settled by the member hotel of the Group directly with the customer with the issuance of an invoice stating the full amount. The Group is not required to pay any charges to Jin Jiang International Group.

Orders with advanced deposits: Jin Jiang International Group shall issue to the member hotel of the Group an order which states that the amount of deposit has been received and the invoice has yet to be issued. Upon completion of the patronage, the member hotel of the Group shall collect from the customer the balance (if any) of the charge after deducting the advanced deposit stated by the electronic commerce platforms, and issue an invoice stating the full amount to the customer. Jin Jiang International Group shall charge the member hotel of the Group an amount equivalent to the actual amount of deposit received multiplied by a fixed percentage.

Floor-price settlement orders: Jin Jiang International Group shall issue to the member hotel of the Group an order which states that the payment has been received in full and the invoice has been issued. Upon completion of the patronage as per items stated on the order, the member hotel of the Group shall not issue any invoice to the customer; if the customer has incurred additional expenses other than those stated on the order, the member hotel of the Group shall settle the portion in excess with the customer and issue a relevant invoice on the spot. Jin Jiang International Group shall charge the member hotel of the Group at a pre-negotiated floor price.

REPORT OF THE DIRECTORS

Prices for the Electronic Commerce Services under the Master Electronic Commerce Service Agreement shall be determined according to the Market Price (as defined below).

"Market Price" shall be determined with reference to the prevailing price being charged by independent third parties in the ordinary and usual course of business for the provision of the same type of services.

A designated department or personnel of the Company shall primarily be responsible for checking the quotations and terms for similar types of electronic commerce services provided by electronic commerce platforms who are independent third parties to determine the Market Price. Generally, the quotations and terms will be obtained from at least two electronic commerce platforms who are independent third parties via email, facsimile or telephone enquiry. The Company will determine the Market Price after comparing and considering certain factors, including the quotation, quality of service, specific requirements of the counterparty, technical advantage of the service provider, requirements of the Group's customers, ability of the service provider to fulfill technical specifications and qualifications and relevant experience of the service provider, etc.

The historical amounts for the continuing connected transactions conducted under the Previous Master Electronic Commerce Service Agreement and the Master Electronic Commerce Service Agreement for each of the three years ended 31 December 2017, as well as the respective annual caps for continuous transactions under the Master Electronic Commerce Service Agreement for the three years ended 31 December 2017, are set out below:

	Historical amounts (RMB in millions)			**Annual caps (RMB in millions)**		
Item	For the year ended 2015	For the year ended 2016	**For the year ended 2017**	For the year ended 2015	For the year ended 2016	**For the year ended 2017**
Service fees paid by the Group under the Previous Master Electronic Commerce Service Agreement and the Master Electronic Commerce Service Agreement for the relevant period	5.3	12.9	**14.9**	50.0	50.0	**50.0**

REPORT OF THE DIRECTORS

(iv) Loan Services Framework Agreement

On 15 April 2016, Finance Company, a wholly-owned subsidiary of the Company, renewed the Loan Services Framework Agreement with Jin Jiang International, pursuant to which Finance Company shall continue to provide Jin Jiang International with loan services. Details of the Loan Services Framework Agreement are as follows:

Date:	15 April 2016
Parties:	(i) Jin Jiang International as the service recipient; and
	(ii) Finance Company as the service provider
Term:	The Loan Service Framework Agreement will be effective for an initial term of 3 years until 15 April 2019, unless prior to the expiry either party to the Loan Service Framework Agreement terminates the Loan Services Framework Agreement by giving three months' prior written notice to the other party. The terms of the Loan Services Framework Agreement can be extended upon expiry, provided that Jin Jiang International and Finance Company agree to such extension and the requirements under the relevant laws, regulations and/or the Listing Rules are complied with.
Nature of transactions:	Provision of loan services by Finance Company to Jin Jiang International.
Pricing policy:	Finance Company shall provide loans to Jin Jiang International and/or its associates (excluding the Group) at interest rates not lower than the relevant rates stipulated or allowed by the People's Bank of China for the same type of loan.

The historical amounts for the continuing connected transactions conducted under the Loan Service Framework Agreement for each of the three years ended 31 December 2017, as well as the respective annual caps for the three years ended 31 December 2017 are set out below:

	Historical Amounts for the relevant period		
	For the 12 months ended 31 December 2015 (RMB'000)	For the 12 months ended 31 December 2016 (RMB'000)	**For the 12 months ended 31 December 2017 (RMB'000)**
Maximum daily balance of loans provided by Finance Company	450,000	500,000	**650,000**
Total interest charged on loans advanced by Finance Company	3,887	9,791	**13,002**

REPORT OF THE DIRECTORS

	Annual Caps for the relevant period			
	For the 12 months ended 31 December 2015 (RMB'000)	For the 3.5 months ended 15 April 2016 (RMB'000)	For the 12 months ended 31 December 2016 (RMB'000)	**For the 12 months ended 31 December 2017 (RMB'000)**
Maximum daily balance of loans provided by Finance Company	—	—	650,000	**650,000**
Total interest charged on loans advanced by Finance Company	70,000	23,330	—	**—**

The independent non-executive Directors, Mr. Ji Gang, Dr. Rui Mingjie, Dr. Tu Qiyu, Dr. Xu Jianxin, Mr. Xie Hongbing and Dr. He Jianmin have reviewed the above continuing connected transactions and confirmed that these transactions have been entered into:

(1) in the ordinary course of business of the Company;

(2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The international auditor of the Company has performed certain assurance procedures on such transactions and has provided a letter to the Board stating that:

(1) nothing has come to the attention of the international auditor of the Company that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;

(2) nothing has come to the attention of the international auditor of the Company that causes them to believe that the transactions were not, in all material respects, conducted in accordance with the pricing policies of the Group;

(3) nothing has come to the attention of the international auditor of the Company that causes them to believe that the transactions were not, in all material respects, conducted in accordance with the relevant agreements governing the transactions; and

(4) nothing has come to the attention of the international auditor of the Company that causes them to believe that the continuing connected transactions have exceeded the annual caps set by the Company.

REPORT OF THE DIRECTORS

OTHER SIGNIFICANT CONNECTED TRANSACTIONS

Establishment of Joint Venture WeHotel

On 5 December 2016, the Company entered into the shareholders' agreement (the "Previous Shareholders' Agreement") of establishing the joint venture WeHotel with Jin Jiang Hotels Development, Jin Jiang Capital, UnionPay Venture, Tibet Hony, Guosheng Investment and the qualified investors. Pursuant to the Previous Shareholders' Agreement, the parties shall co-invest an aggregate capital contribution of RMB1,000 million to establish Shanghai Qi Cheng Network Technology Co., Ltd. (上海齊程網絡科技有限公司) (which is the formal name of joint venture WeHotel approved by the authorities of the administration for industry and commerce). Each of the Company and Jin Jiang Hotels Development shall make a capital contribution of RMB100 million, holding 10% equity interest in WeHotel, respectively. In order to expedite the progress of the establishment of WeHotel, the Company, Jin Jiang Hotels Development, Jin Jiang Capital, UnionPay Venture, Tibet Hony and Guosheng Investment entered into a shareholders' agreement in connection with the establishment of joint venture WeHotel on 6 February 2017 to adjust the terms of the Previous Shareholders' Agreement. Pursuant to such agreement, the share of investment to be contributed by the qualified investors under the Previous Shareholders' Agreement shall be contributed by Jin Jiang Capital, which shall also hold the corresponding equity interests in WeHotel. Upon the establishment of joint venture WeHotel, the qualified investors shall be entitled to subscribe for the increase in the registered capital of WeHotel, the procedures and requirements of which shall be subject to the provisions of laws then applicable (including but not limited to pertinent regulations announced by authorities in charge of the supervision of state-owned assets) and of the articles of association of WeHotel. The amount of capital contribution and shareholding percentage of each of the Company, Jin Jiang Hotels Development, UnionPay Venture, Tibet Hony and Guosheng Investment shall remain unchanged. Save for the aforementioned adjustment, other major terms and conditions of the Previous Shareholders' Agreement shall remain unchanged.

The co-investment to establish WeHotel by the Company, Jin Jiang Hotels Development, Jin Jiang Capital, UnionPay Venture, Tibet Hony and Guosheng Investment is conducive to integrating the Group's resources and upgrading its capabilities, driving the convergence of domestic and international hotel systems, effectively enhancing its operating efficiency and lowering service costs as well as building the shared economic platform based on the mobile internet.

Transactions contemplated by the Group under the shareholders' agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio exceeds 0.1% but is less than 5%, the transactions contemplated are subject to the reporting and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. For details, please refer to the announcements published on 5 December 2016 and 6 February 2017.

Transfer of 10% Equity Interests in Hubs1

On 5 April 2017, the Company and Jin Jiang Capital (as transferors) and WeHotel (as transferee) entered into the Asset and Equity Transaction Contract in respect of the transfer of 100% equity interests in Hubs1, pursuant to which the Company and Jin Jiang Capital have agreed to transfer 100% equity interests in Hubs1 held by them to WeHotel for a total consideration of RMB553,080,000, comprising 10% equity interests in Hubs1 held by the Company for a consideration of RMB55,308,000 and 90% equity interests in Hubs1 held by Jin Jiang Capital for a consideration of RMB497,772,000. The acquisition of equity interests in Hubs1 by WeHotel will be conducive to the long-term development of WeHotel. As the shareholder of WeHotel, the Company will also benefit from such development. Following the transfer of equity interests, the Group will also receive considerable investment gains and cash flow.

WeHotel is an associate of Jin Jiang International, the controlling shareholder of the Company, by virtue of the direct holding of 45% equity interests in WeHotel by Jin Jiang Capital, a wholly-owned subsidiary of Jin Jiang International. Therefore, WeHotel is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transfer of 10% equity interests in

REPORT OF THE DIRECTORS

Hubs1 by the Company to WeHotel under the Asset and Equity Transaction Contract constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio exceeds 0.1% but is less than 5%, the transaction is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. For details, please refer to the announcement published on 5 April 2017.

Acquisition of 12.0001% Equity Interest in Keystone by Jin Jiang Hotels Development

On 20 October 2017, Jin Jiang Hotels Development, a subsidiary of the Company, entered into the Equity Transfer Agreement with Prototal Enterprises Limited (wholly-owned by Mr. He), pursuant to which Jin Jiang Hotels Development shall acquire 12.0001% equity interest in Keystone held by Prototal Enterprises Limited for a cash consideration of RMB1,204,778,376.39. The completion of closing of the transaction took place as at 12 January 2018. Upon the completion of closing of the transaction, Jin Jiang Hotels Development owns 93.0035% equity interest in Keystone. The said adjustment of the equity interest structure will further consolidate the Company's resources and lower the Company's administrative costs. It will enable the Company to exercise management in a more thorough manner and to streamline its organisational structure and business divisions, and is conducive to the Company's future strategic development and planning.

Keystone is a non-wholly-owned subsidiary of the Company. Prototal Enterprises Limited, a company wholly owned by Mr. He, is a substantial shareholder of Keystone directly holding 12.0001% equity interest in Keystone. In accordance with Chapter 14A of the Listing Rules, Mr. He and Prototal Enterprises Limited are connected persons of the Company at the subsidiary level. Accordingly, transactions under the Equity Transfer Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules. With respect to the Equity Transfer Agreement, as the applicable percentage exceeds 5% but is lower than 25%, transactions under such agreement constitute discloseable transactions under Chapter 14 of the Listing Rules and connected transactions under Chapter 14A of the Listing Rules. Given that (i) transactions under the Equity Transfer Agreement are connected transactions with connected persons at the subsidiary level on normal commercial terms or better; (ii) the Board of the Company has approved the transactions; and (iii) the independent non-executive Directors of the Company have confirmed that the terms of the transactions are fair and reasonable and are on normal commercial terms or better, and are in the interests of the Company and the shareholders as a whole, in accordance with the provisions of Rule 14A.101 of the Listing Rules, the Company is exempted from compliance with requirements relating to circular, independent financial advice and shareholders' approval, but shall comply with the reporting and announcement requirements under Chapter 14A of the Listing Rules. For details, please refer to the announcements published on 20 October 2017 and 12 January 2018.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the Directors, Supervisors and senior management as at 31 December 2017 are set out on pages 18 to 22 in this annual report.

INTERESTS IN SHARES OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS

As at 31 December 2017, none of the Directors, chief executives of the Company or Supervisors had any interests or short positions in the shares, underlying shares or debentures of the Company which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") (including interests and short positions which he or she is taken or deemed to have under such provisions of the SFO) or which are required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which are otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules (which shall be deemed to apply to the Supervisors to the same extent as it applies to the Directors).

REPORT OF THE DIRECTORS

INTERESTS IN SHARES OR UNDERLYING SHARES OR DEBENTURES OF ASSOCIATED CORPORATIONS

As at 31 December 2017, Director Mr. Yu Minliang held the following number of shares in Jin Jiang Hotels Development:

Name	Number of shares in Jin Jiang Hotels Development held	Nature of interests	Capacity	Percentage in total share capital of Jin Jiang Hotels Development
Yu Minliang	14,305	Long position	Beneficial owner	0.0015%

Save as disclosed above, as at 31 December 2017, none of the Directors, chief executives of the Company or Supervisors had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors, chief executives of the Company or Supervisors is taken or deemed to have under such provisions of the SFO) or which are required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which are otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code (which shall be deemed to apply to the Supervisors to the same extent as it applies to the Directors).

RIGHTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES TO ACQUIRE SHARES OR DEBENTURES

No arrangements to which the Company, or any of its subsidiaries, its holding company or any of the subsidiaries of its holding company is or was a party to enable the Directors, Supervisors and chief executives of the Group to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS

(a) Substantial shareholders' interest in shares or underlying shares of the Company

As at 31 December 2017, so far as the Directors are aware, the following persons (other than a Director, chief executive of the Company or Supervisor) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the Company's register pursuant to section 336 of the SFO:

Name of shareholder	Class of shares	Number of shares/underlying shares held	Capacity	Percentage in the relevant class of share capital	Percentage in total share capital of the Company
Jin Jiang International	Domestic shares	4,174,500,000 (Long position)	Beneficial owner	100%	75%
Kwok Hoi Hing	H shares	167,182,000 (Long position)	Beneficial owner	12.01%	3.00%
Matthews International Capital Management, LLC	H shares	70,382,000 (Long position)	Investment manager	5.05%	1.26%

Save as disclosed above and so far as the Directors are aware, as at 31 December 2017, no other person had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the Company's register pursuant to section 336 of the SFO.

REPORT OF THE DIRECTORS

(b) Substantial shareholders' interests in shares/underlying shares of other members of the Group

As at 31 December 2017, so far as the Directors are aware, each of the following parties, not being (1) a Director, chief executive of the Company or Supervisor or (2) a member of the Group, was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

	Name of subsidiary	Name of shareholder	Percentage of shareholding
1.	上海錦花旅館有限公司 (Shanghai Jinhua Hotel Co., Ltd.)	上海花木經濟發展總公司 (Shanghai Huamu Economic Development Company Limited)	20%
2.	揚州錦揚旅館有限公司 (Yangzhou Jinyang Hotel Co., Ltd.)	揚州市雙橋鄉農工商總公司 (Yangzhou Shuangqiao Town NGS Co., Ltd.)	25%
3.	上海錦海旅館有限公司 (Shanghai Jinhai Hotel Co., Ltd)	閔行區商業建設公司 (Minhang Commercial Construction Co., Ltd.)	30%
4.	蘇州新區錦獅旅館有限公司 (Suzhou New Area Jinshi Hotel Co., Ltd.)	蘇州新區獅山農工商總公司 (Suzhou Shishan Industry & Commercial Co., Ltd.)	40%
5.	上海海侖賓館有限公司 (Sofitel Hyland Shanghai Co., Ltd)	上海國際集團投資管理有限公司 (SIG Investment Management Co., Ltd.)	33.33%
6.	上海建國賓館有限公司 (Shanghai Jian Guo Hotel Co., Ltd)	上海國際集團投資管理有限公司 (SIG Investment Management Co., Ltd.)	35%
7.	北京錦江北方物業管理有限公司 (Beijing Jin Jiang Northern Property Management Company Limited)	北京市崑崙經貿公司 (Beijing Kun Lun Economy & Trade Company Limited)	20%
8.	澳大利亞新亞大包快餐(連鎖)有限公司 (New Asia Chains of Snack (Australia) PTY. Ltd.)	英華進出口有限公司 (Ying Hua Import & Export Pty Limited)	45%
9.	上海錦江同樂餐飲管理有限公司 (Shanghai Jin Jiang Tung Lok Catering Management Inc.)	新加坡同樂(中國)控股有限公司 (Tung Lok (China) Holdings Pte. Ltd.)	49%
10.	上海豫錦酒店管理有限公司 (Shanghai YuJin Hotel Management Company Limited)	上海豫園(集團)有限公司 (Shanghai Yuyuan (Group) Co., Ltd.)	40%
11.	上海浦東友誼汽車服務有限公司 (Shanghai Pudong Friendship Automobile Service Co., Ltd.)	廣茂投資發展中心 (Guangmao Investment and Development Centre)	12.17%
12.	上海中油錦友油品經營有限公司 (Shanghai Zhong You Jin You Oil Products Co., Ltd.)	中油上海銷售有限公司 (Zhong You Shanghai Sales Co., Ltd.)	19%
	上海中油錦友油品經營有限公司 (Shanghai Zhong You Jin You Oil Products Co., Ltd.)	上海興恒拍賣有限公司 (Shanghai Xingheng Auction Company Limited)	5%
13.	上海嘉定錦江汽車服務有限公司 (Shanghai Jiading Jin Jiang Automobile Services Co., Ltd.)	上海振申汽車服務公司 (Shanghai Zhenshen Taxi Services Co., Ltd.)	30%
14.	上海錦江豐田汽車銷售服務有限公司 (Shanghai Toyota Automobile Sales Co., Ltd.)	上海永達(集團)股份有限公司 (Shanghai Yong Da (Group) Co., Ltd.)	20%
15.	上海花樣年華廣告有限公司 (Shanghai Colorful Day Advertising Co., Ltd.)	周力平 (Liping Zhou)	20%

REPORT OF THE DIRECTORS

	Name of subsidiary	Name of shareholder	Percentage of shareholding
16.	上海錦茂汽車銷售服務有限公司 (Shanghai Jinmao Automobile Distribution and Services Co., Ltd.)	上海榮茂工貿有限公司 (Shanghai Rongmao Industry & Trade Co., Ltd.)	49.02%
	上海錦茂汽車銷售服務有限公司 (Shanghai Jinmao Automobile Distribution and Services Co., Ltd.)	上海市駕駛員培訓學校 (Shanghai Vehicle Drivers Training School)	0.98%
17.	上海錦海捷亞物流管理有限公司 (Shanghai JHJ Logistic Management Co., Ltd.)	錦江國際集團(香港)有限公司 (Jin Jiang International Group (HK) Co., Ltd.)	21.75%
	上海錦海捷亞物流管理有限公司 (Shanghai JHJ Logistic Management Co., Ltd.)	香港旋光有限公司 (Hong Kong Xuanguang Co., Ltd.)	13.25%
18.	上海錦江國際綠色假期旅遊有限公司 (Shanghai Jin Jiang International Green Holiday Travel Co., Ltd.)	上海廊下集體資產有限公司 (Shanghai Langxia Assets Management Co., Ltd.)	30%
19.	靜安麵包房控股有限公司 (Jing An Bakery Holding Company Limited)	中國麵包投資有限公司 (China Bread Investment Limited)	30%
	靜安麵包房控股有限公司 (Jing An Bakery Holding Company Limited)	中國烘焙集團有限公司 (China Baking Group Co., Ltd.)	10%
20.	瀋陽錦富酒店投資管理有限公司 (Shenyang Jin Fu Hotel Investment and Management Company Limited)	瀋陽副食品集團公司 (Shenyang Foodstuff Group Company)	45%
21.	廬山錦江國際旅館投資有限公司 (Lushan Mountain Jin Jiang International Hotel Investment Co., Ltd.)	廬山旅遊發展股份有限公司 (Lushan Tourism Development Co., Ltd.)	40%
22.	維也納酒店有限公司 (Vienna Hotels Group Co., Ltd.)	黃德滿 (Huang Deman)	12.95%
	維也納酒店有限公司 (Vienna Hotels Group Co., Ltd.)	深圳市維也納之星管理有限公司 (Shenzhen Vienna Star Hotels Management Co., Ltd.)	7.05%
23.	深圳市百歲村餐飲連鎖有限公司 (Shenzhen Baisuicun Restaurants Chain Co., Ltd.)	黃德滿 (Huang Deman)	20%
24.	Keystone Lodging Holdings Limited	瑞信國際有限公司 (Fortune News International Limited)	6.5364%
	Keystone Lodging Holdings Limited	Ever Felicitous Limited	0.4661%

Save as disclosed above and so far as the Directors are aware, as at 31 December 2017, no other party, not being (1) a Director, chief executive or Supervisor or (2) a member of the Group, was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

REPORT OF THE DIRECTORS

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTION, ARRANGEMENT AND CONTRACTS

Other than those transactions disclosed in the section "CONNECTED TRANSACTIONS" above, as of 31 December 2017 and at any time during the Reporting Period, there is or was no transaction, arrangement and contract of significance (as defined in Appendix 16 of the Listing Rules) subsisting in which any of the Directors or the Supervisors is or was, whether directly or indirectly, materially interested in.

As of 31 December 2017 and at any time during the Reporting Period, there is or was no transaction, arrangement and contract of significance in relation to the Company's business subsisting to which the Company, its subsidiaries, its holding company or a subsidiary of its holding company is or was a party and in which any of the Directors or the Supervisors has or had, or at any time during that period, in any way, whether directly or indirectly, a material interest.

As of 31 December 2017 and at any time during the Reporting Period, none of the Directors or the Supervisors is or was in any way, directly or indirectly, materially interested in any transaction, arrangement and contract of significance in relation to the Company's business entered into or proposed to be entered into with the Company.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors has entered into a service contract with the Company for a term expiring upon the conclusion of the annual general meeting of the Company to be held in 2018. Commencement dates of the terms of each independent non-executive Director are as follows:

Name	Title	Commencement Date
Mr. Ji Gang	Independent non-executive Director	20 November 2006 (re-appointed on 16 October 2012 and 25 September 2015)
Dr. Rui Mingjie	Independent non-executive Director	20 November 2006 (re-appointed on 16 October 2012 and 25 September 2015)
Dr. Tu Qiyu	Independent non-executive Director	20 November 2006 (re-appointed on 16 October 2012 and 25 September 2015)
Dr. Xu Jianxin	Independent non-executive Director	25 September 2015
Mr. Xie Hongbing	Independent non-executive Director	25 September 2015
Dr. He Jianmin	Independent non-executive Director	25 September 2015

The Company did not enter into any service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation) with any Director or Supervisor.

REPORT OF THE DIRECTORS

EMOLUMENT POLICY OF THE GROUP

The Group's staff emolument policy comprised basic salary, social security contribution and the Group's performance-based discretionary bonus.

The compensation of the Directors, Supervisors, the five highest paid individuals and senior management and information regarding pension scheme have been stated in Note 26, Note 36(d) and Note 37 to the consolidated financial statements. The Group has adopted the PRC government's social security system that comprises retirement fund, housing fund and medical insurance. For the retirement funds, the employer contribution ratio and employee contribution ratio in Shanghai are currently 20% and 8% respectively.

The Company determines the remuneration of the Directors on the basis of their qualifications, experience and contributions.

EXECUTIVE DIRECTORS, NON-EXECUTIVE DIRECTORS, INDEPENDENT NON-EXECUTIVE DIRECTORS, SUPERVISORS

As of 31 December 2017, the executive Directors were Mr. Yu Minliang (Chairman), Ms. Guo Lijuan (vice chairman), Mr. Chen Liming (vice chairman), Mr. Zhang Qian and Mr. Han Min; and the independent non-executive Directors were Mr. Ji Gang, Dr. Rui Mingjie, Dr. Tu Qiyu, Dr. Xu Jianxin, Mr. Xie Hongbing and Dr. He Jianmin. Mr. Chen Liming was appointed as a vice chairman with effect from 27 July 2016. Mr. Kang Ming has ceased to be an executive Director with effect from 28 July 2017 due to other work commitments.

As of 31 December 2017, the Supervisors were Mr. Wang Guoxing (chairman of the Supervisory Committee), Mr. Ma Mingju, Mr. Zhou Qiquan, Ms. Zhou Yi, Mr. Chen Yinghao and Mr. He Yichi.

Biographical details of the Directors and the Supervisors are set out on pages 18 to 20 in this annual report.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As of 31 December 2017, none of the Directors were interested in businesses that were deemed to be competing or possibly competing, whether directly or indirectly, with the business of the Group.

PERMITTED INDEMNITY PROVISION

During the Reporting Period and as at 31 December 2017, the Company had taken out liability insurance for its Directors and Supervisors to provide appropriate protection for the Directors and Supervisors.

PENSION SCHEMES

In accordance with relevant PRC laws and regulations, full time employees of the Group are enrolled in various defined contribution pension schemes established by relevant domestic provincial or municipal governments. During the Reporting Period, the Group and its employees made monthly contributions to the schemes at a certain percentage of the wages of the employees in accordance with the aforesaid pension schemes.

REPORT OF THE DIRECTORS

NOMINATION COMMITTEE

The Board has established a nomination committee, which comprises the Chairman and the executive Director Mr. Yu Minliang (chairman) and two independent non-executive Directors, Dr. Rui Mingjie and Dr. Tu Qiyu. The major duties of the nomination committee include: (1) review the structure, number of members and diversity 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.

The Company has adopted a Board diversity policy (the "Board Diversity Policy") and determined methods for achieving and maintaining Board diversity. The Company is aware that Board diversity is conducive to improving the quality of the work of the Board. A summary of the Board Diversity Policy is set out as follows:

When selecting Board members, the Company will consider a range of factors relating to diversity, including but not limited to gender, age, cultural and educational background, expertise, skills, know-how and term of service. The nomination committee will review Board diversity and report Board composition to the Board and monitor the implementation of the Board Diversity Policy.

AUDIT COMMITTEE

The Company has established an Audit Committee, the principal duty of which is to review the financial controls, risk management and internal controls systems of the Company. 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 under HKFRSs, together with the management.

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. The remuneration committee comprises the independent non-executive Director Mr. Ji Gang (chairman), executive Director Ms. Guo Lijuan and independent non-executive Director Mr. Xie Hongbing.

PUBLIC FLOAT

Based on information publicly available to the Company and so far as the Directors are aware, at least 25% of the Company's total issued share capital was held by the public as at the latest practicable date prior to the issue of this annual report.

EQUITY-LINKED AGREEMENTS

The Company has not entered into any equity-linked agreement for the year ended 31 December 2017.

REPORT OF THE DIRECTORS

NON-EXECUTIVE DIRECTOR

For the year ended 31 December 2017, the Company did not have any non-executive Director.

CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from all independent non-executive Directors, namely Mr. Ji Gang, Dr. Rui Mingjie, Dr. Tu Qiyu, Dr. Xu Jianxin, Mr. Xie Hongbing and Dr. He Jianmin, the confirmation letters for the year ended 31 December 2017 confirming their independence pursuant to Rule 3.13 of the Listing Rules. Based on their confirmations, the Company considers that all independent non-executive Directors are independent.

MANAGEMENT CONTRACTS

No contracts concerning the management and operation of the whole or any substantial part of the business of the Company were entered into or subsisted during the Reporting Period.

PRE-EMPTIVE RIGHTS

Under the Articles of Association and the laws of the PRC, no pre-emptive rights exist which require the Company to offer new shares to its existing shareholders in proportion to their shareholding.

TAX RELIEF AND EXEMPTION

The Company is not aware that any holders of securities of the Company are entitled to any tax relief or exemption by reason of their holding of such securities.

INTERNATIONAL AUDITOR

The consolidated financial statements of the Company prepared in accordance with HKFRS have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

By order of the Board
Yu Minliang
Chairman

29 March 2018

REPORT OF THE SUPERVISORY COMMITTEE

Dear shareholders,

All members of the current session of the Supervisory Committee have discharged their supervisory duties in a conscientious manner in the spirit of accountability to all shareholders and in adherence to the principle of integrity in accordance with relevant provisions of the Company Law of the People's Republic of China and the Articles of Association, and have played a positive role in facilitating disciplined operations and sustainable development of the Company.

The Supervisory Committee convened two meetings in 2017. On 29 March 2017, the Supervisory Committee received relevant reports on the financial conditions of the Group in 2016, and considered and approved the resolution relating to the 2016 Supervisory Committee report. On 30 August 2017, the Supervisory Committee received relevant reports on the financial conditions of the Group during the first half of 2017.

Having conducted reviews on the financial system, financial report and internal audit of the Group, the current session of the Supervisory Committee is of the view that information contained in the annual report and interim report of the Group is true and reliable, and that the audit opinions issued by the accounting firm are fair and objective.

The current session of the Supervisory Committee has exercised supervision over the Group's operations in respect of its financial control, operational control and compliance control, as well as its risk management functions. The Supervisory Committee is of the view that, with the construction of the performance excellence management and comprehensive risk management system since 2016, the Group has established comprehensive internal control systems, made significant improvements in the formation, implementation and ongoing oversight of risk management, internal control and business procedures, and effectively controlled various risks with respect to strategic, operational, market, financial and legal matters. The Group has carried out its business operations in accordance with the PRC laws and regulations and the Articles of Association as well as internal work procedures.

The current session of the Supervisory Committee has exercised supervision over the performance of duties by the Directors and management of the Group and the implementation of resolutions of the general meeting(s). The Supervisory Committee is of the view that the Directors and management of the Group have performed their duties in a conscientious manner and vigorously implemented the Group's strategy of internationalisation in accordance with the resolutions of the general meeting(s). There were no material violations of laws, regulations or the Articles of Association or acts compromising the interests of the shareholders of the Group on the part of the Directors and the management of the Group in the performance of their duties with the Group.

By order of the Supervisory Committee
Wang Guoxing
Chairman of the Supervisory Committee

29 March 2018

CORPORATE GOVERNANCE REPORT

The Board has reviewed the "Company Operation and Corporate Governance Guidelines" of the Company 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 was in compliance with the relevant code provisions set out in Appendix 14 to the Listing Rules for the financial year ended 31 December 2017.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for formulating the corporate governance policies of the Company and performing the following corporate governance duties:

(1) To develop and review the corporate governance policies and practices of the Group, and make suggestions;

(2) To review and monitor the training and continuous professional development of the Directors and senior management;

(3) To review and monitor the compliance with all requirements under laws and regulations by the Group's policies and practices (if applicable);

(4) To develop, review and monitor the codes of conduct and compliance guidelines applicable to all employees and Directors of the Group (if any); and

(5) To review the compliance with the disclosure requirements under the Corporate Governance Code and Corporate Governance Report by the Group.

During the Reporting Period, the Board has approved the terms of reference of the Board, shareholders communication policies, shareholders enquiry procedures and special request procedures.

THE BOARD

The fourth session of the Board currently consists of five executive Directors and six independent non-executive Directors (at least one independent non-executive Director possesses appropriate professional qualifications or possesses accounting or related financial management expertise). Biographical details of the Directors are set out on pages 18 to 19 in this annual report.

CORPORATE GOVERNANCE REPORT

During the Reporting Period, the fourth session of the Board held 9 meetings. The attendance record of each respective Director of the fourth session of the Board at the Board meetings held in 2017 is set out in the following table:

Directors	Attendance/number of meetings held or eligible to join
Mr. Yu Minliang *(Chairman)*	9/9
Ms. Guo Lijuan *(Vice Chairman)*	9/9
Mr. Chen Liming *(Vice Chairman)*	9/9
Mr. Zhang Qian	9/9
Mr. Han Min	9/9
Mr. Kang Ming**	9/9
Mr. Ji Gang*	9/9
Dr. Rui Mingjie*	9/9
Dr. Tu Qiyu*	9/9
Dr. Xu Jianxin*	9/9
Mr. Xie Hongbing*	9/9
Dr. He Jianmin*	9/9

* Independent non-executive Director

** Mr. Kang Ming ceased to hold the positions of executive Director, vice president, chief secretary of the Board, the Board secretary and joint company secretary of the Company with effect from 28 July 2017.

CONTINUOUS TRAINING AND DEVELOPMENT FOR DIRECTORS

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide a comprehensive induction package covering the summary of the responsibilities and legal obligations of a director of a Hong Kong listed company, the Articles of Association and the Guides on Directors' Duties issued by the Companies Registry to each newly appointed Director to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other regulatory requirements.

The company secretary of the Company reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to the Directors with written materials, and the legal advisers of the Company prepare and provide the Directors with detailed interpretations and analysis on the revised contents for them to understand the latest developments in a timely and accurate manner and to perform their duties in accordance with relevant laws and regulatory requirements. All Directors (namely, Mr. Yu Minliang, Ms. Guo Lijuan, Mr. Chen Liming, Mr. Zhang Qian, Mr. Han Min, Mr. Ji Gang, Dr. Rui Mingjie, Dr. Tu Qiyu, Dr. Xu Jianxin, Mr. Xie Hongbing and Dr. He Jianmin) have participated in relevant trainings, and were provided with the above information for further development and update on their knowledge and skills, which in turn ensures that they could make adequate and suitable contributions to the Board.

CORPORATE GOVERNANCE REPORT

NOMINATION OF DIRECTORS AND TERM OF OFFICE

The nomination committee has been set up under the Board on 28 March 2012. A shareholder holding 5% or more of the total number of shares of the Company with voting rights may nominate Director candidate(s) to the general meeting by the way of written proposal. A written notice stating their intention to nominate a candidate for directorship and the nominee's consent to be nominated shall be delivered to the Company after the dispatch of the notice of general meeting at which the election of Directors will be held and not less than 7 days before the general meeting, and the notice period shall not be less than 7 days. The criteria for nomination shall be based mainly on the academic qualifications, relevant experience and other biographical details of the candidates. The independence of the candidates and their potential contributions to the Board as a whole will also be considered.

Our Directors (including the non-executive Directors) shall be appointed for a term of three years from the effective date of their appointment.

RESPONSIBILITIES OF THE BOARD

The Board is accountable to the general meetings of the Company and exercises the following duties:

(1) To be responsible to convene general meetings and report their work therein;

(2) To execute the resolutions passed in general meetings;

(3) To determine the Company's business plans and investment plans;

(4) To prepare the Company's annual financial budget and final accounts;

(5) To formulate the Company's profit appropriation plan (including annual dividend payout plan) and loss recovery plan;

(6) To formulate plans to increase or reduce the registered capital of the Company and to issue the Company's debenture;

(7) To formulate the Company's merger, spin-off and dissolution plans;

(8) To determine the establishment of the Company's internal management entities;

(9) To engage or terminate the chief executive officer, and based on nominations of the chief executive officer, engage or terminate the Company's executive president, vice presidents, finance officers, and determine their remunerations;

(10) To formulate the Company's basic management system;

(11) To draw up proposals to amend the Articles of Association;

(12) To determine the Company's wage level, fringe benefits and incentive schemes according to the relevant PRC regulations;

(13) To determine major business and administrative matters not specified in the Articles of Association to be resolved in the Company's general meetings;

(14) To formulate major acquisition or disposal plans of the Company; and

CORPORATE GOVERNANCE REPORT

(15) To perform other functions as authorized by the Articles of Association and general meetings of the Company.

Resolutions in respect of matters referred to in items (6), (7) and (11) above shall be approved by two-thirds of the Directors, and approval by a simple majority of the Directors is required for the resolutions in respect of other preceding items.

The Board shall convene and the chairman shall call for regular meetings at least four times every year. Notices of such regular Board meetings shall be served on all of the Directors and Supervisors not less than 14 days before the dates of the meetings. A regular Board meeting shall not seek approval of the Board through the circulation of written resolutions. In case of any urgent matters, upon requisition by shareholders holding one tenth or more of the voting rights, one third or more of the Directors or the Supervisory Committee, an extraordinary Board meeting may be convened.

The time and venue for a Board meeting may be determined in advance by the Board and no separate notice for the meeting shall be necessary if such pre-determined time and venue have been put on record in the minutes of a previous meeting and such minutes have been sent to all Directors at least 10 days before the convening of the forthcoming Board meeting.

If the time and venue for a Board meeting have not been determined in advance by the Board, the chairman or the secretary of the Board shall dispatch a notice containing the time and venue of the Board meeting to all Directors at least 5 days (but not earlier than 10 days) prior to the date of the meeting by way of telex, telegraph, facsimile, express mail, registered mail or by hand.

The meeting agenda and relevant documents for regular Board meetings shall be delivered in full in a timely manner to all Directors at least 3 days (or any other agreed length of time) before the date set for such Board meetings.

The quorum of Board meetings shall be at least one half of all the Directors, who attend the meetings in person. Each Director shall have one vote.

Pursuant to relevant provisions of the Articles of Association and the Listing Rules, the Board has delegated the following duties to the senior management of the Company:

1. Preparation of the Company's annual financial budget and final accounts;

2. Adjustments to the internal management entities of the Company;

3. Establishment of the Company's daily management systems (such as human resources, finance, internal control, internal audit, asset management and investment management, etc.); and

4. Determination of wages, fringe benefits and incentive schemes for the Company's staff (other than the Directors and senior management) in accordance with the relevant PRC regulations.

SUPERVISORY COMMITTEE

As at the end of 2017, the Supervisory Committee comprised six members. The background and biographical details of the Supervisors are set out in the section headed "Directors, Supervisors and Senior Management". Supervisors acted diligently to effectively supervise on the lawfulness and compliance of the Company's financial matters and the performance of duties by the Directors and senior management.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

(1) Audit Committee

The Audit Committee is a committee established under the Board. Its main duties are to review and supervise the Company's financial reporting procedures, risk management and internal controls and to maintain an appropriate relationship with the Company's auditors. The current Audit Committee has adopted the terms of reference set out in "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants in February 2002.

The members of the Audit Committee are elected and appointed by the Board. The Audit Committee comprises three independent non-executive Directors, namely Dr. Xu Jianxin, Mr. Ji Gang and Dr. He Jianmin, and one of them is an independent non-executive Director who possesses appropriate accounting or related financial management expertize as required under Rule 3.10 (2) of the Listing Rules. Dr. Xu Jianxin is the chairman of the Audit Committee. The secretary of the Audit Committee is Dr. Ai Gengyun.

In 2017, the Audit Committee held 3 meetings in total. The attendance record of each respective member at the meetings of the Audit Committee held in 2017 is set out in the following table:

Directors	Attendance/number of meetings held or eligible to join
Dr. Xu Jianxin *(Chairman)*	3/3
Mr. Ji Gang	3/3
Dr. He Jianmin	3/3

The first meeting of the Audit Committee for 2017 was held on 12 January 2017, at which major operation results, review on internal audit, and audit plans in 2016 and the key tasks for internal audit in 2017 were reviewed and discussed. The second meeting of the Audit Committee for 2017 was held on 24 March 2017, at which the audit for 2016 and the consolidated financial statements for 2016 were reviewed and discussed. The third meeting of the Audit Committee for 2017 was held on 24 August 2017, at which the financial position of the Company for the first half of 2017 and concerns and advice relating to the major items in the interim period of 2017 were reviewed and discussed.

CORPORATE GOVERNANCE REPORT

(2) Remuneration Committee

The remuneration committee is a committee established under the Board. Its main duties are to make recommendations to the Board on the remuneration policies and structure for all Directors and members of senior management and to draw up procedures for formulating a remuneration policy that is incentive-based and disciplined. The current remuneration committee comprises one executive Director, Ms. Guo Lijuan and two independent non-executive Directors, Mr. Ji Gang and Mr. Xie Hongbing. Mr. Ji Gang is the chairman of the remuneration committee.

In 2017, the remuneration committee held 1 meeting in total. The attendance record of each respective member at the meeting of the remuneration committee held in 2017 is set out in the following table:

Directors	Attendance/number of meetings held or eligible to join
Mr. Ji Gang *(Chairman)*	1/1
Ms. Guo Lijuan	1/1
Mr. Xie Hongbing	1/1

The meeting of the remuneration committee for 2017 was held on 24 March 2017, at which the work summary for salaries and remuneration in 2017 and work plan for salaries and remuneration in 2017 were considered, the resolution on the remuneration for the senior management of the Company for 2017 was reviewed and passed, the disclosures in the annual report on salaries of the Directors, Supervisors and senior management were reviewed, and the summary report for the discharge of duties by the Remuneration Committee was reviewed.

(3) Nomination Committee

The nomination committee comprises the Chairman and the executive Director, Mr. Yu Minliang, and two independent non-executive Directors, Dr. Rui Mingjue and Dr. Tu Qiyu. Mr. Yu Minliang is the chairman of the nomination committee. The major duties of the nomination committee include: (1) review the structure, number of members and diversity 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.

In 2017, the nomination committee held 1 meeting in total. The attendance record of each respective member at the meeting of the nomination committee held in 2017 is set out in the following table:

Directors	Attendance/number of meetings held
Mr. Yu Minliang *(Chairman)*	1/1
Dr. Rui Mingjue	1/1
Dr. Tu Qiyu	1/1

The meeting of the nomination committee for 2017 was held on 30 August 2017, at which, certain adjustments to the qualifications of candidates for directorship and senior management membership were reviewed.

CORPORATE GOVERNANCE REPORT

(4) Strategic Investment Committee

The strategic investment committee of the Company ("Strategic Investment Committee") is a committee established under the Board. Its main duties are to provide advice and arguments for strategic investments proposed to be made by the Company, and to oversee the execution and performance of other supervisory duties. The current Strategic Investment Committee comprises three members, including two executive Directors, Ms. Guo Lijuan and Mr. Han Min, and one independent non-executive Director, Dr. Rui Mingjie. The chairman of the Strategic Investment Committee is Ms. Guo Lijuan.

In 2017, the Strategic Investment Committee did not hold any meetings.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under paragraph A.2.1 of Appendix 14 to the Listing Rules, the roles of the Chairman and the chief executive officer of an issuer should be separate and should not be performed by the same person. Currently, the Chairman is Mr. Yu Minliang, who is an executive Director and is responsible for formulating overall corporate strategies and major decision-making, and the chief executive officer is Mr. Zhang Qian, who is an executive Director and is responsible for overseeing the daily operation and operation management of the Company as well as coordinating the implementation of Board resolutions.

The Company is not aware of any financial, business or family relationships or significant relevant relationships between the Board members and the Chairman on one hand and the chief executive officer on the other hand.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code regarding Directors' and Supervisors' securities transactions. Every Director and Supervisor at the time of appointment was given a copy of the Model Code. The Company confirms, having made specific enquiries with all Directors and Supervisors, that for the year ended 31 December 2017, each of its Directors and Supervisors has complied with the requirements relating to Directors' and Supervisors' securities transactions as set out in the Model Code.

EXTERNAL AUDITORS

The independence of the Company's external auditors is confirmed. The external auditors will retire on the date of convening the following annual general meeting and will offer themselves for re-election at such meeting. During the Reporting Period, two external auditors were appointed, namely PricewaterhouseCoopers in Hong Kong for consolidated financial statements of the Group prepared in accordance with HKFRS and PricewaterhouseCoopers Zhong Tian LLP in the PRC for financial statements of the Group and the Company prepared in accordance with China Accounting Standards for Business Enterprises. An aggregate remuneration of RMB5,598,700 for the provision of audit services on the consolidated financial statements during the Reporting Period was paid to PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP.

CORPORATE GOVERNANCE REPORT

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES

The Directors have acknowledged their responsibilities for the preparation of the consolidated financial statements for the year ended 31 December 2017, and confirm that such statements give a true and fair view of the state of affairs of the Group as at 31 December 2017 and of the profit and cash flows for the Reporting Period. In preparing these consolidated financial statements, the Directors have selected and adopted suitable accounting policies and made accounting estimates that are reasonable under the circumstances; and have prepared the consolidated financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Group at any time.

PricewaterhouseCoopers, the international auditor of the Company, have set out their responsibilities in the independent auditor's report as set out on pages 89 to 93.

INVESTOR RELATIONS

The Company places strong emphasis on communications with shareholders and investors as well as the improvement in the transparency of the Company: designated departments and staff were put in place to provide reception for investors and analysts. During the Reporting Period, the Company received over 100 groups of funds managers and analysts in total and patiently answered their questions on the Company. Arrangements were made for visits to various types of hotels under the Company, allowing them to have a prompt understanding of the operations and latest business developments of the Company. The Company conducted true, accurate, complete and timely information disclosure in strict compliance with relevant laws and regulations, the Articles of Association and the Listing Rules. Investors can access information such as the basic conditions and statutory announcements of the Company at any time by visiting our website www.jinjianghotels.com.cn. Annual reports, interim reports, circulars and announcements published since the Company's listing are available under the section "Investor Relations" on the Company's website. Promotional presentations and one-to-one meetings with institutional investors are held after the announcement of interim and annual results.

The annual general meeting is a formal occasion for direct communications between the Directors and shareholders. All shareholders will receive a notice convening the annual general meeting 45 days prior to the meeting is held, which sets out the date, venue and agenda of the meeting.

CORPORATE GOVERNANCE REPORT

GENERAL MEETINGS

The Company convened the annual general meeting on 9 June 2017, at which six ordinary resolutions and two special resolutions on granting a general mandate to the Board and the amendments to the Articles of Association were considered and approved.

Details of the attendance of the Directors in the general meeting in 2017 are as follows:

Directors	Attendance/number of meetings held or eligible to join
Mr. Yu Minliang *(Chairman)*	1/1
Ms. Guo Lijuan *(Vice Chairman)*	0/1
Mr. Chen Liming *(Vice Chairman)*	1/1
Mr. Zhang Qian	1/1
Mr. Han Min	1/1
Mr. Kang Ming *(resigned on 28 July 2017)*	1/1
Mr. Ji Gang	1/1
Dr. Rui Mingjie	1/1
Dr. Tu Qiyu	1/1
Dr. Xu Jianxin	1/1
Mr. Xie Hongbing	1/1
Dr. He Jianmin	1/1

COMMUNICATION WITH SHAREHOLDERS

Shareholders' Rights

The Board is committed to maintaining communication with its shareholders and discloses significant development of the Company to its shareholders and investors when appropriate. The annual general meeting of the Company provides a good opportunity for communication between shareholders and the Board. In the event of convening a general meeting, a written notice, which specifies the matters to be considered in the meeting and the date and venue of the meeting, should be sent to all shareholders whose names appear on the share register of the Company 45 days prior to convening the meeting. Shareholders who intend to attend the general meeting should send the written reply to the Company 20 days prior to convening the meeting.

Shareholders of the Company may propose to the Company new motions to be tabled at the general meeting and demand the convening of extraordinary general meetings or class shareholders' meetings pursuant to relevant provisions of PRC laws and the Articles of Association. The Articles of Association have been posted on the website of the Stock Exchange.

Shareholder(s) individually or collectively holding ten percent or more of the outstanding shares of the Company carrying voting rights may, by written requisition(s) stating the object of the meeting, require the Board to convene an extraordinary general meeting or a class shareholders' meeting. The Board shall as soon as possible within two months after the receipt of such written requisition(s) proceed to convene the extraordinary general meeting or class shareholders' meeting. The shareholdings referred to above shall be calculated as at the date of the delivery of the written requisition(s) by shareholders.

CORPORATE GOVERNANCE REPORT

Where the Board fails to issue notice of convening a meeting within 30 days upon receipt of the above written requisition(s), shareholder(s) individually or collectively holding more than ten percent (including ten percent) of the outstanding shares of the Company carrying voting rights is/are entitled to request by written requisition(s) the Supervisory Committee to convene the extraordinary general meeting or class shareholders' meeting. The Supervisory Committee may convene the meeting on its own accord within four months upon the Board having received such request. In case the Supervisory Committee does not convene and hold the meeting(s), shareholder(s) individually or collectively holding more than ten percent of the shares of the Company for 90 consecutive days may convene the meeting(s) on his/her/their own accord. The convening procedures shall as much as possible be equivalent to those of general meetings convened by the Board.

In accordance with the Articles of Association, at any annual general meeting convened by the Company, shareholder(s) holding shares conferring five percent or more of the total voting rights are entitled to propose new proposal(s) in writing to the Company and the matters within the scope of general meeting in such proposal shall be included in the agenda of that meeting.

Enquires of and Communication with Shareholders

The Company publishes its announcements, financial data and other relevant data on its website at www.jinjianghotels.com.cn, as a channel to promote effective communication. Shareholders are welcomed to make enquiries directly to the Company at its principal place of business in Shanghai by post. The Company will respond to all enquiries on a timely and proper basis.

The Board welcomes shareholders' views and encourages them to attend general meetings in order to propose any concerns they might have with the Board or the management directly. The chairman of the Board and the chairmen of all committees usually attend the annual general meeting and other general meetings. At the general meeting, all shareholders attending the meeting may make enquires to the Directors and other management in respect of matters relevant to the resolutions. At any other time other than at the general meeting, shareholders may make their enquiries or express their opinions to the Board by calling the investor hotline of the Company or in writing (including facsimile, letter, e-mail, online message, etc.). The Company has published detailed contact methods through its website, notices of the general meeting, circulars to the shareholders and annual reports for shareholders to express their views or make enquiries.

RISK MANAGEMENT AND INTERNAL CONTROLS AND AUDIT

The Company has established a comprehensive set of compliance manual, which comprises the corporate governance regulations and operational regulations. It covers the structures of corporate governance, risk management, internal controls for financial aspects, internal audit, budgetary management system, fund raising and financing management system, management of external investment, engineering projects management, and human resources management policies and procedures. The above systems, policies and procedures effectively cover the decision-making and operational activities of the Company. Managerial employees in respective levels can effectively manage the risk level of their respective business activities. The compliance manual is reviewed and updated and reported to the audit committee on a regular basis.

Based on a risk-based approach, the internal audit department of the Company coordinates each of the departments and subsidiaries in the ongoing testing and self-evaluation for risk management and internal controls on an annual basis. A periodical inspection was conducted on the design of internal controls and effectiveness of its implementation for subsidiaries each year for a period of three years. Yearly check-ups were performed on each of the major areas of risk of the Company including internal and external investments, borrowings and financing, internal and external guarantees, securities, pledges and material transactions and asset purchases, connected transactions, equity transfers, disposal of assets, remunerations, inside information, disclosures for listed companies and structure of governance, and follow-up reviews were performed after identifying major issues during the check-ups and timely remedial actions were adopted. The internal audit department reports on the abovementioned works to the Audit Committee bi-annually.

CORPORATE GOVERNANCE REPORT

The Audit Committee under the Board is responsible for considering the risk management and internal control systems of the Company and the implementation of the abovementioned works by the internal audit department, and discussing the risk management and internal control systems of the Company with the management on such matters as, among others, the adequacy of the resources available to, and the qualification and experience of the staff for, the accounting, internal audit and financial reporting functions of the Company, and the sufficiency of the training sessions and the relevant budget for the staff. Reviews are conducted annually to ensure that the effective risk management and internal control systems are established for the Company and its subsidiaries. However, such systems aim to manage rather than eliminate the risks of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

To further strengthen and meet the need for performance excellence, the Company carried on with the establishment of its performance excellence management system in 2017, formulating relevant work plans in respect with strategic control, system of indicators, brand marketing, operation and management, platform building and human resources. A task force headed by Mr. Zhang Qian, the chief executive officer of the Company, was established. Risk management and internal controls are highlighted in the strategic control in the six aspects pinpointed for performance excellence management systems. The task force embarked on the establishment of the risk management and control systems in the second half of 2016. The current conditions of the risk control works performed by the Company were studied, and pilot companies for risk assessment were selected. A work plan and schedule for establishing risk control system was proposed, and the process of risk identification had begun. In particular, the implementation also included the optimization of the established protocols, summarization of common issues in the internal control for the previous three years, review on internal controls on GDL, and on-site study of risk-related issues and internal control systems of Plateno Group and Vienna Hotels. From 2018 onward, the Company will continue to make advancements on the various works relating to risk control including the performance of identification, assessment and coping of risks for the pilot companies, engaging in specialized training in risk control, strengthening the establishment of risk control teams, raising the awareness of risk control for all employees and bringing forth a new culture of risk control.

All Directors considered that the operation of current risk management and internal control systems effective.

JOINT COMPANY SECRETARIES

The Company has appointed Ms. Mok Ming Wai as the joint company secretary of the Company with effect from 28 March 2014. Her primary corporate contact person at the Company is Ms. Zhang Jue, another joint company secretary and the Board secretary of the Company.

In compliance with Rule 3.29 of the Listing Rules, the joint company secretaries of the Company have undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2017.

MAJOR DUTIES OF INTERNAL AUDIT

Internal audit encompasses the Company's major operations and focuses on the enhancement of efficiency and improvement of operation and management, and audits the implementation of annual business plans and operational targets of members of the Group. In addition, the internal audit assignments also focus on the following issues:

- to conduct audit on the integrity of department heads of members of the Group during their appointment period and separate audit for those who have been transferred, resigned, dismissed or retired;

- to conduct audit on income, expenses and related business activities;

- to conduct audit on construction projects as well as upgrade and renovation projects for fixed assets of over a designated amount;

CORPORATE GOVERNANCE REPORT

- to conduct audit on the implementation of investment management, fund management, properties management and internal control;
- to coordinate each of the departments and subsidiaries in the ongoing testing and self-evaluation for internal control on an annual basis;
- to conduct annual review on major compliance issues of the Company;
- to implement internal control and formulate and optimize risk management and internal control policies and standards according to management requirements;
- to conduct analysis and independent assessment on the effectiveness of the risk management and internal control systems of the Company;
- to be responsible for the development of full-time and part-time internal audit workforce, and organize relevant assignments in the Company's system; and
- to accomplish other audit assignments from senior management team, the Board and the Supervisory Committee.

EXCLUDED HOTEL BUSINESSES AND SHANGHAI NEW UNION BUILDING CO., LTD. ("NEW UNION")

The Company confirms that Jin Jiang International and its subsidiaries (other than the Group) have complied with the terms of the deed of non-competition dated 20 November 2006 entered into between the Company and Jin Jiang International (the "Deed of Non-Competition").

In accordance with the arrangements disclosed in the Prospectus, the independent non-executive Directors held four meetings in 2017 to consider whether or not to exercise the relevant rights granted to the Company by Jin Jiang International over the relevant excluded hotel businesses and new union business under the Deed of Non-Competition and whether to take up any business opportunity which was referred to the Company by Jin Jiang International or any of its subsidiaries (other than the Group).

After considering the relevant proposals presented by the Company, the independent non-executive Directors present at the meetings have decided not to exercise the relevant rights granted to the Company by Jin Jiang International over the relevant excluded hotel businesses and new union business under the Deed of Non-Competition for the reasons set out below:

Shanghai Eastern Jin Jiang Hotel Company Limited ("Eastern Jin Jiang"): Pursuant to the written notice of Jin Jiang International, Eastern Jin Jiang has been converted into a limited liability company and has obtained the business license of a limited liability company. The proportion of capital injected by each of the shareholders of Eastern Jin Jiang after it became a limited liability company was confirmed. As at the date of this annual report, Jin Jiang International has transferred its 90% equity interests in Eastern Jin Jiang to its wholly-owned subsidiary, Jin Jiang International Investment. Jin Jiang International Investment currently holds 90% equity interests in Eastern Jin Jiang. Jin Jiang International Investment is in a position to transfer its interests in Eastern Jin Jiang to the Company. It is up to the Company's decision whether to exercise its right to purchase Jin Jiang International Investment's 90% direct and indirect equity interests in Eastern Jin Jiang.

CORPORATE GOVERNANCE REPORT

In accordance with the relevant arrangements disclosed in the Prospectus, an internationally recognized independent valuer will be jointly appointed by the Company and Jin Jiang International to issue a valuation report that would determine the consideration for the purchase of the 90% equity interests in Eastern Jin Jiang. In accordance with the relevant PRC laws, Jin Jiang International will appoint another valuer qualified under the PRC laws to issue a second valuation report. Upon issuance of the two valuation reports, the independent non-executive Directors shall convene a meeting to make a final decision on whether to exercise its right to purchase Jin Jiang International Investment's 90% equity interests in Eastern Jin Jiang after considering all factors. The Company will issue a separate announcement in respect of the independent non-executive directors' decision on whether to exercise the relevant right.

Eastern Jin Jiang has in total 850 rooms. The revenue and net assets of Eastern Jin Jiang as set out in its management account prepared in accordance with the PRC Accounting Standards for Business Enterprises for the year ended and as at 31 December 2017 amounted to approximately RMB180,511,000 and RMB529,460,000, respectively.

Pacific Shanghai Hotel Company Limited ("Pacific Shanghai"): As at the date of this annual report, the term of operation of Pacific Shanghai was converted to long-term, and Jin Jiang International Investment holds 70% equity interests in Pacific Shanghai. In accordance with the relevant arrangements disclosed in the Prospectus, an internationally recognized independent valuer will be jointly appointed by the Company and Jin Jiang International to issue a valuation report that would determine the consideration for the purchase of the 70% equity interests in Pacific Shanghai. In accordance with the relevant PRC laws, Jin Jiang International Investment will appoint another valuer qualified under the PRC laws to issue a second valuation report. Upon issuance of the two valuation reports, the independent non-executive Directors shall convene a meeting to make a final decision on whether to exercise its right to purchase Jin Jiang International Investment's 70% equity interests in Pacific Shanghai after considering all factors. The Company will issue a separate announcement in respect of the independent non-executive directors' decision on whether to exercise the relevant right.

Pacific Shanghai has in total 587 rooms. The revenue and net assets of Pacific Shanghai as set out in its management account prepared in accordance with the PRC Accounting Standards for Business Enterprises for the year ended and as at 31 December 2017 amounted to approximately RMB144,924,000 and RMB664,581,000 respectively.

Garden Hotel Shanghai: As at the date of this annual report, Jin Jiang International has transferred its right to acquire all the buildings and facilities of Garden Hotel Shanghai to Jin Jiang International Investment after the expiry of the joint venture term of operation of Garden Hotel Shanghai. Jin Jiang International Investment currently has the above-mentioned right to acquire all the buildings and facilities of Garden Hotel Shanghai.

The joint venture term of operation of Garden Hotel Shanghai has not expired and Jin Jiang International Investment has not yet obtained any of the buildings or facilities of this company. Accordingly, the Company is currently unable to exercise the relevant right.

Garden Hotel Shanghai has in total 471 rooms. The revenue and net assets of Garden Hotel Shanghai as set out in its management account prepared in accordance with the PRC Accounting Standards for Business Enterprises for the year ended and as at 31 December 2017 amounted to approximately RMB255,709,000 and RMB142,079,000 respectively.

Jiaozhou Road Inn of Shanghai Foods Group Hotel Management Company Limited ("Jiaozhou Road Inn"): Legal and valid land use right certificates and building ownership certificates for the land and buildings being used by Jiaozhou Road Inn have not yet been obtained and therefore it is not legally possible for the Company to exercise the relevant right.

Jiaozhou Road Inn each has in total 82 rooms. The revenue and net assets of Jiaozhou Road Inn as set out in its management account prepared in accordance with the PRC Accounting Standards for Business Enterprises for the year ended and as at 31 December 2017 amounted to approximately RMB8,898,000 and RMB nil respectively.

CORPORATE GOVERNANCE REPORT

New Union: The development project of New Union has received all necessary operational licenses. In accordance with the relevant arrangements disclosed in the Prospectus, the Company and Jin Jiang International will appoint an internationally recognized independent valuer to issue a valuation report that will determine the consideration for the purchase of the equity interests in New Union. In accordance with the relevant PRC laws, Jin Jiang International will appoint another valuer qualified under the PRC laws to issue a second valuation report. Upon issuance of the two valuation reports, the independent non-executive Directors shall convene a meeting to make a final decision on whether to exercise its right to purchase Jin Jiang International's equity interests in New Union after considering all factors.

New Union has in total 270 rooms. The revenue and net assets of New Union as set out in its management account prepared in accordance with the PRC Accounting Standards for Business Enterprises for the year ended and as at 31 December 2017 amounted to approximately RMB269,464,000 and RMB-46,011,000 respectively.

During the Reporting Period, the business opportunities reviewed by independent non-executive Directors include:

(1) Jin Jiang International sought confirmation from the Company whether the business opportunity of acquisition of 100% equity interests in Jing'an Hilton Shanghai is taken up by the Company. If the Company confirms not to take up such business opportunity, Jin Jiang International or its subsidiary will acquire the 100% equity interests in Jing'an Hilton Shanghai.

(2) Jin Jiang International sought confirmation from the Company whether the business opportunity of acquisition of 100% equity interests in Jin Jiang Premier Hotels. If the Company confirms not to take up such business opportunity, Jin Jiang Premier Hotels will provide management services to the hotels owned by Jin Jiang International.

Upon thorough studies and consideration by independent non-executive Directors on the documents presented by the Company, the independent non-executive Directors expected that the above business opportunities would not provide sustainable profitability to the Group, would be inconsistent with the Group's prevailing development strategies and would otherwise be not in the best interests of the shareholders of the Company as a whole. Accordingly, the independent non-executive Directors have decided not to take up such business opportunity.

Apart from the above business opportunity, Jin Jiang International and its subsidiaries (other than the Group) have not referred any other business opportunity to the Company for owning, investing, participating, developing, operating or engaging business opportunities, whether directly or indirectly, competing with the Restricted Businesses. Accordingly, the independent non-executive Directors have not made any other decision on whether to take up relevant business opportunities.

Capitalised terms in this section shall have the same meanings as defined in the Prospectus, unless otherwise required by the context.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group hereby publishes the Environmental, Social and Governance Report (the "ESG Report") of year 2017, to demonstrate the Group's sustainable development concepts and practices to all stakeholders. This report engages members of the Group's headquarters and its affiliated hotels, including full-service hotels and selected-service hotels. The reporting scope ranges from 1 January 2017 to 31 December, 2017. The disclosure of environmental key performance indicators within the reporting scope covers 17 full-service hotels, which operated normally and were managed by the Group, with rights and interests owned, and 289 selected-service hotels subordinate to Groupe du Louvre in 2017. The report is presented in accordance with the Environmental, Social and Governance Reporting Guide (《環境、社會及管治報告指引》) (the ESG Guide) (《ESG 報告指引》) set out in Appendix 27 to the Listing Rules.

1. SOCIAL RESPONSIBILITY MANAGEMENT

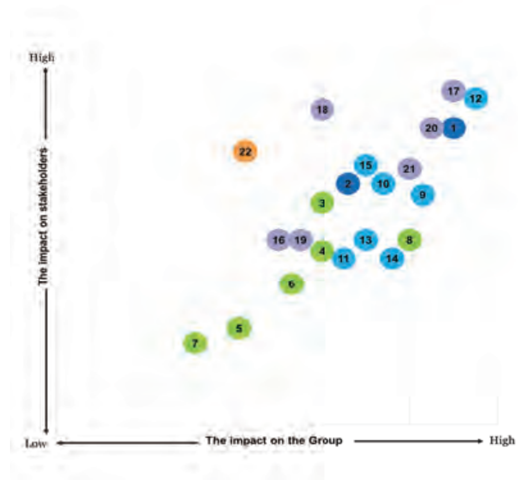
The Group board supports the Company's commitment to corporate social responsibility fulfillment and takes on full responsibility for the Environmental, Social and Governance strategies and their reporting. The Board is responsible for assessing and determining the Group's Environmental, Social and Governance risks and ensuring that the Group has established an appropriate and effective risk management and internal monitoring system for Environmental, Social and Governance. The management of the Group provides the Board with confirmation of the effectiveness of the Environmental, Social and Governance system.

The Group attaches great importance to corporate social responsibility management, and rigorously blends the social responsibility management with the Group's business activities. With the strategic objective of "Cultivating domestic market, Global layout, Transnational operations", and the development plan of "Innovation, Reform, and Upgrade". In addition, the Group actively strives to qualify as a civilized company and enhances the ideological, scientific and operational performance to achieve breakthroughs in "quality, innovation, and effectiveness", to further improve the staff performance, and to strengthen the corporate brand, social responsibility and core competitiveness.

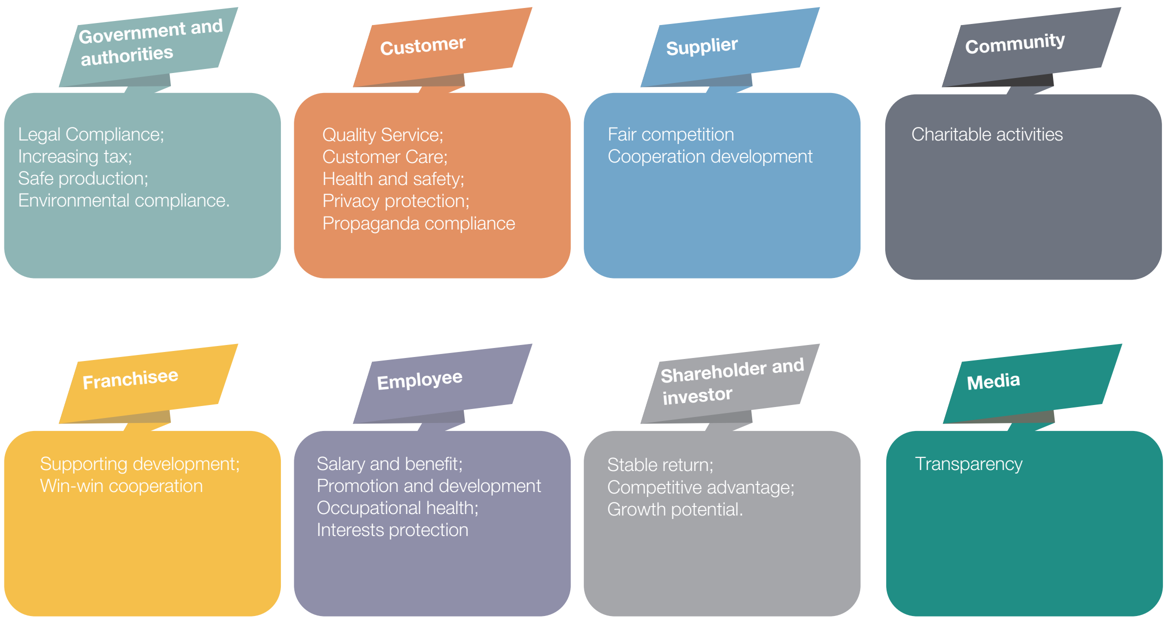
1.1. Stakeholders Communication

The Group pays special attention to the expectations of the stakeholders and adopts diversified and proactive communication attitude towards stakeholders. The Group adopts practical actions in dealing with the matters concerning stakeholders' interests and requests, to boost the growth of both the Group and the stakeholders.

Aspects	Indicators	No.
/	Economic performance	1
/	Investor relationship	2
A1 Emissions	Emission Reduction	3
	Adaption to climate change	4
	Waste reduction	5
A2 Use of resources	Energy Conservation	6
	Water conservation	7
A3 Environmental and natural resources	Green construction and reconstruction	8
B1 Employment	Staff right and interests protection	9
	Promotion	10
	Staff benefits	11
B2 Health and safety	Safe Production	12
	Occupational disease prevention	13
B3 Development and training	Staff training	14
B4 Labor standards	Forbid child labour and forced labour	15
B5 Supply chain management	Responsible procurement	16
B6 Product responsibility	Quality service	17
	Privacy protection	18
	Propaganda compliance	19
	Heath and safety	20
B7 Anti-corruption	Integrity management	21
B8 Community investment	Charitable activities	22



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



1.2. Party Integrity

With the 19th National People's Congress being held, the Group organized executive meetings to study and implement the spirits of the Congress, to deploy the construction work of a clean Party conduct, to transmit the spirits from the meeting on the construction work of a clean Party conduct within the city's state-owned enterprises, and to summarize and deploy the construction work of a clean Party conduct by the Commission for Discipline Inspection of the Group. The Group and its owning entities' Party committees earnestly implement the central spirit, consciously implement the "Three Stricts and Three Steadies" requirements, and actively implement the list of responsibilities of improving clean and honest Party conduct and list of the Commission for Discipline Inspection's responsibilities of oversight enforcement, in order to strengthen the Committee's main responsibility and the Secretary's top responsibility to boost the duty consciousness of 'One position with dual responsibilities' of the Party members, to strengthen the education in thinking, organization, style and system construction, to lay a solid foundation for the reforming development and international development in the Group.

The Group upholds the Party's discipline, rules and the spirit of the eight-point frugality code introduced by the Political Bureau of the Communist Party of China (CPC) Central Committee. The Group ensures stricter Party self-governance in every respect and assumes responsibility thereof by reprimanding and educating, holding cautionary talks timely, discovering problems early and correcting them when they are nascent. The Group has been undertaking "Studies on the Theoretical and Practical Issues of Party Building", sticking to the Group's major strategy, leading members to take the lead in demonstration, promote strong momentums. The Group's Party organizations at all levels, discipline inspection and supervision organizations must resolutely implement the general requirements of the Party's construction for a New Era, fully enforce "Two Responsibilities", strengthen the punishment of discipline violations, and continue to improve clean Party conduct. The Party members and leading cadres should take the spirit of the 19th National People's Congress as the guideline, bear the goals and the mission in mind, and go all out to become one of the "World's Top 3 Hotel Brand".

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2017, the Group strictly implemented policies including the Detailed Rules for Exercising Oversight and Enforcing Discipline (《監督執紀工作實施細則》) and the Group Party Committee's List of Responsibilities in Improving Clean and Honest Party Conduct (《集團黨委落實黨風廉政建設責任制清單》). Under the leadership of the Group's Party Committee and the Discipline Inspection Group of the State-owned Assets Supervision and Administration Commission of the State Council (SASAC), the Group's Commission for Discipline Inspection and the Supervision Office implemented the "Three Focuses", to push the Party's clean and honest conduct to a new level. On top of that, the Group includes the Policy on Clean Practices of Material Management Personnel (《物資管理人員廉政廉潔制度》) in the Procurement Management Policy (《採購管理制度》). The Group carried out departure economical responsibility audit in south area and northeast area, and accepted and handled complaints and reports about breaches of self-discipline and honesty.

The Group strictly complied with the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》), Law of the People's Republic of China on Anti-money Laundering (《中華人民共和國反洗錢法》) and other relevant laws and regulations. The Group has developed the Anti-Fraud Investigation Policy (《反舞弊調查制度》), the Whistleblower Protection Policy (《舉報人保護制度》) and the Reporting and Complaining Policy (《舉報投訴制度》), strictly prohibit actions relating to bribery, extortion, fraud and money laundering, set up reporting channels for breaches of work ethics and frauds including the hotline, email and mail box, and organized various monitoring and educational activities, including anti-corruption film viewing, visits to integrity educational bases, Party-Masses Work Salon and the "Jin Jiang Clean Party Conduct" WeChat Platform, to evaluate and investigate into the reports received, to urge the enterprise to draw inferences and combine education and organization to further purify the Party's organization. The Inspection Office under the Group's Commission for Discipline Inspection is responsible for the acceptance and investigation of prosecutions, ensuring strict confidentiality of complaints, safeguarding the legitimate rights and interests of informants, as well as promoting the Party image building and anti-corruption.

Study Party disciplines, understand duty and mission, and consolidate qualities and abilities

On 29 August 2017, the Group's Commission for Discipline Inspection and the Supervision Office held a special training program on Discipline Inspection and Discipline themed "Studying the Party's disciplines, understanding the duties and mission, and consolidating qualities and abilities". They demanded that discipline inspection and supervision agencies at all levels assist Party organizations in their efforts to promote Party conduct and incorrupt government, step up the learning intensity, and jointly advance the implementation of "Two Responsibilities" with the Party organizations; firmly grasp the key points, exercise the "four forms of oversight and discipline enforcement" to carry out supervision, discipline and accountability, and; actively adapt itself to the New Normal and practice "zero tolerance" towards the CPC "eight-point frugality code".

2. QUALITY SERVICE

Product quality and service levels are deemed essential by the Group because quality products and service are indispensable factors in remaining on solid footing in the highly competitive market. To encourage the service culture of Harmony and Courtesy, the Group has been developing service awareness, improving service level and delivering services in a more meticulous and earnest manner. In 2017, the Group ranked the first in "Top 60 Chinese Hotel Group in 2016". The brands of Jin Jiang GDL Asia Hotel and Campanile Hotel won the award of "China's most valued hotel" and "China's promising hotel brand" in the China Hotel Golden Horse Award, respectively.

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2.1. Design by Heart

The Group's full-service hotels provide guests with its uniquely homelike, luxurious, comfortable environment and high-quality services. With all kinds of homelike rooms with different styles, its personalized room renovation and facilities offer customers a warm feeling of living in their own home.

After its landing in China, Campanile positioned itself as a mid-tier hotel with French guest rooms, public areas and catering design. It also incorporates the local cultural style, which echoed with the brand positioning so that guests can have a satisfactory accommodation environment, keep on with their business, have enjoyable chats with friends, and experience the romantic French afternoon tea. All of these are conducive to an immersive experience at Campanile. In 2017, the Campanile Natural History Museum Hotel was inaugurated. All kinds of Chinese and French cuisines are available all day, and games like Pétanque are held regularly. Each guest would enjoy the healthy and cozy French style here.

Jin Jiang GDL Asia Hotel advocates the brand concept of "Life Aesthetician and My Life Style" and devotes itself to creating an accommodation environment and aesthetic sentiments which differ from other brands, catering to the primitive satisfaction of guests in every single hotel of the Group, which incorporates sharing, respecting, and perfection.

As the No.1 brand of mid-tier business hotels in China, Vienna Hotel adheres to the core value of "Deep Sleep and Great Health" and devotes itself to providing customers with healthy and comfortable highly value-added products and splendid sleep experience. It has established "Comfortable and Elegant, Top food, Luxury Quality, Safety and Environmental Friendly, Music and Art, Sound Sleep" as its six brand values.

Xana Hotelle is the first mid-tier chain hotel in China which has a women room area. It creatively applies the fashion consumer goods industry's way of branding. The hotel serves as a carrier that combines fashion and luxury with cross-border products and services to enhance the sense of consumer values. Employing the light luxury design style at a low cost, Xana Hotelle succeeded in making it the first choice for those people who would pursue a high-quality lifestyle.

In 2017, after a comprehensive and innovative design, the Group's new brand positioning of the Golden Tulip flagship store — Golden Tulip Shanghai Rainbow Hotel was inaugurated. With the acquisition of the French brand GDL Hotel, the Group has introduced the brand "Golden Tulip" and infused it with Chinese style and Jin Jiang features to create a modern, luxurious and French-style atmosphere with a blended sentiment of Chinese and French culture.

2.2. Considerate Services

The Group strictly abides by relevant laws and regulations such as Law of the People's Republic of China on Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》). It pays great attention to serving the National Day Banquet, the Party Congress, plenary sessions of the Municipal Party Committee, sessions of the CPPCC Municipal Committee, the Mayor's Consultation Meeting in Shanghai, etc., facilitating detail-oriented services, improving service standards, and enhancing the service quality, thus was spoken highly of by all parties. The Group's hotels adhere to the principle of "always smiling, doing our best". By strictly controlling, organizing investigation, sharing more excellent service practices and paying attention to guests' feedback, the operation management and quality of service of the Group's subsidiaries has seen a continuous improvement. "Jin Jiang Inn" and other limited service hotels constantly strengthen the quality management, and staff awareness of the quality service, which has continuously improved the brand reputation.

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In order to provide customers with more convenient services, the Group invested and built "WeHotel", a global hotel sharing platform, and "Jin Jiang Travel" APP. "J-club" and "Plateno Group Membership" share member data, rights, points, and deposits to form an integrated membership system. Users can enjoy convenient hotel services anytime, anywhere, keep updated with the hotel service information and book rooms to settle accommodation issues. In 2017, the China Customer Satisfaction Index (C-CSI) was released, indicating that Jin Jiang Tourism topped the ranking with a score of 80.1 percent, towering over the industry average of 67.9 percent by 12.2 percent.

In order to provide customers with standardized, and quality services, each hotel of the Group has established service standards and established a guest room training system, where a training team made up of room trainers and regional room trainers receive continuous TTT Training, carry out room cleaning processes, room cleaning tools, room service processes and other professional training and examinations, and continuously improve the quality of hotel room service, to maintain the brand quality.

The Group's hotels have set up the Guest Satisfaction Workflow Policy (《賓客滿意度工作流程制度》) to strengthen the management of routine monitoring and regular measurement of guest satisfaction. The Group timely collects guests' feedback on the online platform, contacts upset guests, understands the issue and takes corrective measures. Hotels conducted several unannounced visits each year, followed up complaints handling and feedback monthly and carried out sampling inspection on food safety cycle and tableware. The Group analyzed customer satisfaction, and consolidated yearly analysis for a finalized summary, working collectively to strengthen the Group's advantages and get rid of its disadvantages, and improving the service quality.

In response to customer complaints, the Group established Guest Complaint Handling Procedures (《客人投訴處理流程》) for all hotels, to clarify the responsible departments and handling procedures for guest complaints, and handle the complaints in a timely and effective manner. Moreover, the Group assigned specific persons-in-charge to conduct complaint handling, complaint supervision and tracking of hotel management issues. At the same time, full-time staffs are assigned to take charge of callback after handling complaints to complete the complaint handling process, enabling an end-to-end control. Hotels set up customer service departments and established complaint-handling process to handle complaints, maintain guest relations, and increase guest loyalty, which serves to constantly enhance the Group's core competitiveness.

In order to strengthen guest privacy protection, hotels of the Group established Guest Information Confidentiality Policy (《客人信息保密制度》). The Group designates persons-in-charge for customer information management, and utilizes an advanced and efficient confidential information management system to formulate a strict information authority system. Meanwhile, the Group strengthens staff training, raised the awareness of confidentiality, and fully protects the customers' information security.

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2.3. Security

In strict compliance with the Production Safety Law of the People's Republic of China(《中華人民共和國安全生產法》), Food Hygiene Law of the People's Republic of China (《中華人民共和國食品衛生法》), Fire Prevention Law of the People's Republic of China (《中華人民共和國消防法》), Measures for the Administration of Public Safety in the Hotel Industry (《旅館業治安管理辦法》) and Regulation on Safety Supervision of Special Equipment (《特種設備安全監察條例》), the Group followed the Policy on the Management of Internal Security and Fire Safety Management (《關於內部治安和消防安全管理工作的規定》), Policy on the Management of Production, Labor Protection and Special Equipment Safety (《關於安全生產、勞動保護和特種設備管理的規定》), and Policy on the Management of Public Health and Food Safety (《關於公共衛生和食品衛生管理工作的規定》), etc. to regulate and improve internal security and fire safety management, prevent hazards of polluted food and other factors, standardize and manage hotels' special equipment, formulate emergency plans and perform regular drills so as to ensure the health and safety of guests and staff thus offering a warm, harmonious and safe operating environment.

The Group has set up a vigorous safety production group; organized safety production management panels based on actual situations, and allotted full-time or part-time production safety management specialists to look into daily safety production management work. In addition, the Group regularly organized and supervised the "Safety Production Week" activities, and ensured professional training and certification for the special operators who need professional training and certification work.

The Group has established a public health and food hygiene management system, and adopted a food safety responsibility method. The Group also took a practical action of allotting full-time or part-time production safety management specialists to look into daily safety production management work. In the routine work, the Group organizes panels on both regular and irregular basis, inspecting and evaluating the public health and food hygiene, and conducts annual evaluation.

In 2017, the Group deployed a full-scale safety inspection, to celebrate the 19th National People's Congress. Group management team headed for the Group's hotels to ensure the implementation of safety measures. The Group attaches great importance to safety work, strictly abides by the safety benchmark, examined prevention measures of serious fires, accidents, major food poisoning accidents, and has implemented various safety measures and responsibilities to prevent all kinds of possible accidents.

To further instruct employees in knowledge and skills about fire suppression and escape, establish awareness of fire safety and improve their skills of security to guide the guests to evacuate safely in an organized and rapid way, the Group carried out safety training and fire emergency drills regularly.

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3. CARE FOR EMPLOYEES

3.1. Protection of employee's rights and interests

3.1.1. Standardized Employment

In strict compliance with the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and other applicable laws and regulations, the Group formulated procedures including the Policy and Procedure for Employment (《人員的招聘和錄用政策程序》) and the Policy and Procedure for Labor Contracts (《勞動合同政策程序》), which allow no bias against gender, place of birth, nationality or belief, and take into considerations candidates' academic background, language ability, interpersonal communication ability, technical competence, work experience and moral qualities, etc. with particular attention on professional experience, capability, performance and potential. The Group checks identifications of candidates to avoid child labor in the process of employment. The Group protects the legal rights of the employees in the process of dismissal in strict accordance with the requirement of relevant laws and regulations.

3.1.2. Promotions

Staff with phenomenal performance, business skills, management abilities and potential will be transferred to more critical positions or fill an opening referred by their superiors. Where there are job vacancies in the Group, staff of respective departments and companies will be given priority as candidates, showing the Group's effort to provide opportunities of career development and to motivate its employees.

The Group provides promotion policies and manages staff career paths through internal promotion, job rotation, changes of positions, etc. With horizontal and vertical promotion channels in place, it makes career development plans and collects feedbacks on execution status and results regularly to effectively help staff achieve potential, encourage their passion for work to the fullest, and increase solidarity and loyalty, thus facilitating co-development of company and staff.

3.1.3. Work-life Balance

The Group formulated a series of policies and procedures such as Annual Leaves (《年休假》) and Statutory Holidays (《法定節假日》) to safeguard leave entitlements of its staff. Staff of the Group are granted statutory holidays, paid annual leave, marriage leave, maternity leave, nursing leave, family planning leave, compassionate leave, home leave, etc.

In strict compliance with the Law of the People's Republic of China on Protection of Workers' Rights and Interests (《中華人民共和國勞動者權益保護法》), the Group tolerates no forced labor. The Group adopts the standard working hour system and comprehensive working hour system based on the nature of work. Where extending working hours and overtime work are needed due to operation and management needs, overtime work by employees can only be arranged on a voluntary basis upon application to and approval by responsible directors. Employees working overtime shall be given compensations or compensatory rests in a timely manner.

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3.1.4. Remunerations

Staff remuneration of the Group comprises basic salary, social security's contributions and merit pay. To motivate staff and encourage work passion, maintain staff rights and interests and further streamline profit distribution, we distribute incomes in favor of junior staff and staff who make great contributions, and strengthens incentive and restraint mechanism, so that personal incomes will accrue based on individual performance as well as enterprise revenues as a result of the growth of Jin Jiang Hotels. In 2017, the Group effectively promoted the Overall Wage Adjustment Plan and Bonus Incentive Plan (《工資總額總量調控暨獎金激勵總體方案》) and continued to improve and optimize the remuneration management system in accordance with the requirements of market-oriented reforms.

Benefits the Group provides to the staff include public pension, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing fund. Staff of some subsidiaries also enjoy benefits such as complementary provident fund, enterprise annuity and commercial health insurance.

3.1.5. Care for Employees

The Group cares about its employees, and organizes a variety of employee activities to ensure them a work-life balance. For example, the Group organized the "Jin Jiang Cup" photography and calligraphy contest and held a series of activities such as "Women's Day" for female employees. The Group headquarters organized "Enjoy Fabrics with your dexterous hands"; Shanghai Hotel held a bakery course and taught women employees to make western-style snacks. In addition, the Group organized employee medical examination and provides employees with various benefits such as meal allowance, car allowance, communication fees, laundry vouchers, holiday allowance and sunstroke prevention and cooling costs.

3.2. Improve working capabilities

The Group attaches great importance to the training and development of staff and has set up a specific training system where trainers were specified. The Group has formulated a set of policies and procedures for hotel training including systems curriculum preparation, training programs, training for trainers and training policy. In addition, the training audit practices were established in human resource audit, enabling an inspection of the hotel training system and its effectiveness and targeted integration of the training resources of Jin Jiang International Hotel Management Co., Ltd. The target-specificness of training on hotel operations and management effectiveness is strengthened by the Group's effort in the hotel's public management courses and job-specific training.

The Group has established the Orientation Policy Process (《入職培訓政策程序》) to ensure all new employees would obtain a planned and in-depth comprehension of "Jin Jiang Hotel" corporate culture, the Group's nature, mission, development prospect and organizational structure, rules and regulations, fire safety training to clarify their roles and responsibilities after they join the Group. It also helps new employees to get familiar with the environment as soon as possible, get along with team members and be identified with the team spirit. The Group prepares targeted training courses for employees of different ranks and further enriches staff training activities in various manners such as internal training, external training and online training.

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In 2017, the Group executed the "global talent exchange training plan and implementation scheme", carried out trainings and designated personnel for key project, organized talent exchange training between hotel sectors in collaboration with Louvre Asia Hotel Management Co., Ltd and the Louvre European headquarters and implemented the "Hundred Talent Training Program", "Hundred Talent Practice Training Program", the second batch of "Ling hang Team"(「領航團隊」) and the first batch of "Yuan hang Team"(「遠航團隊」). These training programmes were designed for middle and senior hotel operational management and divided into the theoretical session (international hotel management, leadership and service awareness) and the practical session.

In November 2017, the Group launched a training program of middle and senior operational management called "Yuan hang". During one and a half months of theoretical trainings in China and practical ones abroad, trainees completed all the three modules, i.e., Discover, Anchor, and Lead, which meant an all-round improvement in business skills.

"Yuan Hang" Talent Training in 2017

Besides, the Group carried out the "Ling hang team" exchange training regularly to organize the senior management from each sector sharing their brand concept and management experience. Meanwhile, all exchange trainers would join field visit to sector flagship stores, which would benefit all participants and enhance mutual understanding between different hotel sectors.

Besides, each of the hotel companies under the Group has also built its unique training system to provide its employees with various training programs:

- University of Vienna

  Vienna Hotels has established the University of Vienna to meet the hotels' sharp increase in demand for talents. At the beginning of each year, the Group will include employee training in the annual training plans, enabling no less than 80 hours of studying for employees, and a pre-job training of 3-6 months for important positions. The training courses are delivered by the Company's senior technical staff and experienced teachers.

- Plateno Business School

  Plateno Group has set up Plateno Business School, with a dedication of training middle to senior management staff. Up to today, Plateno Business School has developed cooperation with prestigious schools including Harvard Business School, Lingnan College of Zhongshan University and the French European Business School. It designed learning programs such as "Overseas Class", "Ling hang" and "Yuan hang".

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- Excellence Card public class

  Jin Jiang International Hotel Management Co., Ltd. has been cooperating with Shanghai Jiaotong University's Overseas Education Institute from 2014 onwards to provide training courses on management, skills, marketing, finance and other modules to employees through the Excellence Learning Program (Excellence Card) jointly offered by overseas organization of Jiaotong University, to meet the requirements of continuous learning and to provide intellectual assurance for the company's growth and development.

- Shanghai Jin Jiang Management College

  The Group provides targeted and practical training and seminars for its staff through Shanghai Jin Jiang Management College. The college offers "leadership skills upgrading training" and "best dishes training course" for its front officers, in an effort to improve hotel management and service through case analyses and explanations of practical operations.

- Jin Jiang Metropolo School of Management

  Established in March 2005, Jin Jiang Metropolo School of Management serves as a training center for Jin Jiang GDL Asia's employees on intermediate levels and above. The college has programs for economy chain hotel employees, managers of mid-class hotels, franchise owners, management trainees and so on. The college has developed four major types of training courses, including corporate culture, marketing and sales, back office management and general management, to provide trainees with comprehensive learning programs.

4. RESPONSIBLE PROCUREMENT

To keep pace with the Group's internationalization process, the Group established the Global Hospitality Management Committee, as well as a unified global hotel purchasing and sharing platform. The Group also set up a unified procurement decision-making committee and a unified procurement executive committee to integrate the advantages of the Group under the network and introduce the Internet-based thinking. Internet of Things technology and big data analysis were employed to provide quality products and services for its global hotels, and create a supply ecosystem in hospitality industry in a full circle covering customers, franchisees and suppliers to benefit all parties.

In 2017, the procurement-sharing platform launched the Jin Jiang Rong Hotel, which integrates 12 brands and creates 120 differently styled rooms to provide investors with a one-stop experience. Based on the model room built by the suppliers in the hotel, it formed a pool of suppliers to integrate resources with strict standards of access and "market-oriented, professional and internationalized" horizons to further strengthen the management of the supply chain and control the environmental and social risks in the supply chain.

The Group has set up a purchasing management policies, such as the Rules for the Unified Procurement of Mechanical and Electrical Equipment (《機電設備統一採購實施細則》), the Procurement Management Policy (《採購管理制度》), the Hotel Procurement Management Policy and Procedures (《酒店採購管理制度及流程》), and the Policy and Operational Rules for Construction Projects (《工程項目管理規定及運行細則》), which regulate the procurement in hotel construction and operation in terms of process, organisation and implementation. The Group clearly defined the supplier's access requirements, such as QS certificate, ISO 9001 certificate, ISO 14001 certificate, product test report and so on. The Group strictly regulates the standards, material requirements, specifications, production requirements, quality requirements and packaging requirements of the bidding products, carried out sample test on the purchased products and adhered to the quality analysis method of "sample observing, sample testing, sample keeping and random sample check" to ensure product quality.

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The Group requires suppliers to sign on an Integrity Agreement (《廉潔協議書》) and carries out periodic appraisals and evaluation of suppliers' product quality, price, delivery, service, etc. Based on the result of the appraisal, the decision will be made whether to renew the contract or terminate the cooperation.

The Group's specific control measures on the environmental and social risks in the supply chain are as follows:

(1) Strengthening corporate social responsibility of suppliers. For supplier selection, the Group's procurement department selects suppliers that perform well considering the environmental and social performance of suppliers and eliminates suppliers that have a negative impact on the environment or society, thus intentionally encouraging all suppliers to take action to improve their social responsibility.

(2) Establishing a dedicated social responsibility review and supervision body. The Group has established a supply chain review and supervision department to oversee the supplier's environmental and social governance.

(3) Strengthening the evaluation mechanism of supplier's environment and social risks. All suppliers of the Group must abide by local laws and regulations on labor, environmental protection, safety and other relevant items, and accept the review of the Group. In addition, the Group conducts periodic site review of suppliers to assess suppliers' environmental and social management performance, and deliver follow-ups of improvement measures.

5. SOCIAL WELFARE

Social welfare practices are the cause of helping the poor, uniting people in charity and bringing positive energy. The Group strives to integrate its own development with serving and contributing to the society, to actively create a harmonious external environment and secure harmonious development between the enterprise and the society.

5.1. Support and co-development

The Group signed the agreement of supporting and co-constructing Shanghai urban and rural Party organizations with the Party branch of Shantang County in Langxia Town, Jinshan District, leveraging the platforms for urban/rural aid and Party building. Various interactive activities were held to facilitate support work. The two sides held the joint construction of interaction and exchange of insights in building the Party, Party branch construction, Party member activities and other organizations to enhance the quality of the Party organization's work.

In 2017, the Group organized two visits to 13 low-income families in Shantang County, giving out a total of RMB26,000 showing their concern. In addition, the Group offered accident insurance for 836 elderly over 60 in Shantang County, and RMB16,720 was paid for them to cover the insurance premium.

5.2. Love and Care

Caring for the elders and children and helping the poor have always been the focus of our public welfare activities. The Group requires all its hotels to provide vacant rooms for people and disaster relief personnel for free during major natural disasters or accidents, and actively participate in disaster relief activities. Various hotel members of the Group actively carry out all kinds of care activities and volunteer activities, such as helping poor students in the community.

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5.3. Welfare Publication

The Group actively organized or participated in public welfare activities, promoted healthy lifestyles and enhanced the customers and employees' awareness of environmental protection. The Group uses social media to promote public activities and champion good causes to enhance the image of the Company as a socially responsible enterprise.

Earth Hour

On 25 March 2017, the Group headquarters participated in the Earth Hour environmental initiatives. The Group cut off the floodlights on exterior wall from 20:30 to 21:30, and advocated low carbon environmental protection. Meanwhile, the Group encouraged chain stores to interact with customers to expand the influence.

6. ENERGY SAVING AND EMISSION REDUCTION

Resource saving and environmental protection are related to the people's vital interests and the future of next generations and the nation. The Group, as a listed company with strong sense of responsibility, is responsible for the society and takes active measures to reduce energy consumption, reduce pollution emissions and promote sustainable development.

6.1. Green Construction and Rebuild

The Group focuses on the hotel's environmental impact in the building and renovating process, requiring hotels to take active energy-saving measures in building and renovating projects to reduce environmental impacts during construction and subsequent operations. Jin Jiang Inn formulated the Engineering Mode Handbook (《工程模式手冊》) to strengthen the green energy conservation and environmental protection standards for newly built and renovated hotels.

In addition, the Group actively implements the requirement for "Simultaneous Execution in Three Aspects" laid down by PRC environmental authorities in its projects, assessing the potential environmental impact the project may produce and designing measures with specific plans, ensuring approval from the Environmental Protection Department in accordance with the requirement for "Simultaneous Execution in Three Aspects" preceding the construction.

6.2. Emission Reduction

The Group strictly abides by the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and other relevant environmental laws and regulations. The Group has formulated and implemented the Environmental Protection Management Policy (《環保管理規定》) to strengthen the management of environmental factors such as noise, waste gas, greenhouse gas and sewage.

- Noise: Generated by all fans, equipment rooms, water towers, boilers and other equipment. The Group adopts the silencing method, sound insulation method, sound absorption method and other sophisticated methods and uses low-noise equipment to ensure that noise emissions meet the Noise Emission Standards in Social Life Environment (GB 22337–2008) (《社會生活環境噪聲排放標準》(GB 22337–2008));

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- Waste gas: Mainly generated in combustion processes inside boilers, as well as kitchen exhaust and car exhaust emissions. For boilers, actions have been taken to enhance combustion, rendering the full burning of combustible materials in the fuel. The fly ash generated by burning should be treated with a variety of dust removal methods (such as cyclones, tubes, wet dust, etc.) to conform to the Boiler Air Pollutant Emission Standard (GB 13271-2014) (《鍋爐大氣污染物排放標準》(GB 13271-2014)). Purification methods have been taken to eliminate the kitchen waste gas and automobile exhaust in compliance with requirements of authorities governing related industries. As the main fuel of Group is natural gas clean energy, the emissions of exhaust gas is minimum and immaterial to the Group's operation and have not been disclosed in this ESG report.

- Greenhouse gases: The Group's greenhouse gas emissions are mainly derived from the energy indirect emissions from the purchased electricity (Scope 2) and direct emissions from the burning of fossil fuels in boilers and kitchens (Scope 1). Therefore, the Group actively adopts energy-saving measures, uses energy-saving technology, and reduces energy consumption to cut greenhouse gas emissions. During this Reporting Period, the Group's greenhouse gas emissions were 184,290 tCO_2e in total and the emission intensity was 3.98 tCO2e per room.

- Sewage: Mainly comprising the domestic sewage discharged by private enterprises. According to the national standards, some hotels discharge sewage directly after treatment, while some discharge the sewage to the municipal pipe network after complying with relevant standards treatment with wastewater treatment equipment. The hotel organizes related personnel to carry out cleaning and inspection on rain and sewage pipeline regularly and dumping substances which does great harm to environment such as waste oil and waste chemicals into drain is banned. Remote monitors have been installed at wastewater outlets to enable real-time monitoring and guarantee the conformity of the sewage discharge to the Integrated Wastewater Discharge Standard (GB 8978-1996) (《污水綜合排放標準(GB 8978-1996)》). During this Reporting Period, the Group discharged sewage 6,072,134 tons.

- Oil Fume: Oil fume treatment equipment has been installed to ensure the discharge complies with the standards, and remote monitors have been installed at the discharge outlets enabling real-time monitoring to ensure it meets the requirements as stipulated in restaurant oil fume emission standards (tentative) (GB 18483-2001) (《飲食業油煙排放標準(試行)》(GB 18483-2001));

- Waste: The waste generated by the Group includes a small volume of hazardous waste and non-hazardous waste. Non-hazardous waste includes kitchen waste and room garbage. All waste must be collected to the designated place or area and not in open air, to prevent the waste flowing into the rainwater pipe with rain. The Group recycles recyclable waste paper, plastics and glass, and transfers other waste for disposal by municipal sanitation office. As the Group has not established a reliable non-hazardous waste related emission data collection process, KPI A1.4 (total non-hazardous waste produced) has not been disclosed in this ESG report. The Group plans to establish a systematic collection channel to collect the non-hazardous waste emission data and disclose the indicator in the future. Hazardous waste includes a small quantity of waste oil, waste lamp tubes, waste electronic components, and waste cells. Through implementing waste classification, the Group's hazardous waste is recovered by the manufacturers or was disposed of by qualified disposal parties. As the emission of hazardous waste is minimum and immaterial to the Group's operation, it has not been disclosed in this ESG report.

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6.3. Save Resources

6.3.1. Energy Saving

The Group adheres to the Energy Conservation Law of People's Republic of China (《中華人民共和國節約能源法》) and other relevant laws and regulations. In order to strengthen the management of affiliated companies and save energy, the Group has formulated and implemented Energy Conservation Policy (《節約能源管理規定》).

The Group has set up energy management positions for each enterprise, which are responsible for supervising and inspecting the energy utilization status of the enterprise, and formulating a targeted energy-saving plan. The Group determines and instructs annual energy consumption plans, energy-saving indicators and assessment requirements, to help enterprises establish and further improve the energy-saving goal responsibility system where leaders at all levels are assigned corresponding tasks, so that responsibilities are implemented and measures are effectively adopted at all levels to ensure the completion of energy-saving goal. The energy-consuming enterprises should subject to safety and service functions, select products and equipment with high efficiency and low energy consumption, as well as the corresponding service methods and service items. The energy-saving practices of each enterprise will be evaluated regularly, and subject to commendation or criticism based on evaluation results. Energy-saving education and training should be actively carried out for each energy-consuming enterprise to enhance energy-saving awareness of their staff.

The Group's main energy consumption goes to electricity, natural gas, gas and diesel. The Group will incorporate in the Shanghai Full Service Hotels into the "Shanghai Hotel Energy Saving Platform", to record the use of energy and water, and benchmark the historical data to the peer firms' performance. The Group annually carries out energy-saving renovation projects according to the needs of the hotel. In recent years, through replacing oil boilers with gas counterparts, adopting LED lighting, geo-heat pump, air-hearing technology, waste heat recovery and other energy-saving projects, the Group successfully reduced its energy consumption and lowered the energy cost. In 2017, the Group completed the Eastern Jin Jiang and Shanghai Sofitel Hyland Hotel's CO_2 heat pump renovation projects, obsoleting boiler heating and greatly improving energy efficiency.

The Group's energy consumption during the Reporting Period is 436,457 MWh, with an energy intensity at 9.42 MWh/room.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6.3.2. Water Saving

The Group attaches importance to the conservation and utilization of resources, and improves water efficiency in various ways. Water balance tests have been conducted, and a 3-level meter system has been installed to avoid leakage in pipelines and abnormal water using activities. In addition, water saving cards were placed in the room. Bedsheets and bath towels will be replaced or cleaning on the request of the guests. Select Service Hotels adjust the water level control valves in tanks to reduce the flush. During the Reporting Period, the water consumption of the Group was 6,746,815 tons and water consumption intensity was 145.69 ton/room.

As no packaging materials were used in the Group's operational activities, KPI A2.5 (total packaging material used for finished products) in the ESG Guide is not applicable to the Group and has not been disclosed in this ESG Report.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of Shanghai Jin Jiang International Hotels (Group) Company Limited
(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of Shanghai Jin Jiang International Hotels (Group) Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 94 to 244, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is "Impairment assessment of goodwill and intangible assets with indefinite useful lives in relation to the hotel related business".

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and intangible assets with indefinite useful lives in relation to the hotel related business	
Refer to note 2.2 (i) "Significant accounting policies of intangible assets" and note 9 "Intangible assets" to the consolidated financial statements. As at 31 December 2017, goodwill and intangible assets with indefinite useful lives (excluding the licences of operation vehicles) in relation to the hotel related business (the major business of the Group) amounted to RMB11,384 million and RMB6,139 million, respectively. In assessing the recoverable amounts of the Group's cash generating units ("CGUs") that include these goodwill and intangibles assets, management engaged external valuation experts to assist in determining the value in use calculations of these CGUs, being the present value of the future cash flows expected to be derived from these CGUs. Such calculations involved developing assumptions and estimates about the future results of the relevant businesses, including: • revenue per available room; • number of self-owned and franchised hotels; and • discount rates.	We assessed the competence, capabilities and objectivity of the external valuation experts who assisted management in determining the value in use calculations of these CGUs. We compared the current year actual results with the prior year forecast to consider, with hindsight, whether key assumptions included in that forecast had been subject to management bias. We assessed management's future cash flow forecasts and calculation of value in use of each CGU. Our procedures included: • assessing the appropriateness of the valuation methodology adopted by reference to market practices; • assessing the key assumptions, including the projected revenue per available room and number of self-owned and franchised hotels, by comparing with the historical operating results and future operating plans of the relevant businesses, taking into consideration of economic and industry forecasts; • assessing the discount rates by reference to external data, including the risk factor of comparable companies and market risk premium; • assessing the appropriateness of other key input data by comparing with the approved budget, historical data or future business plan; and • testing the mathematical accuracy of the discounted cash flows calculations.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
We focused our audit effort on this area because of the significance of the related balances, the uncertainties associated with estimating the future operating performance of these CGUs, and the significant management judgements involved in determining the valuations, including the appropriateness of the significant assumptions adopted.	We assessed management's sensitivity analysis to evaluate the assumptions to which the outcomes of the discounted cash flows are more sensitive and the degree to which and likelihood that these assumptions may move to trigger an impairment. We found that management's judgements in connection with the impairment assessment of goodwill and intangible assets with indefinite useful lives in relation to the hotel related business were supported by the evidence we gathered.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the Company's 2017 Annual Report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with the Audit Committee all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jane Kong.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2018

CONSOLIDATED BALANCE SHEET

For the year ended 31 December 2017

	Note	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	12,541,050	12,515,403
Investment properties	7	290,195	288,448
Land use rights	8	3,296,355	1,951,609
Intangible assets	9	18,833,492	18,259,164
Investments accounted for using the equity method	11	1,909,749	1,949,200
Available-for-sale financial assets	13	3,508,065	3,485,450
Deferred income tax assets	14	762,739	695,490
Trade receivables, prepayments and other receivables	16	206,954	434,024
Restricted cash	18	—	3,306,492
		41,348,599	42,885,280
Current assets			
Financial assets at fair value through profit or loss	17	32,204	60,924
Available-for-sale financial assets	13	186,849	182,022
Inventories	15	209,153	195,781
Trade receivables, prepayments and other receivables	16	4,132,958	2,877,760
Restricted cash	18	420,387	1,659,753
Bank deposits with maturities over 3 months	18	4,560,632	2,350,271
Cash and cash equivalents	19	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)

For the year ended 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	20	**5,566,000**	5,566,000
Reserves	20	**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	22	**19,954,804**	16,388,796
Deferred income tax liabilities	14	**3,085,697**	3,141,998
Trade and other payables	21	**2,067,203**	927,987
		25,107,704	20,458,781
Current liabilities			
Borrowings	22	**3,828,870**	8,553,405
Derivative financial instruments		**4,391**	6,158
Income tax payable		**360,374**	279,457
Trade and other payables	21	**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

The notes on pages 102 to 244 are an integral part of these consolidated financial statements.

The consolidated financial statements on page 94 to 244 were approved by the Board of Directors on 29 March 2018 and were signed on its behalf by:

Yu Minliang
Chairman and Executive Director

Zhang Qian
Chief Executive Officer and Executive Director

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Revenue	5(a)	**19,758,908**	17,013,125
Cost of sales	25	**(14,949,609)**	(13,254,487)
Gross profit		**4,809,299**	3,758,638
Other income and gain	23	**786,010**	1,207,757
Selling and marketing expenses	25	**(1,112,808)**	(1,050,169)
Administrative expenses	25	**(2,114,141)**	(1,625,799)
Other expenses and losses	24	**(189,975)**	(119,939)
Operating profit		**2,178,385**	2,170,488
Finance income	27	**115,807**	178,565
Finance costs	27	**(692,005)**	(746,375)
Finance costs — net		**(576,198)**	(567,810)
Share of results of joint ventures and associates accounted for using the equity method	28	**359,770**	185,679
Profit before income tax		**1,961,957**	1,788,357
Income tax expense	29	**(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	30	**13.67**	13.63

The notes on pages 102 to 244 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Profit for the year	5(a)	**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	13	**(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	29	**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

The notes on pages 102 to 244 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to shareholders of the Company					
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016	5,566,000	1,162,956	2,567,219	9,296,175	7,482,204	16,778,379
Comprehensive income:						
Profit for the year	–	–	758,446	758,446	595,858	1,354,304
Other comprehensive income:						
Remeasurements of post-employment benefit obligations	–	(2,174)	–	(2,174)	(2,146)	(4,320)
Fair value changes on available-for-sale financial assets — gross	–	(247,279)	–	(247,279)	(281,651)	(528,930)
Transfer of fair value changes on disposal of available-for-sale financial assets — gross	–	(193,051)	–	(193,051)	(188,391)	(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 (note 29)	–	128,535	–	128,535	135,501	264,036
Cash flow hedges	–	(39)	–	(39)	(39)	(78)
Currency translation differences	–	4,655	–	4,655	(7,683)	(3,028)
Total other comprehensive income	–	(309,353)	–	(309,353)	(344,409)	(653,762)
Total comprehensive income	–	(309,353)	758,446	449,093	251,449	700,542
Transactions with owners:						
Contributions by and distributions to owners of the Company recognised directly in equity:						
Profit appropriation	–	35,098	(35,098)	–	–	–
Dividends (note 31)	–	–	(361,790)	(361,790)	–	(361,790)
Total contributions by and distributions to owners of the Company recognised directly in equity	–	35,098	(396,888)	(361,790)	–	(361,790)
Dividends to non-controlling interests	–	–	–	–	(345,065)	(345,065)
Acquisition of equity interests in subsidiaries from non-controlling interests	–	(22,571)	–	(22,571)	(124,951)	(147,522)
Disposal of a subsidiary	–	–	–	–	(1,438)	(1,438)
Capital contribution from non-controlling interests	–	(886)	–	(886)	2,267,756	2,266,870
Non-controlling interests arising from business combination	–	–	–	–	1,257,896	1,257,896
Effect of business combination under common control combination	–	(3,061)	–	(3,061)	(4,736)	(7,797)
Total transactions with owners	–	8,580	(396,888)	(388,308)	3,049,462	2,661,154
Balance at 31 December 2016	5,566,000	862,183	2,928,777	9,356,960	10,783,115	20,140,075

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2017

	Attributable to shareholders of the Company					
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017	5,566,000	862,183	2,928,777	9,356,960	10,783,115	20,140,075
Comprehensive income:						
Profit for the year	–	–	760,770	760,770	793,191	1,553,961
Other comprehensive income:						
Remeasurements of post-employment benefit obligations	–	(257)	–	(257)	(254)	(511)
Fair value changes on available-for-sale financial assets — gross	–	(50,913)	–	(50,913)	(47,301)	(98,214)
Transfer of fair value changes on disposal of available-for-sale financial assets — gross	–	(88,473)	–	(88,473)	(87,253)	(175,726)
Fair value changes on available-for-sale financial assets and transfer of fair value changes on disposal of available-for-sale financial assets — tax (note 29)	–	37,887	–	37,887	36,554	74,441
Cash flow hedges	–	499	–	499	468	967
Currency translation differences	–	15,900	–	15,900	32,103	48,003
Total other comprehensive income	–	(85,357)	–	(85,357)	(65,683)	(151,040)
Total comprehensive income		(85,357)	760,770	675,413	727,508	1,402,921
Transactions with owners:						
Contributions by and distributions to owners of the Company recognised directly in equity:	–	32,207	(32,207)	–	–	–
Profit appropriation						
Dividends (note 31)	–	–	(445,280)	(445,280)	–	(445,280)
Total contributions by and distributions to owners of the Company recognised directly in equity	–	32,207	(477,487)	(445,280)	–	(445,280)
Dividends to non-controlling interests	–	–	–	–	(412,193)	(412,193)
Acquisition of equity interests in subsidiaries from non-controlling interests	–	(172)	–	(172)	(1,691)	(1,863)
Disposal of equity interests in a subsidiary to a non-controlling interests with lose of control	–	–	–	–	(10,672)	(10,672)
Capital contribution from non-controlling interests	–	–	–	–	144,590	144,590
Transaction with non-controlling interests arising from put options (note 35(b))	–	(49,885)	–	(49,885)	(49,251)	(99,136)
Non-controlling interests arising from business combinations (note 35(a)(b))	–	–	–	–	154,307	154,307
Decrease in capital surplus of an associate arising from its business combination under common control	–	(52,012)	–	(52,012)	(17,190)	(69,202)
Total transactions with owners	–	(69,862)	(477,487)	(547,349)	(192,100)	(739,449)
Balance at 31 December 2017	5,566,000	706,964	3,212,060	9,485,024	11,318,523	20,803,547

The notes on pages 102 to 244 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

		Year ended 31 December	
	Note	2017 RMB'000	2016 RMB'000
Cash flows from operating activities:			
Cash generated from operations	32(a)	**2,812,580**	3,735,006
Net increase/(decrease) in deposits from customers(*)		**4,320,609**	(1,044,513)
Net increase/(decrease) in loans to customers(*)		**712,500**	(366,000)
Interests paid		**(700,086)**	(711,961)
Interest income from restricted deposits pledged for borrowings		**55,310**	19,365
Income tax expense		**(604,077)**	(485,958)
Net cash generated from operating activities		**6,596,836**	1,145,939
Cash flows used in investing activities:			
Proceeds from disposal of property, plant and equipment	32(a)	**110,710**	96,370
Proceeds from disposal of intangible assets		**2,617**	1,282
Proceeds from disposal of interests in associates		**38,139**	—
Proceeds from partial disposal of a joint venture		**—**	488,404
Proceeds from disposal of available-for-sale financial assets		**604,706**	2,832,417
Proceeds from disposal of financial assets at fair value through profit or loss		**41,132**	258,199
Proceeds from disposal equity interests of subsidiaries	32(b)	**7,275**	—
Purchase of property, plant and equipment		**(1,073,570)**	(1,031,494)
Purchase of intangible assets		**(68,075)**	(50,789)
Purchase of available-for-sale financial assets	13	**(729,801)**	(2,251,570)
Purchase of financial assets at fair value through profit or loss	17	**(1,302)**	(160,527)
Purchase of land use rights		**(137,886)**	—
Cash outflow for increase in investments in associates		**(201,000)**	(8,732)
Deferred consideration for acquisition of subsidiaries		**(189,818)**	(11,694)
Payment of bank deposits with maturities over 3 months		**(5,065,632)**	(2,382,138)
Receipt from bank deposits with maturities over 3 months		**2,855,271**	2,350,271
Interests received		**158,555**	80,244
Dividends received		**697,589**	415,604
Withdraw prepayments for acquisition of subsidiaries		**—**	473,180
Prepayments for acquisition of a subsidiary		**—**	(422,380)
Net cash outflow for business combination	35	**(257,200)**	(8,201,493)
Government grants		**76,000**	—
Loans repayments received from related parties		**105,320**	78,080
Net cash used in investing activities		**(3,026,970)**	(7,446,766)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Cash flows from financing activities:			
Capital contribution from non-controlling interests		**144,590**	2,261,787
Proceeds from borrowings	32(d)	**15,979,847**	24,847,255
Repayments of borrowings	32(d)	**(18,027,835)**	(18,483,156)
Dividends paid to non-controlling interests		**(412,159)**	(345,225)
Dividends paid to shareholders of the Company	31	**(445,280)**	(361,790)
Acquisition of equity shares from non-controlling interests		**(1,863)**	(147,440)
Withdraw restricted deposits pledged for borrowings		**4,723,560**	45,816
Withdraw deposits for private placing share		**—**	(45,167)
Net cash generated from financing activities		**1,960,860**	7,772,080
Increase in cash and cash equivalents		**5,530,726**	1,471,253
Cash and cash equivalents at beginning of the year		**6,559,042**	5,043,538
Exchange gains on cash and cash equivalents		**8,344**	44,251
Cash and cash equivalents at end of the year	19	**12,098,112**	6,559,042

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

The notes on pages 102 to 244 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1 GENERAL INFORMATION

The Company was established on 16 June 1995 and its holding company is in 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 Company and its subsidiaries are principally engaged in investment and operation of hotels and related businesses (the "Hotel Related Business"), investment and operation of passenger transportation vehicles, logistics and related businesses (the "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 financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

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 ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets at fair value through profit or loss and derivative financial instruments, which are carried at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

2.1.1 Changes in accounting policies and disclosures

(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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

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

(i) HKFRS 9, *Financial Instruments* (Continued)

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 that 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 (note 23).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

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

(i) HKFRS 9, *Financial Instruments* (Continued)

Impact (Continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

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

(ii) HKFRS 15, *Revenue from Contracts with Customers* (Continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

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

(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. The Group's current accounting policy for such leases is set out in Note 2.2(ab). As set out in Note 34(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies

(a) Subsidiaries

(i) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

De-facto control may arise from circumstance where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and loss resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest’s proportionate share of the recognised amounts of acquiree’s identifiable net assets.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquirer’s previously held equity interests in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

(a) Subsidiaries (Continued)

(i) Consolidation (Continued)

Business combinations (Continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interests in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement (note 2.2(i)).

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognise any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date from the acquisition date.

The carrying amount of an identifiable asset, liability or contingent liability that is recognised or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognised from that date. Goodwill or any gain recognised shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognised or adjusted. Comparative information presented in the separated and consolidated financial statements for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting had been completed from the acquisition date. This includes any additional depreciation, amortisation or other profit or loss effect recognised as a result of completing the initial accounting.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

(a) Subsidiaries (Continued)

(i) Consolidation (Continued)

Common control combinations

For common control combinations, the consolidated financial statements incorporate the financial entities of the combining entities or businesses as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration of goodwill or excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combinations, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The consolidated financial statements are presented as if the entities or business had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the year in which it is incurred.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

(a) Subsidiaries (Continued)

(ii) Separate financial statements

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment (note 2.2(j)). Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(b) Joint arrangements

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has only joint ventures.

Joint ventures are all entities over which the Group has joint control but not solo control. Investments in joint ventures are accounted for using the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition of profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures. The Group's investment in joint ventures includes goodwill identified on acquisition, net of any accumulated impairment loss (notes 2.2(j)). See note 2.2(j) for the impairment of investments in subsidiaries, joint ventures, associates and non-financial assets.

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

(b) Joint arrangements (Continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount adjacent to 'share of results of joint ventures and associates accounted for by the equity method' in the consolidated statements of comprehensive income.

In the Company's balance sheet, the investments in joint ventures are stated at cost less provision for impairment losses (note 2.2(j)). The results of joint ventures are accounted for by the Company on the basis of dividend received or receivable.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (notes 2.2(j)). See note 2.2(j) for the impairment of investments in subsidiaries, joint ventures, associates and non-financial assets.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

(c) Associates (Continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of joint ventures and associates accounted for by the equity method' in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

In the Company's balance sheet, the investments in associates are stated at cost less provision for impairment losses (note 2.2(j)). The results of associates are accounted for by the Company on the basis of dividend received or receivable.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee that makes strategic decisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within "finance income or costs". All other foreign exchange gains and losses are presented in the consolidated income statement within "other expenses".

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

(e) Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

— all resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(f) Property, plant and equipment

Property, plant and equipment other than construction-in-progress are stated at historical cost less accumulated depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

(f) Property, plant and equipment (Continued)

Freehold land is not depreciated. Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 to 50 years
Renovations and leasehold improvements	3 to 10 years but not exceeding the lease period
Plant and machinery	3 to 20 years
Operating vehicles	4 to 10 years
Motor vehicles	3 to 10 years
Furniture, fittings and equipment	3 to 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.2(j)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other income or other expenses in the consolidated income statement.

Construction-in-progress represents properties under construction and is stated at cost less accumulated impairment, if any. This includes cost of construction, plant and equipment and other direct costs. Construction-in-progress is not depreciated until such time as the assets are completed and are ready for operational use.

(g) Investment properties

Investment properties comprise buildings, held for long-term rental yields or for capital appreciation or both and not occupied by the Group, and is measured initially at its cost, including related transaction costs. After initial recognition, the Group chooses the cost model to measure all of its investment properties, which are stated at historical costs less accumulated depreciation and accumulated impairment losses, if any. Depreciation of buildings is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives from 20 to 50 years.

The investment properties' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An investment properties's carrying amount is written down immediately to its recoverable amount if the investment properties' carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

(h) Land use rights

Land use rights represent the prepaid operating lease payments, which are charged to the consolidated income statement on a straight-line basis over the period of the lease. The accounting policy is described in note 2.2(ab)(i).

(i) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, joint ventures and associates and represents the excess of the consideration transferred over Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the amount of the non-controlling interest in the acquiree. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisitions of joint ventures and associates is included in investments in joint ventures and associates and is tested for impairment as part of the overall impairment test of the investments in joint ventures and associates.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Computer software, patents and other rights

Costs associated with maintaining computer software, patents and other rights are recognised as an expense as incurred. Acquired computer software licences, patents and other rights are capitalised on the basis of costs incurred to acquire and bring to use the specific software, patents and other rights. These costs are amortised over their estimated useful lives (2 to 15 years).

(iii) Brandnames and trademark

Separately acquired brandnames and trademark are shown at historical cost. Brandnames and trademark acquired in a business combination are recognised at fair value at the acquisition date. Trademark is amortised over 10 years. Brandnames have an indefinite useful life, are carried at cost less any subsequent accumulated impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

(i) Intangible assets (Continued)

(iv) Favourable lease contracts

Favorable lease contracts represent the fair value of favourable contractual lease agreements arising from the acquisition of subsidiaries which is amortised over the remaining period of the lease agreement from 5 years to 17 years.

(v) Licenses of operating vehicles

Authorised licenses of operating vehicles are capitalised on the basis of cost incurred, which will not be expired and need no renewal, and are carried at cost less any subsequent accumulated impairment losses.

(vi) Memberships

Memberships represent the fair value of membership programs arising from the acquisition of subsidiaries which is amortised over the remaining period of validity 20 years.

(j) Impairment of investments in subsidiaries, joint ventures, associates and non-financial assets

Assets that have an indefinite useful life, for example goodwill, licenses of operating vehicles and brandnames, or have not yet been available for use are not subject to amortisation, which are at least tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

When an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

(k) Non-current assets held for sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, joint ventures and associates) and investment properties, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

(l) Financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

This category includes financial assets designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

(l) Financial assets (Continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade receivables and other receivables, restricted cash and bank deposits over 3 months and cash and cash equivalents in the consolidated and company balance sheets.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At the year ended 31 December 2017 and 2016, the Group did not hold any investments in this category.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the financial assets within 12 months from the balance sheet date.

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date-the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

(l) Financial assets (Continued)

Recognition and measurement (Continued)

Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category, including interest and dividend income, are included in the consolidated income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the consolidated income statement as "other income". Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For debt securities, if any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

(l) Financial assets (Continued)

Impairment of financial assets (Continued)

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. Impairment testing of trade receivables, and other receivables is described in note 2.2(o).

(m) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

(i) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);

(ii) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge);

(iii) hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

(m) Derivative financial instruments and hedging activities (Continued)

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within "finance cost". The gain or loss relating to the ineffective portion is recognised in the income statement within "other income and gains". Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the income statement within "finance cost".

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within "other gains".

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within "revenue". However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of property, plant and equipment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within "other gains".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

(m) Derivative financial instruments and hedging activities (Continued)

(iii) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

(iv) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(o) Trade receivables, prepayments and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade receivables, prepayments and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables, prepayments and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables, prepayments and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

(q) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(r) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(s) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to issue financial liabilities, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(t) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

(t) Borrowing costs (Continued)

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

The corresponding cash flows of borrowing costs are presented as relating to operating activities in the consolidated statement of cash flows.

(u) Current and deferred income tax

The income tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in other comprehensive income. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

(u) Current and deferred income tax (Continued)

(ii) Deferred income tax (Continued)

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(v) Employee benefits

(i) Pension obligations

The Group companies in Mainland China participate in defined contribution retirement benefit plans organised by relevant government authorities for its employees in Mainland China and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

The Group's subsidiary in Hong Kong participates in a mandatory provident fund ("MPF scheme") for its employees in Hong Kong. Both the subsidiary and the employees are required to contribute 5% of the salaries of the employee's, up to a maximum of HK$1,250 per employee per month. The assets of MPF scheme are held separately from those of the subsidiary in an independent administered fund.

The Group has no further significant obligation for post-retirement benefits beyond the contributions made. The contributions to these plans and MPF Scheme are recognised as employee benefit expense when incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

(v) Employee benefits (Continued)

(ii) Housing benefits

Employees of the Group companies in Mainland China are entitled to participate in government-sponsored housing funds. The Group contributes to these funds based on certain percentages of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the funds are expensed as incurred.

(iii) Defined benefit plans

Groupe du Louvre ("GDL") has a defined benefit plan. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in income statements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Remeasurement arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

(v) Employee benefits (Continued)

(iv) Termination and early retirement benefits

Termination and early retirement benefits are payable when employment is terminated or early retired by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination and early retirement benefits when it is demonstrably committed to a termination or early retirement when the entity has a detailed formal plan to terminate or early retire the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination and early retirement benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(v) Employee benefits for the redundant employees during hotel renovations

Certain hotels under the Group stop operations to implement renovation of the whole hotel properties for certain periods, and during the renovation period the Group is obliged to make monthly payment of wages, salaries and social welfare to these redundant employees with employment contracts of non-fixed service term for their past long term service. Such past-service costs are recognised immediately in the consolidated income statements.

(w) Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

(w) Provisions and contingent liabilities (Continued)

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(x) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are recognised in the consolidated income statement on a straight line basis over the expected lives of the related assets.

(y) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from hotel accommodation, hotel management and refrigerated logistics is recognised on a straight-line basis over the periods of the respective services.

Revenue from food and beverage sales, vehicle operating, freight forwarding, travel agency and other ancillary services is recognised when the services are rendered.

Sales of goods are recognised when the Group has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

Rental revenue from properties and vehicles is recognised on a straight-line basis over the periods of the respective leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

(y) Revenue recognition (Continued)

Interest income generated by Finance Company is recognised on a time-proportion basis using the effective interest method.

The Group operates a loyalty programme where customers accumulate points for hotel service purchases made which entitle them to discounts on future hotel service purchases. The reward points are recognised as a separately identifiable component of the initial sale transaction by allocating the fair value of the consideration received between the award points and the other components of the sale such that the reward points are initially recognised as deferred income at their fair value. Revenue from the reward points is recognised when the points are redeemed. Breakage is recognised as reward points are redeemed based upon expected redemption rates. Reward points expire 24 months after the initial sale.

(z) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Interest income resulting from bank deposits pledged for borrowings is recorded as “finance income” of the consolidated income statement, while interest income arising from other bank deposits is recorded as “other income”.

For the purpose of consolidated statement of cash flows, the interest income received arising from Finance Company’s deposits and loans activities, and those arising from the pledged bank deposits for borrowings are both presented as relating to operating activities, while the interest income received arising from other bank deposits is presented as relating to investing activities.

(aa) Dividend income

Dividend income is recognised when the right to receive payment is established.

(ab) Lease

(i) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

(ab) Lease (Continued)

(ii) Finance leases

The Group leases certain lands, buildings and equipments. Lease of lands, buildings and equipments where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased lands, buildings and equipments and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The lands, buildings and equipments acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(ac) Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks on behalf of subsidiaries, joint ventures or associates to secure loans and other banking facilities.

Financial guarantees are initially recognised in the consolidated financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries, joint ventures or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the consolidated financial statements.

(ad) Dividend distribution

Dividend distribution to shareholders of the Company is recognised as a liability in the Group's consolidated balance sheet and the Company's balance sheet in the period in which the dividends are approved by shareholders of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Market risk

(1) Foreign exchange risk

For the Group's operation in Mainland China, most of the transactions, assets and liabilities are denominated in RMB and United States Dollars ("US$"). For the Group's operation in Europe, most of the transactions, assets and liabilities are denominated in Euro ("EUR"). The Group sometimes are required to settle payments for its purchases of equipment from overseas suppliers and certain expenses, and for its foreign investments in other foreign currencies. Other foreign currencies are also received from overseas customers. The Group's trade receivables, prepayments and other receivables, restrict cash, bank deposits, cash and cash equivalents, trade and other payables, and borrowings as at 31 December 2017 and 2016 included assets and liabilities, denominated in either US$, EUR or other foreign currencies other than EUR and US$ ("other foreign currencies"), which are disclosed in notes 16, 18, 19, 21 and 22.

As at 31 December 2017, if RMB strengthens/weakens by 5% (31 December 2016: 5%) (i.e. RMB/US$ 6.5342 from 6.8609 to 6.2075) against US$ with all other variables held constant, post-tax profit for the operation in Mainland China for the year would have changed mainly as a result of foreign exchange gains/losses on translation of US$ denominated trade receivables, prepayments and other receivables, restrict cash, bank deposits, cash and cash equivalent, trade and other payables and borrowings. Details of the changes are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
The Group operated in Mainland China:		
(Decrease)/increase in profit for the year		
— Strengthened	**(27,593)**	(5,082)
— Weakened	**27,593**	5,082

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(1) Foreign exchange risk (Continued)

As at 31 December 2017, if EUR strengthens/weakens by 5% (31 December 2016: 5%) (i.e. EUR/US$ 1.1941 from 1.2538 to 1.1344) against other foreign currencies with all other variables held constant, post-tax profit for the Group operated in Europe for the year would have changed mainly as a result of foreign exchange gains/losses on translation of other foreign currencies denominated trade receivables, prepayments and other receivables, cash and cash equivalent, trade and other payables and borrowings. Details of the changes are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
The Group operated in Europe:		
Increase/(decrease) in profit for the year		
— Strengthened	**(1,909)**	2,886
— Weakened	**1,909**	(2,886)

(2) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets and liabilities other than its bank deposits and borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Bank deposits and borrowings at fixed rates expose the Group to fair value interest rate risk. Details of the Group's bank deposits and borrowings have been disclosed in notes 18, 19 and 22.

As at 31 December 2017, if interest rates on bank deposits and borrowings are 5% (31 December 2016: 5%) (i.e. 5% from 4.5% to 5.5%) higher/lower with all other variables held constant, the post-tax profit for the year would have changed mainly as a result of higher/lower interest expenses. Details of the changes are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
(Decrease)/increase in profit for the year		
— Increase in interest rates	**(15,439)**	(15,789)
— Decrease in interest rates	**15,439**	15,789

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(3) Price risk

The Group is exposed to major equity securities price risk because of its holding of listed equity investments which are classified on the consolidated balance sheet as available-for-sale financial assets (note 13). The Group has not hedged its price risk arising from investments in equity securities.

As at 31 December 2017, if the quoted market price of the listed equity investments increases/ decreases 10% (31 December 2016: 10%) with all other variables held constant, the equity would have changed mainly as a result of fair value gain/losses on available-for-sales financial assets. Details of the changes are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Increase/(decrease) in other comprehensive income		
— Increase in quoted market price	**202,967**	197,651
— Decrease in quoted market price	**(202,967)**	(197,651)

(ii) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables and other receivables, restricted cash, bank deposits with maturities over 3 months, cash and cash equivalent included in the consolidated financial statements and the financial guarantee contracts represent the Group's maximum exposure to credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

As at 31 December 2017, these bank deposits and cash at bank were deposited in reputable financial institutions which are considered with low credit risk. The table below shows bank deposits and cash at bank balances by counterparties:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Counterparties		
— People's Bank of China	**405,196**	209,761
— Big 4 domestic banks*	**10,229,367**	9,733,819
— Other domestic commercial banks	**4,513,119**	2,558,812
— Foreign-owned banks	**1,910,564**	1,354,080
	17,058,246	13,856,472

* Big 4 domestic banks comprise Industrial and Commercial Bank of China Limited, Agricultural Bank of China Limited, Bank of China Limited and China Construction Bank Corporation.

Management does not expect any losses from non-performance by these counterparties.

Most of the Group's sales are settled in cash or in credit card by its customers. Credit sales are made to selected customers with good credit history. The Group has policies in place to ensure that trade receivables are followed up on a timely basis.

The Group granted financial guarantees to its related parties with maximum exposure to credit risk as follows:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Credit risk exposure relating to off-balance sheet items		
— Financial guarantees	**9,500**	7,000

As at 31 December 2017 and 2016, all financial guarantee contracts are granted to the related parties. Management has established limits on the financial guarantee contracts to be granted and expects that no material liabilities will arise from the financial guarantee contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalent and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Over 5 years RMB'000
At 31 December 2017				
Borrowings (excluding finance lease liabilities)	3,815,313	4,565,383	15,131,048	92,626
Finance lease payables	16,479	15,675	46,661	168,005
Contractual interest payable	532,880	449,149	504,160	1,804
Trade and other payables (excluding non-financial liabilities)	8,830,809	1,280,167	—	—
Financial guarantees (off-balance sheet items) (note 33)	9,500	—	—	—
At 31 December 2016				
Borrowings (excluding finance lease liabilities)	8,541,954	6,856,315	9,230,000	144,155
Finance lease payables	13,273	13,270	40,288	154,281
Contractual interest payable	572,091	377,593	638,927	27,795
Trade and other payables (excluding non-financial liabilities)	4,081,226	283,563	—	—
Financial guarantees (off-balance sheet items) (note 33)	7,000	—	—	—

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total assets. Total borrowings include non-current borrowings and current borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Capital risk management (Continued)

The gearing ratios at 31 December 2017 and 2016 were as follows:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Total borrowings (note 22)	**23,783,674**	24,942,201
Total assets	**62,998,088**	56,770,833
Gearing ratio	**37.75%**	43.93%

The decrease in the gearing ratio of the Group during 2017 was resulted from the increase of the Group's total assets.

(c) Fair value estimation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (Continued)

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2017				
Available-for-sale financial assets				
— Equity securities (note 13)	2,706,165	—	687,536	3,393,701
— Debt securities (note 13)	—	226,354	—	226,354
Financial assets at fair value through profit or loss				
— Equity securities (note 17)	470	—	—	470
— Debt securities (note 17)	31,734	—	—	31,734
Total assets	2,738,369	226,354	687,536	3,652,259
Derivative financial instruments				
— Interest rate swaps	—	(4,391)	—	(4,391)
Total liabilities	—	(4,391)	—	(4,391)
At 31 December 2016				
Available-for-sale financial assets				
— Equity securities (note 13)	2,731,585	—	681,416	3,413,001
— Debt securities (note 13)	—	182,022	—	182,022
Financial assets at fair value through profit or loss				
— Equity securities (note 17)	436	—	—	436
— Debt securities (note 17)	60,488	—	—	60,488
Total assets	2,792,509	182,022	681,416	3,655,947
Derivative financial instruments				
— Interest rate swaps	—	(6,158)	—	(6,158)
Total liabilities	—	(6,158)	—	(6,158)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (Continued)

Fair value measurements using quoted prices (Level 1)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily in Mainland China classified as financial assets at fair value through profit or loss or available-for-sale financial assets.

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

Valuation techniques used to derive fair value (Level 2)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (Continued)

Fair value measurements using significant unobservable inputs (Level 3)

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

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

The following table presents the changes in level 3 instruments for the year ended 31 December 2017 and 31 December 2016.

The Group

	RMB'000
At 1 January 2017	681,416
Fair value changes (recorded under other comprehensive income)	26,690
Disposal	(20,570)
At 31 December 2017	687,536
At 1 January 2016	45,856
Additions	635,560
At 31 December 2016	681,416

There were no significant transfers of financial assets among level 1, level 2 and level 3 fair value hierarchy classifications.

The fair value of available-for-sale financial assets and financial assets at fair value through profit or loss traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (Continued)

Fair value measurements using significant unobservable inputs (Level 3) (Continued)

The Group (Continued)

When the fair value cannot be reliably measured because the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, such available-for-sale financial assets are measured at cost and assessed whether there is objective evidence of impairment at each balance sheet date.

The fair values estimation of non-current borrowings are disclosed in note 22.

The carrying amounts for other financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to goodwill has been allocated.

For the purposes of impairment testing, goodwill has been allocated to the CGUs of different businesses that is expected to generate future economic benefits. As at 31 December 2017, management determined that the CGUs containing goodwill had suffered no material impairment.

The recoverable amount of the CGUs of the Group are determined based on value-in-use calculations. Detailed information of the basis of recoverable amounts and major underlying assumptions are listed in Note 9. Management of the Group believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of the CGUs to fall below its carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (Continued)

(ii) Useful lives and estimated impairment of intangible assets — license of operating vehicles, brandnames

The intangible assets of Jin Jiang Investment mainly represented the license of operating vehicles which will not expire and thus does not have a definite useful life. The management of the Group believes that the license will be in use and can bring in expected inflows of economic benefits in the foreseeable future. The license is subject to test of impairment losses annually and whenever there is an indicator that it may have been impaired.

The intangible assets of GDL, Keystone Lodging Holdings Limited ("Keystone") and its subsidiaries ("Plateno Group") and Vienna Hotels Group Co,.Ltd ("Vienna Hotels") included the brandnames. Various studies including market, competitive and environmental trends and brandnames extension opportunities have been performed by the management of the Group, which supports that the brandnames have no foreseeable limit to the period over which the branded products are expected to generate net cash flows. So the management of Group believes that the brandnames will be in use and can bring in expected inflows of economic benefits in the foreseeable future. So, the useful lives of the brandnames are indefinite. The brandnames are subject to test of impairment losses annually and whenever there is an indicator that they may have been impaired.

Determining whether intangible assets — license of operating vehicles, and the brandnames are impaired requires an estimation of the value in use of the cash-generating units to which intangible assets — license of operating vehicles, brandnames has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and appropriate discount rates in order to calculate the present values. Where the actual cash flows are less than expected, a material impairment loss may arise.

For the purposes of impairment testing, license of operating vehicles has been allocated to the CGU of vehicle operating business that is expected to generate future economic benefits; the brandnames have been allocated to CGUs of respective operating businesses related to the brandnames that are expected to generate future economic benefits. The recoverable amount of the CGUs of the Group are determined based on value-in-use calculations. Detailed information of the basis of recoverable amounts and major underlying assumptions are listed in Note 9. Management of the Group believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of the CGUs to fall below its carrying amount.

As at 31 December 2017, management determined that the CGUs containing license of operating vehicles, and the brandnames had not suffered any impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (Continued)

(iii) Deferred income tax assets and liabilities

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax assets are realised or the deferred income tax liabilities are settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The Group's management determines the deferred income tax assets based on the enacted or substantially enacted tax rates and laws and best knowledge of profit projections of the Group for coming years during which the deferred income tax assets are expected to be utilised. Management revises the assumptions and profit projections by the balance sheet date. If the profit projections of the Group had been 10% greater/less with all other variables held constant, profit for the year would have been RMB75,871,000 higher/lower.

(iv) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. If the useful lives for property, plant and equipment had been 10% longer/shorter with all other variables held constant, profit for the year would have been RMB109,956,000 higher or RMB134,390,000 lower.

(v) Impairment of property, plant and equipment, investment properties, land use rights and intangible assets

Under HKAS 36, it is required to assess the conditions that could cause an asset to become impaired and to perform a recoverability test for potentially impaired assets held by the entity. These conditions include whether a significant decrease in the market value of the asset has occurred, whether changes in the entity's business plan for the asset have been made or whether a significant adverse change in the business and legal climate has arisen.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (Continued)

(vi) Impairment of trade receivables

The Group's management estimates the provision of impairment of trade receivables by assessing their recoverability. Provisions are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible and require the use of estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of trade receivables and impairment charge in the period in which such estimate has been changed. If the provision for impairment of trade receivables had been 10% higher/lower with all other variables held constant, profit for the year would have been RMB10,553,000 lower/higher.

(b) Critical judgements in applying the Group's accounting policies

(i) Fair value of available-for-sale financial assets

The fair value of available-for-sale financial assets that are not traded in an active market can be determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on existing market conditions at each balance sheet date. When the fair value cannot be reliably measured because the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, such available-for-sale financial assets are measured at cost and assessed whether there is objective evidence of impairment at each balance sheet date.

(ii) Consolidation of entities in which the group holds less than 50%

Management consider that the Group has de facto control in Jin Jiang Investment even though it has less than 50% of the voting rights. The Group is the majority shareholder of Jin Jiang Investment with a 38.54% equity interests, while all other shareholders individually own less than 2% of its equity shares. There is no history of other shareholders forming a group to exercise their votes collectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

5 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 Co., Ltd. ("Jin Jiang GDL Asia", formerly "Jin Jiang Metropolo"), 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

5 SEGMENT INFORMATION (CONTINUED)

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

5 SEGMENT INFORMATION (CONTINUED)

(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 (note 5(a))	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 23)	147,863	111,496	23,174	63,321	84,307	120,751	235,098	786,010
Including: interest income from bank deposits (note 23)	14,096	31,818	1,025	350	11,061	8,656	82,241	149,247
Depreciation of property, plant and equipment (note 6)	(182,906)	(885,263)	(340,453)	(8,933)	(231,794)	(6,636)	(1,167)	(1,657,152)
Impairment of property, plant and equipment (note 6)	–	(33,975)	–	–	–	–	–	(33,975)
Depreciation of investment properties (note 7)	(4,976)	–	–	–	(513)	(4,140)	–	(9,629)
Amortisation of land use rights (note 8)	(24,141)	(40,158)	–	–	(1,340)	–	(312)	(65,951)
Amortisation of intangible assets (note 9)	(3,262)	(153,438)	(38,769)	(1,218)	–	(580)	–	(197,267)
Impairment of intangible assets (note 9)	–	(19,627)	–	(19,627)				
Provision for inventories write-down (note 15)	(1,619)	(365)	–	–	–	–	–	(1,984)
(Provision for)/reversal of impairment of trade receivables, prepayments and other receivables (note 16)	(23,153)	(19,834)	(9,775)	–	(109)	99	–	(52,772)
Finance costs — net (note 27)	(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 (note 28)	104,905	(1,310)	(18,071)	120,585	170,866	(2,191)	(15,014)	359,770
Income tax expense (note 29)	(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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

5 SEGMENT INFORMATION (CONTINUED)

(b) Other segment information (Continued)

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 (note 5(a))	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 23)	308,723	75,618	83,357	49,491	86,877	120,833	482,858	1,207,757
Including: interest income from bank deposits (note 23)	11,931	19,783	1,896	92	13,130	9,413	95,653	151,898
Depreciation of property, plant and equipment (note 6)	(153,134)	(782,329)	(310,660)	(7,150)	(226,823)	(6,918)	(1,298)	(1,488,312)
Impairment of property, plant and equipment (note 6)	(1,882)	(35,451)	—	—	—	—	—	(37,333)
Depreciation of investment properties (note 7)	(4,386)	—	—	—	(513)	(4,140)	—	(9,039)
Amortisation of land use rights (note 8)	(18,491)	(39,699)	—	—	(1,080)	—	(311)	(59,581)
Amortisation of intangible assets (note 9)	(2,837)	(125,450)	(34,203)	(980)	—	(560)	—	(164,030)
Impairment of intangible assets (note 9)	—	(3,741)	—	—	—	—	—	(3,741)
Provision for inventories write-down (note 15)	(443)	(73)	—	—	—	—	—	(516)
(Provision for)/reversal of impairment of trade receivables, prepayments and other receivables (note 16)	(782)	(14,521)	(8,061)	—	(2,393)	1,513	—	(24,244)
Finance costs — net (note 27)	(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 (note 28)	(60,428)	(2,002)	6,589	91,203	145,848	1,609	2,860	185,679
Income tax expense (note 29)	(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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

5 SEGMENT INFORMATION (CONTINUED)

(b) Other segment information (Continued)

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

5 SEGMENT INFORMATION (CONTINUED)

(b) Other segment information (Continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

6 PROPERTY, PLANT AND EQUIPMENT

	Freehold land RMB'000	Buildings RMB'000	Renovations and leasehold improvements RMB'000	Plant and machinery RMB'000	Operating vehicles RMB'000	Motor vehicles RMB'000	Furniture, fittings and equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost									
At 1 January 2016	1,136,447	7,817,045	4,044,649	1,811,109	1,580,198	62,653	1,043,517	649,619	18,145,237
Additions	1,463	44,097	115	82,049	9,032	2,711	58,773	1,076,714	1,274,954
Additions resulting from acquisition through business combination	118	3,501	1,415,373	369,689	–	7,974	–	76,846	1,873,501
Transfers from construction-in-progress	32,196	70,201	611,475	83,157	249,358	5,816	97,030	(1,149,233)	–
Transferred to investment properties (note 7)	–	(149,194)	–	–	–	–	–	–	(149,194)
Disposals	(1,095)	(27,385)	(53,987)	(104,102)	(208,501)	(9,235)	(92,649)	–	(496,954)
Currency translation differences	19,014	48,913	2,695	12,858	–	–	3,651	2,233	89,364
At 31 December 2016	1,188,143	7,807,178	6,020,320	2,254,760	1,630,087	69,919	1,110,322	656,179	20,736,908
Additions	792	68,213	38,388	84,409	16,097	1,105	26,473	877,542	1,113,019
Additions resulting from acquisition through business combination (note 35)	27,231	424,387	11,649	15,790	–	477	6,363	2,076	487,973
Transfers from construction-in-progress	36	26,754	543,610	93,497	109,512	2,441	39,767	(815,617)	–
Transferred to investment properties (note 7)	–	(22,034)	–	–	–	–	–	–	(22,034)
Transferred to assets held for sale	–	(12,086)	(3,365)	(6,139)	–	–	–	–	(21,590)
Disposals	(3,167)	(41,344)	(157,714)	(183,805)	(158,263)	(7,913)	(46,746)	–	(598,952)
Currency translation differences	86,828	391,692	19,831	66,423	–	–	2,071	10,001	576,846
At 31 December 2017	**1,299,863**	**8,642,760**	**6,472,719**	**2,324,935**	**1,597,433**	**66,029**	**1,138,250**	**730,181**	**22,272,170**
Accumulated depreciation									
At 1 January 2016	(4,279)	(2,246,683)	(2,198,919)	(981,522)	(806,098)	(49,308)	(801,986)	–	(7,088,795)
Depreciation charge for the year (note 25)	(524)	(338,039)	(584,807)	(219,147)	(198,242)	(8,824)	(138,729)	–	(1,488,312)
Disposals	–	18,755	11,080	85,095	194,036	7,654	88,143	–	404,763
Transferred to investment properties (note 7)	–	67,466	–	–	–	–	–	–	67,466
Currency translation differences	(834)	(15,488)	(123)	(4,977)	–	–	(1,399)	–	(22,821)
At 31 December 2016	(5,637)	(2,513,989)	(2,772,769)	(1,120,551)	(810,304)	(50,478)	(853,971)	–	(8,127,699)
Depreciation charge for the year (note 25)	(2,434)	(349,443)	(767,858)	(280,785)	(204,007)	(8,779)	(43,846)	–	(1,657,152)
Transferred to assets held for sale	–	5,542	3,352	5,099	–	–	–	–	13,993
Disposals	–	33,792	97,131	133,645	145,353	5,636	43,236	–	458,793
Transferred to investment properties (note 7)	–	10,658	–	–	–	–	–	–	10,658
Currency translation differences	(2,948)	(229,694)	(9,659)	(57,783)	–	–	(1,888)	–	(301,972)
At 31 December 2017	(11,019)	(3,043,134)	(3,449,803)	(1,320,375)	(868,958)	(53,621)	(856,469)	–	(9,603,379)
Impairment									
At 1 January 2016	–	(1,980)	(54,493)	–	–	–	–	–	(56,473)
Charge for the year (note 25)	(23)	–	(34,005)	(562)	–	–	(63)	(2,680)	(37,333)
At 31 December 2016	(23)	(1,980)	(88,498)	(562)	–	–	(63)	(2,680)	(93,806)
Charge for the year (note 25)	–	–	(24,162)	(4,545)	–	–	–	(5,268)	(33,975)
Disposals	–	–	–	40	–	–	–	–	40
At 31 December 2017	**(23)**	**(1,980)**	**(112,660)**	**(5,067)**	**–**	**–**	**(63)**	**(7,948)**	**(127,741)**
Net book amount									
At 31 December 2017	1,288,821	5,597,646	2,910,256	999,493	728,475	12,408	281,718	722,233	12,541,050
At 31 December 2016	1,182,483	5,291,209	3,159,053	1,133,647	819,783	19,441	256,288	653,499	12,515,403

Operating vehicles represent the vehicles operated for the business segment of Passenger Transportation Vehicle and Logistics, and motor vehicles represent the vehicles used for other business segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 certain property, plant and equipment of certain subsidiaries of GDL located in Poland with a net book amount of RMB200,860,0000 (31 December 2016: RMB196,865,000).

Depreciation and impairment has been charged to the consolidated income statement as follows (note 25):

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Cost of sales	**1,546,925**	1,410,977
Selling and marketing expenses	**21,349**	21,291
Administrative expenses	**122,853**	93,377
	1,691,127	1,525,645

The net book amount (note 32) of property, plant and equipment disposed is:

		Year ended 31 December	
		2017	2016
		RMB'000	RMB'000
Cost		**598,952**	496,954
Less:	accumulated depreciation	**(458,793)**	(404,763)
	impairment	**(40)**	—
		140,119	92,191

Construction-in-progress mainly includes renovations, leasehold improvements and operating vehicles, which are under construction for their intended use.

No borrowing costs (2016: nil) arising on financing entered into for the construction of property, plant and equipment have been capitalised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Freehold land, buildings and plant and machinery includes the following amounts where the Group is a lessee under a finance lease:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Cost — capitalised finance leases		
Freehold land	**121,154**	113,460
Buildings	**793,964**	743,542
Plant and machinery	**54,446**	37,758
Total	**969,564**	894,760
Accumulated depreciation		
Freehold land	**(70)**	(66)
Buildings	**(673,502)**	(609,584)
Plant and machinery	**(27,570)**	(19,992)
Total	**(701,142)**	(629,642)
Net book amount	**268,422**	265,118

The Group leases freehold land, building and machinery under non-cancellable finance lease agreements. The lease terms are between 10 and 15 years.

All freehold land is located in Europe.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2017

7 INVESTMENT PROPERTIES

	Buildings RMB'000
Cost	
At 1 January 2016	313,725
Transferred from property, plant and equipment (note 6)	149,194
At 31 December 2016	462,919
Transferred from property, plant and equipment (note 6)	22,034
At 31 December 2017	**484,953**
Accumulated depreciation	
At 1 January 2016	(97,966)
Charge for the year (note 25)	(9,039)
Transferred from property, plant and equipment (note 6)	(67,466)
At 31 December 2016	(174,471)
Charge for the year (note 25)	(9,629)
Transferred from property, plant and equipment (note 6)	(10,658)
At 31 December 2017	**(194,758)**
Net book amount	
At 31 December 2017	**290,195**
At 31 December 2016	288,448

Depreciation has been charged to the consolidated income statement as follows (note 25):

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Cost of sales	**9,629**	9,039

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

7 INVESTMENT PROPERTIES (CONTINUED)

Amounts recognised in profit and loss for investment properties

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Rental revenue	**111,207**	107,658
Direct operating expenses from properties that generated rental revenue	**(12,650)**	(12,210)
	98,557	95,448

The land use right and buildings located on, which are held to earn rentals, could not be separated for valuation purpose under income approach. The fair value of the properties as at 31 December 2017, which includes the building with the carrying amount of RMB290,195,000 (31 December 2016: RMB288,488,000) and the related land use right with the carrying amount of RMB22,589,000 (31 December 2016: RMB33,747,000), is approximately RMB1,021,466,000 (31 December 2016: RMB991,313,000).

Leasing arrangements

Some of the investment properties are leased to tenants under long term operating leases with rentals payable monthly. Minimum future lease rentals under non cancellable operating leases of investment properties not recognised in the consolidated financial statements are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Later than 5 years	**425,466**	493,244
Later than 1 year but not later than 5 years	**369,660**	393,381
Not later than 1 year	**99,211**	105,298
	894,337	991,923

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

8 LAND USE RIGHTS

Land use rights represent the net book amount of prepaid operating lease payments. Movements in land use rights are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Cost		
At beginning of the year	**2,423,597**	2,317,188
Additions resulting from acquisition through business combination	**—**	106,409
Additions	**1,412,294**	—
Transferred to assets held for sale	**(3,000)**	—
At end of the year	**3,832,891**	2,423,597
Accumulated amortisation		
At beginning of the year	**(471,988)**	(412,407)
Charge for the year (note 25)	**(65,951)**	(59,581)
Transferred to assets held for sale	**1,403**	—
At end of the year	**(536,536)**	(471,988)
Net book amount		
At end of the year	**3,296,355**	1,951,609

Amortisation has been charged to the consolidated income statement as follows (note 25):

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Cost of sales	**65,951**	59,581

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

9 INTANGIBLE ASSETS

	Goodwill RMB'000	Brandnames and trademark RMB'000	Computer software, patents and others RMB'000	Favourable lease contracts RMB'000	Licences of operating vehicles RMB'000	Memberships RMB'000	Total RMB'000
Cost							
At 1 January 2016	4,251,928	2,088,988	227,707	102,079	243,070	–	6,913,772
Additions	–	–	45,099	–	5,690	–	50,789
Additions resulting from acquisition through business combination	6,580,484	3,724,037	416,295	362,636	–	335,600	11,419,052
Disposal	–	–	(1,966)	–	–	–	(1,966)
Currency translation differences	121,330	62,300	6,794	1,388	–	–	191,812
At 31 December 2016	10,953,742	5,875,325	693,929	466,103	248,760	335,600	18,573,459
Additions	–	–	68,075	–	–	–	68,075
Additions resulting from acquisition through business combination (note 35(b)(c))	152,385	123,339	710	–	–	–	276,434
Disposal	–	–	(5,115)	–	–	–	(5,115)
Currency translation differences	300,770	140,306	22,410	3,257	–	–	466,743
At 31 December 2017	**11,406,897**	**6,138,970**	**780,009**	**469,360**	**248,760**	**335,600**	**19,379,596**

	Goodwill RMB'000	Brandnames and trademark RMB'000	Computer software, patents and others RMB'000	Favourable lease contracts RMB'000	Licences of operating vehicles RMB'000	Memberships RMB'000	Total RMB'000
Accumulated amortisation							
At 1 January 2016	–	–	(113,702)	(28,962)	–	–	(142,664)
Charge for the year (note 25)	–	(18)	(110,643)	(40,794)	–	(12,575)	(164,030)
Disposal	–	–	684	–	–	–	684
Currency translation differences	–	–	(4,459)	(85)	–	–	(4,544)
At 31 December 2016	–	(18)	(228,120)	(69,841)	–	(12,575)	(310,554)
Charge for the year (note 25)	–	(35)	(129,180)	(51,272)	–	(16,780)	(197,267)
Disposal	–	–	2,498	–	–	–	2,498
Currency translation differences	–	–	(17,192)	(221)	–	–	(17,413)
At 31 December 2017	**–**	**(53)**	**(371,994)**	**(121,334)**	**–**	**(29,355)**	**(522,736)**
Impairment							
At 1 January 2016	–	–	–	–	–	–	–
Charge for the year (note 25)	(3,741)	–	–	–	–	–	(3,741)
At 31 December 2016	(3,741)	–	–	–	–	(3,741)	
Charge for the year (note 25)	(19,627)	–	–	–	–	–	(19,627)
At 31 December 2017	(23,368)	–	–	–	–	–	(23,368)
Net book amount							
At 31 December 2017	11,383,529	6,138,917	408,015	348,026	248,760	306,245	18,833,492
At 31 December 2016	10,950,001	5,875,307	465,809	396,262	248,760	323,025	18,259,164

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

9 INTANGIBLE ASSETS (CONTINUED)

Brandnames have an indefinite useful life, are carried at cost less any subsequent accumulated impairment losses. As at 31 December 2017, the net book amount of brandnames amounted to RMB6,138,733,000 (31 December 2016: RMB5,875,088,000).

Amortisation and impairment has been charged to the consolidated income statement as follows (note 25):

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Cost of sales	**197,267**	167,771
Administrative expenses	**19,627**	—
	216,894	167,771

Impairment tests for goodwill

Goodwill is allocated to the Group's CGUs as follows:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Select Service Hotels — managed and operated by Plateno Group (a)	**5,766,875**	5,766,875
Select Service Hotels — managed and operated overseas (b)	**4,840,051**	4,386,896
Select Service Hotels — managed and operated by Vienna Hotels (a)	**668,817**	668,817
Select Service Hotels — managed and operated by Jin Jiang GDL Aisa (a)	**79,409**	99,036
Full service hotels (a)	**28,377**	28,377
	11,383,529	10,950,001

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

9 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for goodwill (Continued)

The principal component of goodwill represents the excess of cost of acquisition of certain full service hotels and select service hotels over the fair value of the identified net assets acquired. The goodwill impairment assessment is based on recoverable amounts of respective CGUs which are determined by their value in use.

(a) The recoverable amounts of CGUs are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate for revenue does not exceed the long-term average growth rate for the business in which the CGUs operates.

The key assumption used for value-in-use calculations in 2017 are as follows:

	Full Service Hotels	Select Service Hotels — managed and operated by Jin Jiang GDL Aisa	Select Service Hotels — managed and operated by Plateno Group	Select Service Hotels — managed and operated by Vienna Hotels
Gross margin	37.6%	20.1%	28.1%	22.5%
Growth rate for revenue	3.8%	3.8%	8.4%	6.4%
Discount rate (pre-tax)	10.0%	10.0%	11.5%	14.2%

The key assumption used for value-in-use calculations in 2016 are as follows:

	Full Service Hotels	Select Service Hotels — managed and operated by Jin Jiang GDL Aisa	Select Service Hotels — managed and operated by Plateno Group	Select Service Hotels — managed and operated by Vienna Hotels
Gross margin	37.6%	20.1%	28.1%	20.5%
Growth rate for revenue	3.8%	3.8%	8.1%	7.2%
Discount rate (pre-tax)	10.0%	10.0%	11.5%	11.4%

In view of the value-in-use of these CGUs, no impairment loss is considered necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

9 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for goodwill (Continued)

(b) The recoverable amount of the CGU Select Service Hotels — managed and operated overseas generated from the business combination is determined based on value-in-use calculations. The fair value of the CGU is a level 3 input which is calculated based on the multiple of EBITDA method for the owned hotels and direct capitalisation method for the management and franchised contracts. The valuation of owned hotels use the average discounted EBITDA of owned hotels and the retained multiplier which taking into account several criteria. The calculation of average EBITDA is based on a yearly forecasted EBITDA covering a five-year period which is discounted at the inflation rate. The valuation of management and franchised contracts is based on direct capitalisation of 2017 EBITDA derived from the management and franchised contracts to perpetuity.

The key assumptions used for the value-in-use calculation in 2017 are as follows:

	Select Service Hotels — managed and operated overseas
Average EBITDA of owned hotels (EUR)	**74,619,000**
2017 EBITDA of management and franchised contracts (EUR)	**64,663,000**
Multiplier of owned hotels	**12.70**
Average capitalisation rate	**10.8%**

The key assumptions used for the value-in-use calculation in 2016 are as follows:

	Select Service Hotels — managed and operated overseas
Average EBITDA of owned hotels (EUR)	74,102,000
2016 EBITDA of management and franchised contracts (EUR)	58,749,000
Multiplier of owned hotels	12.80
Average capitalisation rate	11.0%

In view of the value-in-use of this CGU, no impairment loss is considered necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

9 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for licenses of operating vehicles

The licenses of operating vehicles impairment assessment is based on recoverable amounts which are determined by their value in use. The recoverable amounts of licenses of operating vehicles are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

The key assumptions used for value-in-use calculation are as follows:

	2017	2016
Gross margin	23.6%	20.5%
Growth rate for revenue	0.0%	0.0%
Discount rate (pre-tax)	5.5%	3.7%

In view of the value-in-use of this CGU, no impairment loss is considered necessary.

Impairment tests for brandnames

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Select Service Hotels — managed and operated by GDL (a)	2,414,933	2,151,288
Select Service Hotels — managed and operated by Plateno Group (b)	2,965,700	2,965,700
Select Service Hotels — managed and operated by Vienna Hotels (b)	758,284	758,319
	6,138,917	5,875,307

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For the year ended 31 December 2017

9 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for brandnames (Continued)

(a) The brandnames impairment test for GDL is based on recoverable amounts which are determined from the discounted future income flows attributable to each of the brandnames, including Première Classe, Campanile, Kyriad series, Golden Tulip series.

The recoverable amounts of each brandname are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the Management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

The key assumptions used for value-in-use calculation as at 31 December 2017 are as follows:

	Première Classe	**Campanile**	**Kyriad series**	**Golden Tulip series**
Royalty rate	**3.00%—3.70%**	**2.80%—3.40%**	**1.80%—2.20%**	**0.40%—0.50%**
Growth rate for revenue	**2.40%**	**2.40%**	**2.40%**	**2.40%**
Discount rate (pre-tax)	**9.50%**	**9.50%**	**9.50%**	**9.50%**

The key assumptions used for value-in-use calculations as at 31 December 2016 are as follows:

	Première Classe	Campanile	Kyriad series	Golden Tulip series
Royalty rate	2.80%—3.40%	2.60%—3.20%	2.00%	0.30%
Growth rate for revenue	1.50%	1.50%	1.50%	1.50%
Discount rate (pre-tax)	14.49%	14.49%	14.49%	14.49%

In view of the value-in-use of this CGU, no impairment loss is considered necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

9 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for brandnames (Continued)

(b) The brandnames impairment test for Plateno Group and Vienna Hotels is based on recoverable amounts which are determined from the discounted future income flows attributable to its brandnames.

The recoverable amounts of each brandname are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the Management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

The key assumptions used for value-in-use calculation as at 31 December 2017 are as follows:

	Plateno Group	**Vienna Hotels**
Royalty rate	**1.6%**	**1.3%**
Growth rate for revenue	**8.4%**	**6.4%**
Discount rate (pre-tax)	**12.7%**	**19.2%**

The key assumptions used for value-in-use calculations as at 31 December 2016 are as follows:

	Plateno Group	Vienna Hotels
Royalty rate	1.6%	1.6%
Growth rate for revenue	8.1%	7.2%
Discount rate (pre-tax)	12.4%	12.4%

In view of the value-in-use of these CGUs, no impairment loss is considered necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

10 SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 39.

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

Summarised balance sheet

	Jin Jiang Hotels Development		Jin Jiang Travel		Jin Jiang Investment	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Non-current assets	**31,150,332**	34,508,872	**1,222,545**	1,015,270	**3,441,797**	3,521,576
Current assets	**12,409,364**	9,687,193	**380,494**	642,548	**1,101,569**	943,140
Total assets	**43,559,696**	44,196,065	**1,603,039**	1,657,818	**4,543,366**	4,464,716
Non-current liabilities	**(22,005,390)**	(17,812,153)	**(135,166)**	(152,093)	**(336,908)**	(345,749)
Current liabilities	**(6,938,569)**	(12,065,915)	**(320,741)**	(339,417)	**(556,921)**	(603,801)
Total liabilities	**(28,943,959)**	(29,878,068)	**(455,907)**	(491,510)	**(893,829)**	(949,550)
Net assets	**14,615,737**	14,317,997	**1,147,132**	1,166,308	**3,649,537**	3,515,166

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

10 SUBSIDIARIES (CONTINUED)

Summarised financial information on subsidiaries with material non-controlling interests (Continued)

Summarised statement of comprehensive income

	Jin Jiang Hotels Development		Jin Jiang Travel		Jin Jiang Investment	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	**13,582,584**	10,635,544	**1,710,185**	1,907,531	**2,368,746**	2,356,275
Profit before income tax expense	**1,276,598**	978,090	**76,191**	73,439	**343,831**	321,388
Income tax expense	**(286,536)**	(259,230)	**(13,835)**	(12,402)	**(37,495)**	(36,385)
Profit for the year	**990,062**	718,860	**62,356**	61,037	**306,336**	285,003
Other comprehensive income	**(91,451)**	(274,895)	**(50,779)**	(131,864)	**(2,430)**	(260,721)
Total comprehensive income	**898,611**	443,965	**11,577**	(70,827)	**303,906**	24,282
Total comprehensive income allocated to non-controlling interests	**446,430**	220,562	**5,764**	(35,265)	**184,593**	14,749
Dividends paid to non-controlling interests	**42,043**	11,743	**—**	—	**31,633**	32,468

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

10 SUBSIDIARIES (CONTINUED)

Summarised financial information on subsidiaries with material non-controlling interests (Continued)

Summarised cash flows

	Jin Jiang Hotels Development		Jin Jiang Travel		Jin Jiang Investment	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Net cash generated from/(used in) operating activities	**3,251,785**	2,281,977	**(45,795)**	(64,802)	**242,971**	271,235
Net cash (used in)/generated from investing activities	**(945,216)**	(8,614,550)	**18,098**	26,933	**65,949**	(267,803)
Net cash generated from/(used in) financing activities	**1,176,532**	8,857,984	**(30,753)**	(30,488)	**(167,793)**	(210,608)
Exchange gains/(losses) on cash and cash equivalents	**38,269**	35,552	**(575)**	—	**—**	—
Net increase/(decrease) in cash and cash equivalents	**3,521,370**	2,560,963	**(59,025)**	(68,357)	**141,127**	(207,176)

The information above is the amount (100% basis) before inter-company eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Investments in joint ventures

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
At 1 January	**1,168,759**	1,550,497
Share of results (note 28)	**123,174**	(38,829)
— Profit before income tax	**140,828**	(21,479)
— Income tax expense	**(17,654)**	(17,350)
Declaration of dividends	**(283,614)**	(129,865)
Disposals	**—**	(208,289)
Currency translation differences	**(1,874)**	(4,755)
At 31 December	**1,006,445**	1,168,759

Particulars of the Group's principal joint ventures are set out in note 39.

All joint ventures are private companies and there is no quoted market price available for their shares.

Commitments and contingent liabilities in respect of joint ventures

The Group has the following commitments relating to its joint ventures.

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Proportionate interests in joint ventures' capital and lease commitments	**26,367**	29,746

There are no material contingent liabilities relating to the Group's interest in the joint ventures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Investments in joint ventures (Continued)

Summarised financial information for joint ventures

All joint ventures of the Group as at 31 December 2017 are immaterial to the Group. A summary of the financial information of the Group's joint ventures, attributable to the shares of the Group and in aggregate, is as follows:

Summarised statement of comprehensive income

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit for the year	**123,174**	(38,829)
Other comprehensive income	**(1,874)**	(4,755)
Total comprehensive income	**121,300**	(43,584)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interests in joint ventures.

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Opening net assets	**1,168,759**	1,550,497
Profit for the year (note 28)	**123,174**	(38,829)
Declaration of dividends	**(283,614)**	(129,865)
Disposals	**—**	(208,289)
Currency translation differences	**(1,874)**	(4,755)
Closing net assets	**1,006,445**	1,168,759
Carrying value	**1,006,445**	1,168,759

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Investments in associates

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
At beginning of the year	**780,441**	668,965
Additions	**288,998**	8,732
Additions resulting from acquisition through business Combination	**—**	28,530
Disposal of equity interests in subsidiaries to a non-controlling interest with lose of control	**23,092**	—
Share of results (note 28)	**236,596**	224,508
— Profit before income tax	**316,156**	293,872
— Income tax expense	**(79,560)**	(69,364)
Declaration of dividends	**(216,345)**	(148,149)
Impairment losses	**—**	(4,859)
Disposals	**(12,964)**	—
Step-up acquisition to a subsidiary (note 35(a))	**(130,752)**	—
Decrease in capital surplus of an associate arising from its business combination under common control	**(69,202)**	—
Currency translation differences	**3,440**	2,714
At end of the year	**903,304**	780,441

Particulars of the Group's principal associates are set of in note 39.

All associates are private companies and there is no quoted market price available for their shares.

There are no material contingent liabilities relating to the Group's interest in the associates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Investments in associates (Continued)

Summarised financial information for associates

All associates of the Group as at 31 December 2017 are immaterial to the Group. A summary of the financial information of the Group's associates attributable to the shares of the Group and in aggregate is as follows:

Summarised statement of comprehensive income

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit for the year	**236,596**	224,508
Other comprehensive income	**3,440**	2,714
Total comprehensive income	**240,036**	227,222

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interests in associates.

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Opening net assets	**780,441**	668,965
Additions	**288,998**	8,732
Additions resulting from acquisition through business combination	**—**	28,530
Disposal of a subsidiary to a non-controlling interest	**23,092**	—
Share of results (note 28)	**236,596**	224,508
Declaration of dividends	**(216,345)**	(148,149)
Impairment losses	**—**	(4,859)
Disposal	**(12,964)**	—
Step-up acquisition to a subsidiary	**(130,752)**	—
Decrease in capital surplus of an associate arising from its business combination under common control	**(69,202)**	—
Currency translation differences	**3,440**	2,714
Closing net assets	**903,304**	780,441
Carrying value	**903,304**	780,441

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

12 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables RMB'000	Financial assets at fair value through the profit or loss RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
31 December 2017				
Available-for-sale financial assets (note 13)	–	–	3,694,914	3,694,914
Trade receivables and other receivables excluding non-financial assets	3,641,228	–	–	3,641,228
Financial assets at fair value through profit or loss (note 17)	–	32,204	–	32,204
Restricted cash and bank deposits (note 18)	4,981,019	–	–	4,981,019
Cash and cash equivalents (note 19)	12,098,112	–	–	12,098,112
	20,720,359	32,204	3,694,914	24,447,477

	Financial liabilities at amortised cost RMB'000	Derivatives used for hedging RMB'000	Total RMB'000
31 December 2017			
Borrowings (excluding finance lease liabilities) (note 22)	23,604,370	–	23,604,370
Finance lease liabilities (note 22)	179,304	–	179,304
Derivative financial instruments	–	4,391	4,391
Trade and other payables excluding non-financial liabilities	10,957,125	–	10,957,125
	34,740,799	4,391	34,745,190

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

12 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Loans and receivables RMB'000	Financial assets at fair value through the profit or loss RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
31 December 2016				
Available-for-sale financial assets (note 13)	—	—	3,667,472	3,667,472
Trade receivables and other receivables excluding non-financial assets	2,630,863	—	—	2,630,863
Financial assets at fair value through profit or loss (note 17)	—	60,924	—	60,924
Restricted cash and bank deposits (note 18)	7,316,516	—	—	7,316,516
Cash and cash equivalents (note 19)	6,559,042	—	—	6,559,042
	16,506,421	60,924	3,667,472	20,234,817

	Financial liabilities at amortised cost RMB'000	Derivatives used for hedging RMB'000	Total RMB'000
31 December 2016			
Borrowings (excluding finance lease liabilities) (note 22)	24,772,424	—	24,772,424
Finance lease liabilities (note 22)	169,777	—	169,777
Derivative financial instruments	—	6,158	6,158
Trade and other payables excluding non-financial liabilities	5,018,657	—	5,018,657
	29,960,858	6,158	29,967,016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
At beginning of the year	**3,667,472**	4,377,243
Additions	**729,801**	2,251,570
Additions resulting from acquisition through business combinations (note 35)	**527**	400,603
Fair value changes (recorded under other comprehensive income)	**(98,214)**	(528,930)
Disposals	**(604,706)**	(2,832,585)
Impairment losses	**(100)**	(508)
Currency translation differences	**134**	79
At end of the year	**3,694,914**	3,667,472
Less: current portion of available-for-sale financial assets (i)	**(186,849)**	(182,022)
	3,508,065	3,485,450
Current portion of available-for-sale financial assets (i)	**186,849**	182,022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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13 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

(i) Current portion of available-for-sale financial assets represents the unlisted debt securities with maturity within 12 months.

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Listed securities, at fair value		
— Equity securities, listed in Mainland China (ii)	**2,706,165**	2,731,585
Unlisted securities, at fair value		
— Equity securities	**767,669**	761,549
— Debt securities	**226,354**	182,022
Unlisted securities, at cost		
— Equity securities (i)	**85,913**	85,286
Less: provision for impairment of unlisted equity investments	**(91,187)**	(92,970)
	3,694,914	3,667,472
Market value of listed equity investments	**2,706,165**	2,731,585

(i) The balance represents the Group's investments in various companies whose shares do not have a quoted market price in an active market and whose fair value cannot be reliably measured because the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

(ii) On 9 November 2017, Jin Jiang Travel, a subsidiary of the Group conducted securities margin trading with 230,000 shares of Bank of Communications at platform of China Securities Finance Corporation Limited in accordance with *Refinancing Business Rules of the China Securities Finance Corporation Limited (for Tial Implementation)*, with a term of 182 days. Within this term, Jin Jiang Travel will obtain security gains at agreed yield; after the expiration, Jin Jiang Travel will withdraw the same number of shares of the Bank of Communications.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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14 DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Deferred income tax assets		
— Deferred income tax assets to be recovered after more than 12 months	**716,197**	641,473
— Deferred income tax assets to be recovered within 12 months	**46,542**	54,017
	762,739	695,490
Deferred income tax liabilities		
— Deferred income tax liabilities to be settled after more than 12 months	**(3,028,972)**	(3,087,794)
— Deferred income tax liabilities to be settled within 12 months	**(56,725)**	(54,204)
	(3,085,697)	(3,141,998)
	(2,322,958)	(2,446,508)

The movement on the deferred income tax account is as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
At beginning of the year	**(2,446,508)**	(1,678,000)
Additions resulting from acquisition through business combination (note 35)	**(143,404)**	(1,055,083)
Credited to consolidated income statement	**269,444**	42,988
Credited to other comprehensive income (note 29)	**74,201**	266,345
Currency translation differences	**(76,691)**	(22,758)
At end of the year	**(2,322,958)**	(2,446,508)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

14 DEFERRED INCOME TAX (CONTINUED)

The movement in deferred income tax assets and liabilities during the year ended 31 December 2017, without taking into consideration of the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets:

	Impairment of assets RMB'000	Accelerated accounting depreciation RMB'000	Tax losses RMB'000	Provisions RMB'000	Asset basis differences (i) RMB'000	Other temporary differences (ii) RMB'000	Total RMB'000
At 1 January 2016	5,514	7,394	538,227	109,689	80,688	87,343	828,855
Additions resulting from acquisition through business combination	23,710	—	58,245	34,795	—	57,277	174,027
Credited/(charged) to consolidated income statement	12,733	(271)	1,272	(67,332)	—	18,731	(34,867)
Currency translation differences	—	—	14,905	1,807	—	(70)	16,642
At 31 December 2016	41,957	7,123	612,649	78,959	80,688	163,281	984,657
Credited/(charged) to consolidated income statement	9,619	(1,137)	(1,972)	600	—	29,013	36,123
Currency translation differences	—	—	31,308	1,222	—	1,316	33,846
At 31 December 2017	**51,576**	**5,986**	**641,985**	**80,781**	**80,688**	**193,610**	**1,054,626**

(i) The amount as at 31 December 2017 and 31 December 2016 represents the land appreciation tax in connection with reorganisation with Jin Jiang Hotels Development, which can be deducted against future appreciation when the related land use right and properties are sold out of the Group. However, these appreciation of the related land use right and properties were eliminated in the consolidated balance sheet under intercompany transactions, which resulted in a deferred income tax asset.

(ii) The amount mainly includes the deferred income tax effect for deferred revenue under customer loyalty program and accrued rental expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

14 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities:

	Impairment of assets (i) RMB'000	Accelerated tax depreciation RMB'000	Fair value changes on financial instruments RMB'000	Fair value adjustments on other assets RMB'000	Other temporary differences (ii) RMB'000	Total RMB'000
At 1 January 2016	(10,810)	(88,141)	(878,861)	(1,468,956)	(60,087)	(2,506,855)
Additions resulting from acquisition through business combination	—	—	—	(1,227,477)	(1,633)	(1,229,110)
(Charged)/credited to consolidated income statement	(1,718)	3,953	3,575	64,043	8,002	77,855
Charged to other comprehensive income	—	—	264,036	—	2,309	266,345
Currency translation differences	—	(1,248)	—	(36,460)	(1,692)	(39,400)
At 31 December 2016	(12,528)	(85,436)	(611,250)	(2,668,850)	(53,101)	(3,431,165)
Additions resulting from acquisition through business combination (note 35)	—	—	—	(125,013)	(18,391)	(143,404)
(Charged)/credited to consolidated income statement	(4,461)	7,485	(1)	206,123	24,175	233,321
Charged/(credited) to other comprehensive income	—	—	74,441	—	(240)	74,201
Currency translation differences	—	(4,072)	—	(98,846)	(7,619)	(110,537)
At 31 December 2017	**(16,989)**	**(82,023)**	**(536,810)**	**(2,686,586)**	**(55,176)**	**(3,377,584)**

(i) Certain provisions for impairment of loans granted to subsidiaries were deductible for PRC current income tax purpose. However, these provisions were eliminated at the consolidated balance sheet, which resulted in a deferred income tax liability.

(ii) The amount mainly includes the deferred income tax effect for finance lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

14 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets for the tax loss of RMB1,435,557,000 (2016: RMB1,156,279,000), as the Directors believe it is more likely than not that such tax losses would not be realised before their expiry. The expiry of related unrecognised tax loss are analysed as follows:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Within 1 year	**117,568**	181,004
Between 1 and 2 years	**183,713**	117,945
Between 2 and 3 years	**264,559**	195,271
Between 3 and 4 years	**221,217**	289,268
Between 4 and 5 years	**514,393**	238,684
Over 5 year (i)	**134,107**	134,107
	1,435,557	1,156,279

(i) The amount represents the unrecognised tax loss of GDL, whose tax losses have no expiry date.

15 INVENTORIES

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Raw materials	**94,143**	89,493
Finished goods and merchandise	**95,322**	77,266
Consumables and supplies	**19,688**	29,022
	209,153	195,781

The cost of inventories recognised as expense and included in cost of sales amounted to RMB3,977,493,000 (2016: RMB3,876,693,000) (note 25).

The Group provided for an inventory write-down of RMB1,984,000 for the year ended 31 December 2017 (2016: RMB516,000) (note 25).

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For the year ended 31 December 2017

16 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 (note 36(b))	**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 (note 36(b))	**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 (note 36(b))	**25,500**	130,820
Loans to third parties	**7,918**	28,422
Value-added tax ("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:		
Interest receivables	**—**	224,511
Prepayments and deposits	**138,849**	136,599
Accrued rental revenue	**54,317**	49,694
Amounts due from related parties	**13,788**	23,120
Loans to third parties	**—**	100
	206,954	434,024

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

16 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

The majority of the Group's sales in Hotel Related Business, Passenger Transportation Vehicle and Logistics Business and Travel Agency Business are retail sales, with immediate cash settlement and no credit terms granted. For certain corporate or travel agency customers, the sales are made generally with credit terms ranging from 30 to 90 days. 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

As at 31 December 2017, trade receivables of RMB327,095,000 (31 December 2016: RMB169,132,000) were impaired and the corresponding provision was RMB173,837,000 (31 December 2016: RMB135,060,000). The impairment is firstly assessed individually for individual significant or long aged balances, and the remaining balances are grouped for collective assessment according to their ageing and historical default rates as these customers are of similar credit risk characteristics. Ageing analysis of these impaired receivables at respective balance sheet dates are as follows:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
3 months to 1 year	**228,511**	73,946
Over 1 year	**98,584**	95,186
	327,095	169,132

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

16 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2017, trade receivables of RMB174,870,000 (31 December 2016: RMB37,699,000) were past due but not impaired. These relate to a number of independent customers for which there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	At 31 December	
	2017 RMB'000	2016 RMB'000
3 months to 1 year	169,969	23,621
Over 1 year	4,901	14,078
	174,870	37,699

The carrying amounts of the Group's trade receivables and other receivables are denominated in the following currencies:

	At 31 December	
	2017 RMB'000	2016 RMB'000
RMB	3,393,265	2,617,675
EUR	892,150	671,219
US$	46,587	22,889
HK$	7,910	1
	4,339,912	3,311,784

Movements on the provision for impairment of trade receivables, prepayments and other receivables are as follows:

	At 31 December	
	2017 RMB'000	2016 RMB'000
At beginning of the year	(191,479)	(134,484)
Additions resulting from acquisition through business combination	(6,270)	(29,800)
Provision for of impairment of trade receivables, prepayments and other receivables (note 25)	(52,772)	(24,244)
Receivables written off as uncollectible	2,947	—
Currency translation differences	(6,786)	(2,951)
At end of the year	(254,360)	(191,479)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

16 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

The creation and usage of provision for impaired receivables have been included in "administrative expenses" in the consolidated income statement (note 25).

The maximum exposure of the Group to credit risk at the balance sheet date was the carrying value of trade receivables, prepayments and other receivables as mentioned above.

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December	
	2017	2016
	RMB'000	RMB'000
At beginning of the year	**60,924**	137,795
Additions	**1,302**	160,527
Fair value changes transferred to profit or loss	**(22)**	(14,486)
Disposals	**(30,000)**	(222,912)
At end of the year	**32,204**	60,924

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Listed securities, at fair value		
— Equity securities, listed in Mainland China	**470**	436
Unlisted securities, at fair value		
— Debt securities	**31,734**	60,488
	32,204	60,924
Market value of listed equity investments	**470**	436

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18 RESTRICTED CASH AND BANK DEPOSITS

(a) Restricted cash

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Mandatory reserve deposit (i)	**405,196**	209,761
Deposits pledged for borrowings (ii)	**—**	4,723,560
Other restricted cash (iii)	**15,191**	32,924
	420,387	4,966,245
Less: non-current portion of restricted cash (ii)	**—**	(3,306,492)
	420,387	1,659,753
Restricted cash denominated in		
— RMB	**420,106**	4,965,954
— US$	**281**	291
	420,387	4,966,245

(i) As at 31 December 2017, mandatory reserve deposit of Finance Company, a subsidiary and non-bank finance company, was placed with the People's Bank of China, the central bank of the Mainland China. The weighted average effective interest rate on the mandatory reserve deposit was 1.62% (31 December 2016: 1.62%) per annum.

(ii) As at 31 December 2016, the deposit amounted to RMB4,723,560,000 (31 December 2017: nil) was placed with commercial banks as pledge for borrowings amounted to EUR1,289,484,000 equivalent to RMB9,423,308,000 (note 22). The weighted average effective interest rate on the deposit was 3.56% per annum. The deposits with maturities within one year amounted to RMB1,417,068,000 were recorded in current assets, while deposits with maturities over one year amounted to RMB3,306,492,000 were recorded in non-current assets.

(iii) As at 31 December 2017, other restricted cash included: (1) guarantee fund for providing travel agency services of RMB3,700,000 (31 December 2016: RMB3,700,000) as required by National Tourism Administration of the People's Republic of China with effective annual interest rate of 3.25% (31 December 2016: 3.25%); (2) deposit pledged for issuance of letters of credit of RMB7,902,000 (31 December 2016: RMB15,144,000) with effective annual interest rate of 0.35% (31 December 2016: 0.35%); (3) restricted cash deposits for litigation of RMB3,074,000 (31 December 2016: RMB14,080,000) with effective annual interest rate of 0.35% (31 December 2016: 0.35%); (4) restricted cash deposits for issuance of letters of guarantee of RMB515,000 (31 December 2016: nil) with effective annual interest rate of 0.35%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2017

18 RESTRICTED CASH AND BANK DEPOSITS (CONTINUED)

(b) Bank deposits with maturities over 3 months

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Bank deposits with maturities ranging from 3 months to 12 months	**4,560,632**	1,850,271
Bank deposits with maturities over 12 months but to be early withdrawn (i)	**—**	500,000
	4,560,632	2,350,271
Denominated in:		
— RMB	**4,078,012**	2,350,271
— US$	**482,620**	—
	4,560,632	2,350,271

(i) As at 31 December 2016, bank deposits amounted to RMB500,000,000 (31 December 2017: nil) were with maturities over 12 months, but the management of the Group intended to early withdraw these deposits within one year according to their estimation on future cashflows. There was no restriction in early withdrawal of these bank deposits. Therefore, these bank deposits were recorded under current assets at that date, and interests income accrued based on the original interest rate attributable to deposit over 1 year has been reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

19 CASH AND CASH EQUIVALENTS

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Cash at bank and in hand	**9,113,310**	5,525,542
Bank deposits with maturities within 3 months	**2,984,802**	1,033,500
	12,098,112	6,559,042
Cash and cash equivalents denominated in		
— RMB	**11,117,747**	5,341,686
— EUR	**624,017**	794,406
— US$	**347,302**	350,586
— Other foreign currencies	**9,046**	72,364
	12,098,112	6,559,042

As at 31 December 2017, the weighted average effective interest rate on bank deposits with maturities within 3 months was 4.02% (31 December 2016: 3.63%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20 SHARE CAPITAL AND RESERVES

(a) Share capital

	Share capital	
	Number of shares '000	Amount RMB'000
At 1 January 2016, 31 December 2016 and 2017	5,566,000	5,566,000

(b) Reserves

	Other reserves								
	Capital surplus (i) RMB'000	Statutory and discretionary surplus reserve (ii) RMB'000	Merger reserve (iii) RMB'000	Available-for-sale financial assets (iv) RMB'000	Currency translation differences RMB'000	Others RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2016	2,041,625	662,172	(2,880,680)	1,345,120	(6,279)	998	1,162,956	2,567,219	3,730,175
Profit for the year	–	–	–	–	–	–	–	758,446	758,446
Remeasurements of post-employment benefit obligations net of tax	–	–	–	–	–	(2,174)	(2,174)	–	(2,174)
Fair value changes on available-for-sale financial assets-gross	–	–	–	(247,279)	–	–	(247,279)	–	(247,279)
Transfer of fair value changes on disposal of available-for-sale financial assets-gross	–	–	–	(193,051)	–	–	(193,051)	–	(193,051)
Fair value changes on available-for-sale financial assets and transfer of fair value changes on disposal of available-for-sale financial assets – tax	–	–	–	128,535	–	–	128,535	–	128,535
Cash flow hedges	–	–	–	–	–	(39)	(39)	–	(39)
Currency translation differences	–	–	–	–	4,655	–	4,655	–	4,655
Dividends declared (note 31)	–	–	–	–	–	–	–	(361,790)	(361,790)
Profit appropriation	–	35,098	–	–	–	–	35,098	(35,098)	–
Acquisition of equity interests in subsidiaries from non-controlling equity interests	(22,571)	–	–	–	–	–	(22,571)	–	(22,571)
Capital contribution from a non-controlling interest	(886)	–	–	–	–	–	(886)	–	(886)
Effect of business combination under common control combination	(3,061)	–	–	–	–	–	(3,061)	–	(3,061)
At 31 December 2016	2,015,107	697,270	(2,880,680)	1,033,325	(1,624)	(1,215)	862,183	2,928,777	3,790,960

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20 SHARE CAPITAL AND RESERVES (CONTINUED)

(b) Reserves (Continued)

	Other reserves								
	Capital surplus (i) RMB'000	Statutory and discretionary surplus reserve (ii) RMB'000	Merger reserve (iii) RMB'000	Available-for-sale financial assets (iv) RMB'000	Currency translation differences RMB'000	Others RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2017	2,015,107	697,270	(2,880,680)	1,033,325	(1,624)	(1,215)	862,183	2,928,777	3,790,960
Profit for the year	–	–	–	–	–	–	–	760,770	760,770
Remeasurements of post-employment benefit obligations net of tax	–	–	–	–	–	(257)	(257)	–	(257)
Fair value changes on available-for-sale financial assets-gross	–	–	–	(50,913)	–	–	(50,913)	–	(50,913)
Transfer of fair value changes on disposal of available-for-sale financial assets-gross	–	–	–	(88,473)	–	–	(88,473)	–	(88,473)
Fair value changes on available-for-sale financial assets and transfer of fair value changes on disposal of available-for-sale financial assets – tax	–	–	–	37,887	–	–	37,887	–	37,887
Cash flow hedges	–	–	–	–	–	499	499	–	499
Currency translation differences	–	–	–	–	15,900	–	15,900	–	15,900
Dividends declared (note 31)	–	–	–	–	–	–	(445,280)	(445,280)	
Profit appropriation	–	32,207	–	–	–	–	32,207	(32,207)	–
Acquisition of equity interests in from non-controlling equity holders	(172)	–	–	–	–	–	(172)	–	(172)
Transaction with non-controlling interests arising from put options (note 35(b))	(49,885)	–	–	–	–	–	(49,885)	–	(49,885)
Decrease in capital surplus of an associate arising from its business combination under common control	(52,012)	–	–	–	–	–	(52,012)	–	(52,012)
At 31 December 2017	1,913,038	729,477	(2,880,680)	931,826	14,276	(973)	706,964	3,212,060	3,919,024

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

20 SHARE CAPITAL AND RESERVES (CONTINUED)

(b) Reserves (Continued)

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

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

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

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

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

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21 TRADE AND OTHER PAYABLES

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Deposits from related parties in Finance Company (note 36(b))	**5,361,707**	1,041,098
Trade payables	**1,830,731**	1,698,379
Employee benefit payables (i)	**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 (note 36(b))	**232,694**	167,155
Deferred government grants	**119,176**	50,123
Financial liabilities due to put options granted to holders of non-controlling interests (note 35(b))	**99,136**	—
Marketing fund	**63,432**	43,361
Defined benefit plan of GDL (ii)	**59,113**	49,010
Provisions for other liabilities and charges (iii)	**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 (note 35(c))	**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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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21 TRADE AND OTHER PAYABLES (CONTINUED)

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Non-current portion of trade payables, provisions and other payables:		
Payables for purchases of land use rights	**890,969**	—
Employee benefits payables	**629,697**	554,310
Deposits from related parties in Finance Company	**140,500**	138,000
Deferred government grants	**102,878**	42,393
Financial liabilities due to put options granted to holders of non-controlling interests	**99,136**	—
Marketing fund	**63,432**	43,361
Provisions for other liabilities and charges	**58,598**	61,392
Deferred revenue for customer royalty programme	**54,461**	47,721
Payables for purchases of property, plant and equipment, and intangible assets	**—**	9,776
Deferred payment of acquisition of a subsidiary	**9,111**	—
Deposits from lessees and constructors	**650**	8,150
Others	**17,771**	22,884
	2,067,203	927,987

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21 TRADE AND OTHER PAYABLES (CONTINUED)

(i) The balance as at 31 December 2017 included the employee benefits payables of RMB481,310,000 (31 December 2016: RMB504,941,000) incurred for early retirement plan, and redundant employee plan for hotel renovation.

The table below outlines the Group's termination benefits, early retirement welfare and long-term employee benefits for the redundant employees during hotel renovations that are included in the consolidated balance sheet and consolidated income statement.

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Consolidated balance sheet obligations for:		
— Early retirement welfare (a)	**286,560**	329,941
— Employee benefits for the redundant employees during hotel renovations (b)	**194,750**	175,000
	481,310	504,941
Less: current portion	**(50,920)**	(65,651)
Non-current portion	**430,390**	439,290

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Consolidated income statement charge included employee benefit expenses for:		
Employee benefit expenses for early retirement welfare and redundant employee during hotel renovation	**21,730**	(23,459)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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21 TRADE AND OTHER PAYABLES (CONTINUED)

(i) (Continued)

(a) Early retirement welfare

In 2014, the Group announced a series of detailed non-cancellable formal plan (the "Early Retirement Plan") to early retire certain redundant employees. In 2015, the Group disposed of 50% equity interests in Galaxy Hotel, and some employees of Galaxy Hotel were also brought into the Early Retirement Plan. Under the Early Retirement Plan, the Group is obliged to make monthly payment of wages, salaries and social welfare to these early retired employees from the date of early retirement to the regulated retirement date.

(b) Employee benefits for the redundant employees during hotel renovations

Since 2014, certain hotels under the Group have stopped or will stop operations in order to implement renovation of the whole hotel properties for certain periods. The Group announced a series of detailed formal plan (the "Redundant Employee Plan for Hotel Renovation") and the Group is obliged to make monthly payment of wages, salaries and social welfare to these redundant employees during the renovation period. The Redundant Employee Plan for Hotel Renovation is non-cancellable.

The movement in the obligations for Early Retirement Plan and Redundant Employee Plan for Hotel Renovation over the year is as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
At beginning of the year	**504,941**	568,170
Employee benefit expenses recognised in consolidated income statement (note 26)	**21,730**	(23,459)
Benefit payments during the year	**(45,361)**	(39,770)
At end of the year	**481,310**	504,941

The above obligations were determined based on actuarial valuations performed by an independent qualified actuarial firm, Towers Perrin Consulting Company Limited (member of the Society of Actuaries and the China Association of Actuaries).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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21 TRADE AND OTHER PAYABLES (CONTINUED)

(i) (Continued)

The significant actuarial assumptions were as follows:

	At 31 December	
	2017	2016
Discount rate	**2.50%–3.00%**	2.50%–3.00%
Mortality rate	**Chinese residents ordinary life span**	Chinese residents ordinary life span
Benefit increase rate	**8%**	8%

The sensitivity of the employee benefit obligations to changes in the weighted principal assumptions is:

	Change in assumption	Increase in obligations balance RMB'000	Decrease in obligations balance RMB'000
Discount rate	0.25%	2,160	(2,340)
Benefit increase rate	0.25%	5,420	(5,280)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the employee benefit obligations to significant actuarial assumptions, the calculation method is the same as that used in the calculation of liability recognised in the consolidated financial statements (i.e. present value of the employee benefit obligations calculated with the projected unit credit method at the end of the reporting period).

Expected maturity analysis of undiscounted employee benefits:

	At 31 December	
	2017 RMB'000	2016 RMB'000
Within 1 year	**50,920**	61,460
Between 1 year and 2 years	**82,300**	88,330
Between 2 years and 5 years	**203,820**	168,690
Over 5 years	**268,970**	218,910
	606,010	537,390

The retirement termination payment plans pursuant to collective bargaining agreements and/or company-wide agreements provide for the payment of an amount on retirement based on length of service and salary.

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21 TRADE AND OTHER PAYABLES (CONTINUED)

(ii) The defined benefit plan is determined by GDL on the basis of the geographical location, industry, and salary agreement, length of service and salary levels of employees.

	Present value of obligation Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Beginning balance	**49,010**	161,863
Additions resulting from acquisition through business combination	**2,825**	—
Current service cost	**4,453**	3,808
Interest cost	**900**	104
Remeasurement (loss)/gain	**(780)**	6,588
Benefits payments	**—**	(128,603)
Currency translation differences	**2,705**	5,250
Ending balance	**59,113**	49,010

The actuarial valuations of the present value of the defined benefit obligation were carried out at 31 December 2017 by a qualified actuarial firm. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	At 31 December	
	2017	2016
Discount rates	**1.50%**	1.50%
Long-term rate of inflation	**1.75%**	1.75%
Welfare increase rate	**2.50%—4.00%**	2.50%—4.00%

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For the year ended 31 December 2017

21 TRADE AND OTHER PAYABLES (CONTINUED)

(ii) (Continued)

As at 31 December 2017, the sensitivity of the defined benefit obligations to changes in the weighted principal assumptions is:

	Change in assumption	Increase in obligations balance RMB'000	Decrease in obligations balance RMB'000
Discount rate	0.50%	3,849	(4,253)
Long-term rate of inflation	0.50%	116	(124)
Welfare increase rate	0.50%	3,613	(3,954)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognised within the statement of financial position.

(iii) The movement in the provisions for other liabilities and charges over the year is as follows:

	At 31 December	
	2017 RMB'000	2016 RMB'000
Beginning balance	**61,392**	68,575
Additions	**590**	5,907
Payment	**(6,251)**	(13,707)
Currency translation differences	**2,867**	617
Ending balance	**58,598**	61,392

As at 31 December 2017, the balance mainly represented a provision for certain legal claims brought against GDL and Keystone by the third parties. The provision charge is recognised in profit or loss. The balance at 31 December 2017 is not expected to be utilised in 2018. After taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

21 TRADE AND OTHER PAYABLES (CONTINUED)

(iv) Ageing analysis of trade payables 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	**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

(v) The carrying amount of the financial liabilities of trade and other payables approximates their fair value. The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
RMB	**13,311,301**	7,001,826
EUR	**1,571,488**	1,198,306
US$	**71,717**	50,097
Other foreign currencies	**5,899**	10,715
	14,960,405	8,260,944

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

22 BORROWINGS

	At 31 December	
	2017 RMB'000	2016 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 (note 36(b))	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 liabilities	(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 (note 36(b))	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 liabilities	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 PLN48,946,000, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

22 BORROWINGS (CONTINUED)

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 (note 18) 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.

(i) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity whichever is the earlier date are as follows:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Within 6 months	**12,279,205**	21,664,627
Between 6 and 12 months	**3,487,106**	1,974,277
Between 1 and 5 years	**8,017,363**	1,303,297
	23,783,674	24,942,201

(ii) 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

22 BORROWINGS (CONTINUED)

(iii) 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%

(iv) The carrying amounts and fair values of non-current bank borrowings are as follows:

	Carrying amounts RMB'000	Fair values RMB'000
At 31 December 2017		
— Bank borrowings	19,789,057	19,586,155
— Finance lease liabilities	165,747	165,747
	19,954,804	19,751,902
At 31 December 2016		
— Bank borrowings	16,230,470	16,056,942
— Finance lease liabilities	158,326	158,326
	16,388,796	16,215,268

The fair values of non-current borrowings are estimated based on discounted cash flow approach using the market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates.

The carrying amounts of current borrowings approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

22 BORROWINGS (CONTINUED)

(v) 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

(vi) Finance lease liabilities

Finance lease liabilities with carrying amount of RMB179,304,000(2016: RMB169,777,000) are effectively secured by the leased asset with carrying amount of RMB268,422,000 (2016: RMB265,118,000) (note 6).

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Gross finance lease liabilities — minimum lease payments		
Within 1 year	**16,479**	13,273
Between 1 year and 2 years	**15,675**	13,270
Between 2 years and 5 years	**46,661**	40,288
Over 5 years	**168,005**	154,281
	246,820	221,112
Future finance charges on finance leases	**(67,516)**	(51,335)
Present value of finance lease liabilities	**179,304**	169,777
The present value of finance lease liabilities is as follows:		
Within 1 year	**13,557**	11,451
Between 1 year and 2 years	**12,955**	11,480
Between 2 years and 5 years	**39,822**	35,630
Over 5 years	**112,970**	111,216
	179,304	169,777

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

23 OTHER INCOME AND GAIN

	Year ended 31 December	
	2017 RMB'000	2016 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 (note 35(a))	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") (note 32(b))	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 (note 32(b))	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.

24 OTHER EXPENSES AND LOSSES

	Year ended 31 December	
	2017 RMB'000	2016 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 exchange forward contracts	—	14,300
Impairment of investments in associates	—	4,859
Others	13,448	12,687
	189,975	119,939

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

25 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 RMB'000	2016 RMB'000
Employee benefit expenses (note 26)	5,946,835	4,829,243
Changes in inventories (note 15)	3,977,493	3,876,693
Operating leases — land and buildings	1,879,718	1,568,318
Depreciation of property, plant and equipment (note 6)	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 (note 9)	197,267	164,030
Transportation expenses	121,112	105,070
Telecommunication expenses	95,374	91,377
Amortisation of land use rights (note 8)	65,951	59,581
Entertainment expenses	54,222	51,530
Impairment loss of property, plant and equipment and intangible assets (note 6 and 9)	53,602	41,074
Provision for impairment of trade receivables, prepayments and other receivables (note 16)	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 (note 7)	9,629	9,039
Provision for inventories write-down (note 15)	1,984	516
Others	932,874	737,967
	18,176,558	15,930,455

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

26 EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Employee benefit expenses for in-service employees	**5,920,652**	4,848,894
— Wages and salaries	**4,265,703**	3,493,525
— Retirement and housing benefits (a)	**1,066,426**	873,381
— Welfare and other expenses	**588,523**	481,988
Employee benefit expenses for Early Retirement Plan and Redundant Employee Plan for Hotel Renovation (note 21)	**21,730**	(23,459)
Defined benefit plan of GDL (note 21)	**4,453**	3,808
	5,946,835	4,829,243
Number of employee	**54,504**	57,400

(a) Retirement benefit and housing benefits schemes

The employees of the Group participate in various pension plans organised by the relevant municipal and provincial governments under which the Group is obliged to make monthly defined contributions to these plans based on percentages of the employees' monthly salaries and wages, subject to a certain ceiling. The employees of the Group companies in Mainland China are also entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds.

The Group had no further obligation for post-retirement benefits or housing funds beyond the payments above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

26 EMPLOYEE BENEFIT EXPENSE (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year 2017 do not include any directors of the Company. The emoluments payable to these individuals during the year ended 31 December 2017 are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Discretionary bonuses	**11,402**	7,249
Salary and allowances	**6,030**	8,802
Retirement scheme contributions	**270**	74
	17,702	16,125

The emoluments fell within the following bands:

	Year ended 31 December	
	2017	2016
	Number	Number
RMB1,671,820 (equivalent to HK$2,000,000) to RMB2,089,775 (equivalent to HK$2,500,000)	**2**	2
RMB2,089,775 (equivalent to HK$2,500,000) to RMB2,507,730 (equivalent to HK$3,000,000)	**2**	2
RMB7,105,235 (equivalent to HK$8,500,000) to RMB7,523,190 (equivalent to HK$9,000,000)	**—**	1
RMB8,777,055 (equivalent to HK$10,500,000) to RMB9,195,010 (equivalent to HK$11,000,000)	**—**	—
RMB9,195,010 (equivalent to HK$11,000,000) to RMB9,612,965 (equivalent to HK$11,500,000)	**1**	—
	5	5

(c) During the year 2017, no directors, supervisors, senior management or the five highest paid individuals of the Group waived any emoluments and no other emoluments were paid by the Group to any of the directors, supervisors, senior management or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

27 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

28 SHARE OF RESULTS OF JOINT VENTURES AND ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Share of results of joint ventures (note 11)	**123,174**	(38,829)
Share of results of associates (note 11)	**236,596**	224,508
	359,770	185,679

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

29 INCOME TAX EXPENSE

	Year ended 31 December	
	2017	2016
	RMB'000	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 (note 14)	**(248,863)**	(21,647)
Overseas deferred income tax (note 14)	**(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%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

29 INCOME TAX EXPENSE (CONTINUED)

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	2016
	RMB'000	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 the "income tax expense".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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29 INCOME TAX EXPENSE (CONTINUED)

The tax credit/(charge) relating to other comprehensive income is as follow:

(i) (Continued)

	2017			2016		
	Before tax RMB'000	Tax credit/ (charge) RMB'000	After tax RMB'000	Before tax RMB'000	Tax credit RMB'000	After tax RMB'000
Fair value changes on available-for-sale financial assets	(98,214)	30,509	(67,705)	(528,930)	168,675	(360,255)
Transfer of fair value changes on disposal of available-for-sale financial assets	(175,726)	43,932	(131,794)	(381,442)	95,361	(286,081)
Cash flow hedges net of tax	1,475	(508)	967	(119)	41	(78)
Remeasurements on the net defined benefit liabilities or assets	(779)	268	(511)	(6,588)	2,268	(4,320)
Currency translation differences	48,003	—	48,003	(3,028)	—	(3,028)
Other comprehensive income	(225,241)	74,201	(151,040)	(920,107)	266,345	(653,762)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

30 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.

31 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

32 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit for the year to cash generated from operations:

		Year ended 31 December	
	Note	**2017 RMB'000**	2016 RMB'000
Profit before income tax		**1,961,957**	1,788,357
Adjustments for:			
— depreciation of property, plant and equipment	25	**1,657,152**	1,488,312
— depreciation of investment properties	25	**9,629**	9,039
— amortisation of land use rights	25	**65,951**	59,581
— amortisation of intangible assets	25	**197,267**	164,030
— Impairment loss of property, plant and equipment and intangible assets	25	**53,602**	41,074
— gain on disposal of property, plant and equipment	23	**(10,060)**	(9,818)
— loss on disposal of property, plant and equipment	24	**39,469**	5,639
— gain on partial disposal of investments in a joint venture	23	**—**	(280,115)
— gain on disposal of investment in associates	23	**(25,175)**	—
— gain on disposal of available-for-sale financial assets	23	**(175,726)**	(381,274)
— gain on disposal of investment in subsidiaries	23	**(33,609)**	—
— loss on revaluation of financial assets at fair value through profit or loss	17	**22**	14,486
— gain on disposal of financial assets at fair value through profit or loss	23	**(11,132)**	(35,287)
— provision for impairment of trade receivables, prepayments and other receivables	25	**52,772**	24,244
— provision for inventories write-down	25	**1,984**	516
— impairment for available-for-sale financial assets	24	**100**	508
— impairment of investments in associates	24	**—**	4,859
— interest income from bank deposits	23	**(149,247)**	(151,898)
— interest expenses	27	**692,399**	751,459
— interest income from restricted deposits pledged for borrowings	27	**(115,807)**	(178,565)
— net foreign exchange loss/(gain) on borrowings	27	**48,537**	(5,084)
— share of results of joint ventures and associates accounted for by the equity method	28	**(359,770)**	(185,679)
— revaluation gain from remeasuring the equity interests previously held in a subsidiary	23	**(83,162)**	—
— dividend income	23	**(185,060)**	(144,516)
Changes in working capital:			
— restricted cash		**(177,702)**	(8,775)
— inventories		**(13,976)**	39,512
— trade receivables, prepayments and other receivables		**(1,801,462)**	787,125
— trade and other payables		**1,173,627**	(62,724)
Cash generated from operations		**2,812,580**	3,735,006

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

32 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) (Continued)

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Net book amount (note 6)	**140,119**	92,191
Gain on disposal of property, plant and equipment (note 23)	**10,060**	9,818
Loss on disposal of property, plant and equipment (note 24)	**(39,469)**	(5,639)
Proceeds from disposal of property, plant and equipment	**110,710**	96,370

(b) Effect of disposal of the equity interests in subsidiaries

(1) In June 2017, Jin Jiang Hotels Development sold 16.4% equity interests in WoQu at a cash consideration of RMB12,000,000. After the completion of the transaction, the Group holds 31.6% equity interests in WoQu and account for it as investment in an associate based on the remeasured fair value.

Details of are as follows:

	Year ended 31 December 2017 RMB'000
Total cash consideration received at the end of the year	**12,000**
Add: the retained interest (31.6%) remeasured to its fair value upon loss of control	**18,965**
Less: share of net assets disposed	**(2,158)**
Gain on disposal of a subsidiary	**28,807**
Details of disposal consideration are as follows:	
Cash proceeds received	**12,000**
Cash and cash equivalents disposed	**(11,274)**
Cash inflow on disposal	**726**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

32 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Effect of disposal of the equity interests in subsidiaries (Continued)

(2) In June 2017, Jin Jiang Hotels Development sold its 100% equity interests in Envergadura Portugal — Hotelaria e Investimentos Lda. ("SETUBAL") at a cash consideration of RMB7,255,000. The transaction was completed in 2017.

Details of are as follows:

	Year ended 31 December 2017 RMB'000
Total cash consideration received at the end of the year	7,255
Less: share of net assets disposed	(2,453)
Gain on disposal of a subsidiary	4,802
Details of disposal consideration are as follows:	
Cash proceeds received	7,255
Cash and cash equivalents disposed	(706)
Cash inflow on disposal	6,549

(c) Principal non-cash transactions

The principal non-cash transactions include:

(i) The purchases of property, plant and equipment, and intangible assets not been settled as at 31 December 2017 and 2016 was disclosed in note 21.

(ii) The finance lease arrangements of the Group is disclosed in note 22(vi).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

32 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(d) Net debt reconciliation

The reconciliation of liabilities arising from financing activities is as follows:

	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Finance leases due within 1 year RMB'000	Finance leases due after 1 year RMB'000	Total RMB'000
At 31 December 2016	8,541,954	16,230,470	11,451	158,326	24,942,201
Cash flows					
— Inflow from financing activities	4,940,348	11,030,831	1,044	7,624	15,979,847
— Outflow from financing activities	(9,894,834)	(8,123,848)	(9,153)	—	(18,027,835)
Non-cash changes — Reclassification	227,374	(227,374)	12,513	(12,513)	—
Currency translation differences	471	878,978	(2,298)	12,310	889,461
At 31 December 2017	3,815,313	19,789,057	13,557	165,747	23,783,674

33 FINANCIAL GUARANTEE CONTRACTS

	At 31 December	
	2017 RMB'000	2016 RMB'000
Not later than 1 year	**9,500**	7,000

The Group provides guarantees for bank borrowings of joint ventures and associates of the Group. Under the terms of the financial guarantee contracts, the Group will make payments to reimburse the lenders upon failure of the guaranteed entities to make payments when due.

The financial guarantee contracts have not been recognised in the consolidated financial statements as the Group considered that the possibility of failure of the guaranteed entities to make payments when the bank borrowings due is remote and the fair value of the guarantees contract was insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

34 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. The rental revenue and the operating lease expenses recognised in the consolidated income statement for the year ended 31 December 2017 are disclosed in notes 5(a) and 25, respectively.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

34 COMMITMENTS (CONTINUED)

(b) Operating lease commitments (Continued)

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 (note 36(c)).

35 BUSINESS COMBINATION

(a) Acquisition of 26.67% equity interest in Yangtze Hotel

The Company originally held 40% equity interests in Yangtze Hotel, an associate of the Company, before 31 January 2017. In January and March 2017, the Group entered into Yangtze Hotel Equity Transfer Agreement with two independent third parties (the "Transferors") respectively, pursuant to which the Company agreed to further acquire a total 26.67% equity interest of Yangtze Hotel at a cash consideration of RMB88,034,000 from the Transferors. Upon completion of the transaction on 28 March 2017, the Company held 66.67% equity interest in Yangtze Hotel, and accounted for the investment in Yangtze Hotel as investment in a joint venture. This was because the Company did not obtain the control over the Yangtze Hotel in accordance with the articles of association, based on which the Company could appoint 4 out of 7 members in the Board of Yangtze Hotel, while the board proposals shall be approved by at lease two thirds of the Board members.

Effective from 1 October 2017, with certain amendments to the articles of association of Yangtze Hotel, the Company obtained control over Yangtze Hotel and Yangtze Hotel became a subsidiary since the Company can appoint 4 out of 6 members in the Board of Yangtze Hotel, while the percentage of approval for board proposals remained unchanged at least two thirds of the Board members.

If the business combination had occurred on 1 January 2017, the Group's revenue would have been RMB19,931,671,000 and profit for the year would have been RMB1,563,848,000. These amounts have been calculated using the Group's accounting policies and by adjusting the result of Yangtze Hotel as a subsidiary to reflect the additional depreciation that would have been charged assuming the fair value adjustments to property, plant and equipment had applied from 1 January 2017, together with consequential tax effects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

35 BUSINESS COMBINATION (CONTINUED)

(a) Acquisition of 26.67% equity interests in Yangtze Hotel (Continued)

Details of purchase consideration are as follows:

	RMB'000
Purchase consideration:	
— Cash paid	88,034

The assets and liabilities as at 1 October 2017 arising from the acquisition are as follows:

	Fair values RMB'000
Property, plant and equipment	399,654
Available-for-sale financial assets	350
Inventories	912
Trade receivables, prepayments and other receivables — current portion	11,757
Cash and cash equivalents	92,356
Deferred income tax liabilities	(76,168)
Trade and other payables — non-current portion	(5,920)
Trade and other payables — current portion	(94,858)
Income tax payable	(7,228)
Total identifiable net assets	320,855
Less: Non-controlling interests	(106,941)
Share of net assets (66.67%)	213,914
Less: 66.67% equity interest previously held	(130,752)
Revaluation gain (i)	83,162
Purchase consideration settled in cash	(88,034)
Cash and cash equivalents in the subsidiary obtained	92,356
Cash inflow of cash consideration on acquisition	4,322
Total transaction cost	972

(i) The Group recognised a gain of RMB83,162,000 as a result of remeasuring at fair value its 66.67% equity interest in Yangtze Hotel in excess of the carrying amount of its previously held equity interest. The gain is included in other income (note 23) in the Group's consolidated income statement for the year ended 31 December 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

35 BUSINESS COMBINATIONS (CONTINUED)

(b) Acquisition of 74% equity interests in Sarovar Hotels Private Limited ("Sarovar")

On 15 December 2016, GDL entered into agreements (the "Sarovar Acquisition Agreements") to acquire 74% equity interests in Sarovar from its former shareholders. Sarovar is principally engaged in operating select service hotels in India. As at 12 January 2017, such 74% equity interests in Sarovar was transferred to GDL and the total closing consideration was EUR33,232,000 (equivalent to RMB253,799,000). Upon the completion of the transaction, Sarovar became a subsidiary of the Group. As a result of the acquisition, the Group is expected to increase its presence in the market of hotels in India.

There was a put option embedded in Sarovar Acquisition Agreements granted to the holders of non-controlling interests in relation to 26% equity interests in Sarovar that they have the rights to sell the 26% equity interests to GDL. Pursuant to Sarovar Acquisition Agreements, such right only can be exercised after March 2020, with the redemption prices calculated based on certain multiple of EBITDA for a 12-month period starting from the month proceeding that month when the holders of non-controlling interests give GDL a written notice of their intention (either jointly or separately) to sell the 26% equity interests in Sarovar to GDL.

The put option granted to holders of non-controlling interests was then regarded as redemption liabilities determined as the present value of future cash outflows assuming the exercise of the put option by the holders of non-controlling interests.

The initial redemption liabilities were recognised within non-current portion of trade and other payables amounted to EUR12,700,000, equivalent to RMB99,136,000 (note 21) against GDL's controlling interests as the risks and rewards of 26% equity interests remained with the holders of non-controlling interests given that the redemption prices were calculated based on the future performance. The redemption liabilities were subsequently re-measured.

Details of purchase consideration are as follows:

	RMB'000
Purchase consideration:	
— Cash paid	253,799

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

35 BUSINESS COMBINATIONS (CONTINUED)

(b) Acquisition of 74% equity interests in Sarovar Hotels Private Limited ("Sarovar") (Continued)

The assets and liabilities as at 12 January 2017 arising from the acquisition are as follows:

	Fair values RMB'000
Property, plant and equipment	88,251
Intangible assets	123,339
Available-for-sale financial assets	131
Trade receivables, prepayments and other receivables — non-current portion	129
Inventories	523
Trade receivables, prepayments and other receivables — current portion	52,872
Cash and cash equivalents	16,060
Trade and other payables — non-current portion	(8,885)
Deferred income tax liabilities	(67,236)
Trade and other payables — current portion	(23,007)
Total identifiable net assets	182,177
Less: Non-controlling interests	(47,366)
Share of net assets (74%)	134,811
Add: Goodwill	118,988
Total purchase consideration	253,799
Total purchase consideration settled in cash for the period ended 31 December 2017	(253,799)
Cash and cash equivalents in the subsidiary acquired	16,060
Cash outflow of cash consideration on acquisition	(237,739)
Total transaction cost	5,254

(c) Acquisition of 100% equity interests in Hôtels et Préférence

On 2 October 2017, GDL entered into agreements (the "HP Acquisition Agreements") to acquire 100% equity interest in Hôtels et Préférence from its former shareholders. Hôtels et Préférence is principally engaged in hotel consulting service in France.

On 2 October 2017, such 100% equity interest in Hôtels et Préférence was transferred to GDL and the total closing consideration was EUR4,359,000 (equivalent to RMB33,291,000). Upon the completion of the transaction on 2 October 2017, Hôtels et Préférence became a subsidiary of the Group.

As a result of the acquisition, the Group is expected to expand its hotel service scope. The Group engaged an independent qualified valuation firm to evaluate the fair value of the identifiable net assets of Hôtels et Préférence. As at 29 March 2018, the approval date of these consolidated financial statements, the valuation has not been completed and the fair value of the identifiable net assets and the related goodwill of Hôtels et Préférence might be adjusted based on the final valuation result.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

35 BUSINESS COMBINATIONS (CONTINUED)

(c) Acquisition of 100% equity interests in Hôtels et Préférence (Continued)

Details of purchase consideration are as follows:

	RMB'000
Purchase consideration:	
— Cash paid	24,180
— Deferred payment of acquisition of subsidiaries	9,111
Total purchase consideration	33,291

The assets and liabilities as at 2 October 2017 arising from the acquisition are as follows:

	Carrying amount RMB'000
Property, plant and equipment	68
Intangible assets	710
Available-for-sale financial assets	46
Trade receivables, prepayments and other receivables — current portion	14,657
Cash and cash equivalents	397
Trade and other payables — non-current portion	(1,512)
Trade and other payables — current portion	(14,472)
Total identifiable net assets	(106)
Share of net assets (100%)	(106)
Add: Goodwill	33,397
Total purchase consideration	33,291
Total purchase consideration settled in cash for the period ended 31 December 2017	(24,180)
Cash and cash equivalents in the subsidiary acquired	397
Cash outflow of cash consideration on acquisition	(23,783)
Total transaction cost	1,527

36 SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group is controlled by Jin Jiang International (incorporated in Mainland China), which owns 75% of the Company's share. The remaining 25% of the shares are widely held. The ultimate parent and controlling party of the Group is Jin Jiang International.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related party transactions

The Group had the following significant related party transactions during the year ended 31 December 2017:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Transactions with Jin Jiang International		
— Borrowing received/(repaid)	**1,434,863**	(1,131,933)
— Interest income received	**10,523**	8,986
— Provision of hotel services	**143**	46
— Provision of food and beverage service	**45**	88
— Provision of other services	**145**	2
— Rental income received	**—**	10
	1,445,719	(1,122,801)
— Borrowing granted/(collected)	**200,000**	(350,000)
— Rental expenses paid	**8,148**	8,965
— Receipt of other services	**2,178**	32
— Interest expenses paid	**1,597**	1,070
— Receipt of food and beverage service	**203**	532
	212,126	(339,401)
Transactions with subsidiaries of Jin Jiang International		
— Borrowing received	**6,676,860**	610,466
— Provision of other services	**55,152**	2,599
— Provision of hotel services	**31,420**	25,536
— Provision of tourism services	**13,195**	15,859
— Rental income received	**3,193**	6,870
— Sales of hotel supplies	**2,407**	2,801
— Hotel franchise fees	**1,168**	1,395
	6,783,395	665,526
— Borrowing granted	**350,000**	—
— Interest expenses paid	**52,595**	17,657
— Receipt of other services	**30,620**	25,487
— Rental expenses paid	**30,555**	33,083
— Purchase of food and beverage	**1,019**	1,439
— Purchase of intangible assets	**—**	5,349
	461,850	83,015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related party transactions (Continued)

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Transactions with associates of Jin Jiang International		
— Receipt of travelling services	16,540	—
Transactions with joint ventures of the Group		
— Borrowing received	114,057	6,240
— Interest income received	14,538	12,708
— Management fees received	3,077	3,166
— Provision of other services	895	892
— Sales of hotel supplies	772	1,612
	133,339	24,618
— Borrowing granted/(collected)	169,500	(23,000)
— Interest expenses paid	8,861	7,540
— Purchase of goods	2,462	2,076
— Receipt of other services	59	43
— Management fee paid	—	1,397
	180,882	(11,944)
Transactions with associates of the Group		
— Borrowing received/(repaid)	5,980	(7,506)
— Rental income received	5,575	2,717
— Sales of property, plant and equipment	3,075	6,621
— Interest income received	2,824	2,732
— Management fees received	2,648	2,267
— Sales of hotel supplies	213	755
	20,315	7,586
— Purchase of vehicles and related parts	24,259	122,601
— Rental expense paid	790	17
— Interest expenses paid	153	10
— Receipt of travelling services	34	—
— Purchase of food and beverage	—	157
	25,236	122,785

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Amounts due from/due to related parties

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Loan to related parties by Finance Company (note 16)		
— Joint ventures of the Group (i)	**429,500**	267,000
— Subsidiaries, joint ventures and associates of Jin Jiang International (ii)	**350,000**	—
— Jin Jiang International (iii)	**300,000**	100,000
— Associates of the Group (iv)	**55,000**	55,000
	1,134,500	422,000
Loan to related parties by the Group other than Finance Company (note 16)		
— Joint ventures of the Group (v)	**25,500**	120,500
— Associates of the Group	**—**	10,320
	25,500	130,820
Other amounts due from related parties (note 16)		
— Subsidiaries, joint ventures and associates of Jin Jiang International	**109,842**	19,639
— Associates of the Group	**85,955**	68,413
— Joint ventures of the Group	**48,052**	41,609
— Jin Jiang International	**1,413**	4,013
	245,262	133,674
Deposits from related parties in Finance Company (note 21)		
— Subsidiaries, jointly ventures and associates of Jin Jiang International (vii)	**(3,359,526)**	(593,060)
— Jin Jiang International (vi)	**(1,693,663)**	(258,800)
— Joint ventures of the Group (viii)	**(294,877)**	(181,577)
— Associates of the Group (ix)	**(13,641)**	(7,661)
	(5,361,707)	(1,041,098)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Amounts due from/due to related parties (Continued)

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Other amounts due to related parties (note 21)		
— Joint ventures of the Group	**(114,645)**	(84,479)
— Subsidiaries, joint ventures and associates of Jin Jiang International	**(62,991)**	(19,033)
— Associates of the Group	**(43,219)**	(43,341)
— Jin Jiang International	**(11,839)**	(20,302)
	(232,694)	(167,155)
Borrowings from related parties (note 22)		
— A subsidiary of Jin Jiang International (x)	**(4,431,150)**	(520,000)

(i) The balance includes secured loans to a joint venture of RMB420,000,000 as at 31 December 2017 (31 December 2016: RMB260,000,000) with effective interest rate of 4.21% (31 December 2016: 4.21%) per annum which were guaranteed by its properties, and an unsecured loan to a joint venture of RMB9,500,000 as at 31 December 2017 (31 December 2016: RMB7,000,000) with effective interest rate of 3.92% (31 December 2016: 3.62%) per annum which was guaranteed by a subsidiary of the Group.

(ii) The balance includes unsecured loans to subsidiaries, joint ventures and associates of Jin Jiang International of RMB350,000,000 as at 31 December 2017 (31 December 2016: nil) with effective interest rate of 3.92%(31 December 2016: nil) per annum.

(iii) The balance includes unsecured loans to Jin Jiang International of RMB300,000,000 as 31 December 2017 (31 December 2016: RMB100,000,000) with effective interest rate of 3.48% (31 December 2016: 3.48%) per annum.

(iv) The balance includes secured loans to an associate of the Group of RMB55,000,000 as at 31 December 2017 (31 December 2016: RMB55,000,000) with effective interest rate of 4.75% (31 December 2016: 6.15%) per annum which were guaranteed by their properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Amounts due from/due to related parties (Continued)

(v) The balance includes unsecured loans to joint ventures of RMB25,500,000 as at 31 December 2017 (31 December 2016: RMB120,500,000) with effective interest rate of 4.35% (31 December 2016: 4.35%) per annum.

(vi) The balance includes deposits from Jin Jiang International of RMB1,693,663,000 as at 31 December 2017 (31 December 2016: RMB258,800,000) with effective interest rate of 0.39% (31 December 2016: 0.39%) per annum.

(vii) The balance includes deposits from subsidiaries, joint ventures and associates of Jin Jiang International of RMB3,359,526,000 as at 31 December 2017 (31 December 2016: RMB593,060,000) with effective interest rate of 0.65% (31 December 2016: 1.16%) per annum.

(viii) The balance includes deposits from joint ventures of RMB294,877,000 as at 31 December 2017 (31 December 2016:RMB181,577,000) with effective interest rate of 3.31% (31 December 2016: 4.20%) per annum.

(ix) The balance includes deposits from associates of the Group of RMB13,641,000 as at 31 December 2017 (31 December 2016: RMB7,661,000) with effective interest rate of 1.62% (31 December 2016: 2.15%) per annum.

(x) The balance includes an unsecured borrowing from a subsidiary of Jin Jiang International of RMB530,000,000 as at 31 December 2017 (31 December 2016: RMB520,000,000) with effective interest rate of 3.50% (31 December 2016: 3.50%) per annum, and a subsidiary of Jin Jiang International of EUR500,000,000, equivalent to RMB3,901,150,000 as at 31 December 2017 (31 December 2016: nil) with effective interest rate of 1.05% (31 December 2016: nil).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Loan commitments and financial guarantees

	At 31 December	
	2017 RMB'000	2016 RMB'000
Loan commitments (note 34)		
— Jin Jiang International	350,000	400,000
— Joint ventures of the Group	35,500	50,500
— Associates of the Group	26,000	1,000
	411,500	451,500
Financial guarantees provided to related parties (note 33)		
— Joint ventures of the Group	9,500	7,000
	9,500	7,000

(d) Key management compensation

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Salary and other allowances	1,644	1,029
Discretionary bonus	743	524
Retirement scheme contributions	537	332
	2,924	1,885

The emoluments fell within following bands:

	Year ended 31 December	
	2017 Number	2016 Number
Nil to RMB417,955 (equivalent to HK$500,000)	4	5
RMB417,955 (equivalent to HK$500,000) to RMB835,910 (equivalent to HK$1,000,000)	4	2
	8	7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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36 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Balances and transactions with stated-owned enterprises in China other than Jin Jiang International and its subsidiaries, joint ventures and associates ("Other State-owned Enterprises")

As at 31 December 2017, majority of the Group's bank balances and borrowings are with state-owned banks. The Group also has transactions with Other State-owned Enterprises in China including but not limited to sales of products, purchases of raw material, utilities and services. The Directors of the Company are of the opinion that these transactions are conducted in the ordinary business of the Group.

37 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and supervisors' emoluments

	For the year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Directors and supervisors		
— Basic salaries, housing allowances, other allowances	**2,462**	3,159
— Contributions to retirement plans	**400**	425
	2,862	3,584

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37 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and supervisors' emoluments (Continued)

The emoluments of every director and supervisor for the year ended 31 December 2017, on a named basis, are set out as below:

(i) For the year ended 31 December 2017:

	Directors'/ Supervisors' fee RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Estimated money value of other benefits (note (2)) RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Directors							
Mr. Yu Minliang	–	–	–	–	–	–	–
Ms. Guo Lijuan	–	–	–	–	–	–	–
Mr. Chen Liming	–	–	–	–	–	–	–
Mr. Zhang Qian	–	–	–	–	–	–	–
Mr. Han Min	–	311	118	27	83	123	662
Mr. Kang Ming (note (1))	–	154	83	15	27	64	343
Mr. Ji Gang	120	–	–	–	–	–	120
Dr. Rui Mingjie	120	–	–	–	–	–	120
Dr. Tu Qiyu	–	–	–	–	–	–	–
Dr. Xu Jianxin	120	–	–	–	–	–	120
Mr. Xie Hongbing	120	–	–	–	–	–	120
Dr. He Jianmin	120	–	–	–	–	–	120
	600	465	201	42	110	187	1,605
Supervisors							
Mr. Wang Guoxing	–	–	–	–	–	–	–
Mr. Ma Mingju	–	–	–	–	–	–	–
Mr. Zhou Qiquan	36	–	–	–	–	–	36
Ms. Zhou Yi	36	–	–	–	–	–	36
Mr. Chen Yinghao	–	264	51	27	47	98	487
Mr. He Yichi	–	509	47	27	–	115	698
	72	773	98	54	47	213	1,257
	672	1,238	299	96	157	400	2,862

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

37 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and supervisors' emoluments (Continued)

(ii) For the year ended 31 December 2016:

	Directors'/ Supervisors' fee RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Estimated money value of other benefits (note (2)) RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Directors							
Mr. Yu Minliang	–	–	–	–	–	–	–
Ms. Guo Lijuan	–	–	–	–	–	–	–
Mr. Chen Liming	–	–	–	–	–	–	–
Mr. Xu Ming	–	–	–	–	–	–	–
Mr. Zhang Xiaoqiang	–	170	295	22	32	53	572
Mr. Zhang Qian	–	–	–	–	–	–	–
Mr. Han Min	–	254	123	32	91	103	603
Mr. Kang Ming	–	247	196	31	55	99	628
Mr. Ji Gang	120	–	–	–	–	–	120
Dr. Rui Mingjie	120	–	–	–	–	–	120
Dr. Tu Qiyu	–	–	–	–	–	–	–
Dr. Xu Jianxin	120	–	–	–	–	–	120
Mr. Xie Hongbing	120	–	–	–	–	–	120
Dr. He Jianmin	120	–	–	–	–	–	120
	600	671	614	85	178	255	2,403
Supervisors							
Mr. Wang Guoxing	–	–	–	–	–	–	–
Mr. Ma Mingju	–	–	–	–	–	–	–
Mr. Zhou Qiquan	36	–	–	–	–	–	36
Ms. Zhou Yi	36	–	–	–	–	–	36
Ms. Zhang Wei	–	130	237	21	32	55	475
Ms. Liu Chenjian	–	43	–	6	58	20	127
Mr. Chen Yinghao	–	102	9	11	23	36	181
Mr. He Yichi	–	254	–	13	–	59	326
	72	529	246	51	113	170	1,181
	672	1,200	860	136	291	425	3,584

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

37 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and supervisors' emoluments (continued)

Notes:

(1) The Director resigned on 28 July 2017.

(2) Other benefits include medical and life insurance premium.

(3) The Company does not have a chief executive who is not a director of the Company (2016: same).

(4) For the years ended 31 December 2017 and 2016, no directors of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

38 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	At 31 December	
	2017	2016
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	**481,789**	505,685
Investment properties	**24,965**	26,421
Land use rights	**265,327**	277,971
Intangible assets	**224**	1,390
Investments in subsidiaries	**12,324,454**	11,761,758
Investments in joint ventures	**838,825**	838,825
Investments in associates	**124,505**	209,987
Available-for-sale financial assets	**47,112**	47,112
Trade receivables, prepayments and other receivables	**33,888**	30,227
	14,141,089	13,699,376
Current assets		
Financial assets at fair value through profit or loss	**22**	—
Inventories	**2,447**	2,333
Trade receivables, prepayments and other receivables	**678,125**	789,492
Bank deposits with maturities ranging from 3 months to 12 months	**—**	199,000
Cash and cash equivalents	**744,738**	390,186
	1,425,332	1,381,011
Total assets	**15,566,421**	15,080,387

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

38 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

	At 31 December	
	2017	2016
	RMB'000	RMB'000
EQUITY		
Capital and reserves attributable to shareholders of the Company		
Share capital	**5,566,000**	5,566,000
Reserves (note (a))	**4,743,810**	4,837,433
Total equity	**10,309,810**	10,403,433
LIABILITIES		
Non-current liabilities		
Borrowings	**999,950**	1,300,000
Deferred income tax liabilities	**590,864**	623,484
	1,590,814	1,923,484
Current liabilities		
Borrowings	**3,380,000**	2,500,000
Trade and other payables	**285,797**	253,470
	3,665,797	2,753,470
Total liabilities	**5,256,611**	4,676,954
Total equity and liabilities	**15,566,421**	15,080,387

The balance sheet of the Company was approved by the Board of Directors on 29 March 2018 and was signed on its behalf by:

Yu Minliang
Chairman and Executive Director

Zhang Qian
Executive President and Executive Director

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For the year ended 31 December 2017

38 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (a):

Reserve movement of the Company

	Other reserves					
	Capital surplus RMB'000	Statutory surplus reserve RMB'000	Available-for sale financial assets RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2016	1,554,645	415,963	58,413	2,029,021	2,765,221	4,794,242
Profit for the year	—	—	—	—	404,981	404,981
Dividends declared (note 31)	—	—	—	—	(361,790)	(361,790)
Profit appropriation	—	35,098	—	35,098	(35,098)	—
At 31 December 2016	1,554,645	451,061	58,413	2,064,119	2,773,314	4,837,433
Balance at 1 January 2017	1,554,645	451,061	58,413	2,064,119	2,773,314	4,837,433
Profit for the year	—	—	—	—	351,657	351,657
Dividends declared (note 31)	—	—	—	—	(445,280)	(445,280)
Profit appropriation	—	32,207	—	32,207	(32,207)	—
At 31 December 2017	**1,554,645**	**483,268**	**58,413**	**2,096,326**	**2,647,484**	**4,743,810**

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39 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

As at 31 December 2017, the Company had direct and indirect interests in the following principal subsidiaries, joint ventures and associates:

Company name	Country and date of incorporation	Issued/ registered and paid in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operation	Type of legal entity
		'000	2017	2016	2017	2016		
(a) Subsidiaries								
Jin Jiang Hotel Company Limited 上海錦江飯店有限公司	Mainland China, 30 May 1982	RMB206,920	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Park Hotel Company Limited 上海錦江國際飯店有限公司	Mainland China, 21 December 1979	RMB91,583	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Cypress Hotel Company Limited 上海龍柏飯店有限公司	Mainland China, 28 January 1984	RMB84,182	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Pacific Hotel Company Limited 上海錦江金門大酒店有限公司	Mainland China, 21 December 1979	RMB40,649	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Marvel Hotel 上海商悅青年會大酒店有限公司	Mainland China, 23 October 1984	RMB40,000	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Rainbow Hotel Company Limited 上海虹橋賓館有限公司	Mainland China, 9 February 1988	RMB21,951	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Hua Ting Guest House Company Limited 上海南華亭酒店有限公司	Mainland China, 15 July 2002	RMB26,099	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Hotel Company Limited 上海市上海賓館有限公司	Mainland China, 23 August 1991	RMB88,000	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jing An Hotel Company Limited 上海靜安賓館有限公司	Mainland China, 31 December 2010	RMB46,886	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Jinsha Hotel Company Limited 上海金沙江大酒店有限公司	Mainland China, 22 January 2003	RMB68,000	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company

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For the year ended 31 December 2017

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/ registered and paid in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operation	Type of legal entity
		'000	2017	2016	2017	2016		
(a) Subsidiaries (Continued)								
Shanghai Magnolia Hotel Company Limited 上海白玉蘭賓館有限公司	Mainland China, 25 March 1998	RMB59,166	100.0%	100.0%	–	–	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Da Hua Hotel Company Limited 上海錦江達華賓館有限公司	Mainland China, 18 February 1982	RMB31,704	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai New Asia Plaza Great Wall Hotel Company Limited 上海新亞廣場長城酒店有限公司	Mainland China, 26 April 1994	RMB120,000	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Peace Hotel Company Limited 上海和平飯店有限公司	Mainland China, 11 November 1998	RMB345,460	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Linqing Hotel Company Limited 上海臨青賓館有限公司	Mainland China, 18 November 1999	RMB16,600	100.0%	100.0%	–	–	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Kunming Jin Jiang Hotel Company Limited 昆明錦江大酒店有限公司	Mainland China, 7 December 1985	US$8,000	100.0%	100.0%	–	–	Hotel ownership and operations, Kunming, Mainland China	Limited liability company
Finance Company 錦江國際集團財務有限責任公司	Mainland China, 16 October 1997	RMB500,000	100.0%	100.0%	–	–	Provision of intra-group treasury and financing services, Shanghai, Mainland China	Limited liability company
Jin Jiang Inn Company Limited 錦江之星旅館有限公司	Mainland China, 17 May 1996	RMB179,712	100.0%	100.0%	–	–	Budget hotel ownership, operations and franchising, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang International Hotel Investment Company Limited 上海錦江國際旅館投資有限公司	Mainland China, 20 December 2004	RMB1,225,000	100.0%	100.0%	–	–	Budget hotel ownership, operations and franchising, Shanghai, Mainland China	Limited liability company

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For the year ended 31 December 2017

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/ registered and paid in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operation	Type of legal entity
		'000	2017	2016	2017	2016		
(a) Subsidiaries (Continued)								
Wuhan Jin Jiang International Hotel Company Limited 武漢錦江國際大酒店有限公司	Mainland China, 22 November 2004	RMB220,000	100.0%	100.0%	–	–	Hotel ownership and operations, Wuhan, Mainland China	Limited liability company
Shanghai Jin Jiang International Hotels Development Company Limited 上海錦江國際酒店發展股份有限公司	Mainland China, 9 June 1993	RMB957,936	50.3%	50.3%	49.7%	49.7%	Hotel and restaurant ownership and operations, Shanghai, Mainland China	Joint stock limited company
Shanghai New Asia Food Company Limited 上海新亞食品有限公司	Mainland China, 1 November 1996	RMB11,415	100.0%	100.0%	–	–	Food manufacturing, Shanghai, Mainland China	Limited liability company
Jin Jiang International Hotel Management Company Limited 錦江國際酒店管理有限公司	Mainland China, 1 December 1992	RMB200,000	100.0%	100.0%	–	–	Star-rated hotel management, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang International Catering Investment Company Limited 上海錦江國際餐飲投資管理有限公司	Mainland China, 1 December 1992	RMB149,930	100.0%	100.0%	–	–	Investment in and operation of restaurants, Shanghai, Mainland China	Limited liability company
Shanghai Jin Ya Hotel Company Limited 上海錦亞旅館有限公司	Mainland China, 1 December 1992	RMB18,000	100.0%	100.0%	–	–	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Tianjin Jin Jiang Inn Company Limited 天津錦江之星旅館有限公司	Mainland China, 1 July 2003	RMB40,000	100.0%	100.0%	–	–	Budget hotel ownership and operations, Tianjin, Mainland China	Limited liability company
Qingdao Jin Jiang Inn Company Limited 青島錦江之星旅館有限公司	Mainland China, 21 March 2005	RMB20,000	100.0%	100.0%	–	–	Budget hotel ownership and operations, Qingdao, Mainland China	Limited liability company
Beijing Jin Jiang Inn Investment and Management Company Limited 北京錦江之星旅館投資管理有限公司	Mainland China, 22 July 2003	RMB28,000	100.0%	100.0%	–	–	Budget hotel ownership and operations, Beijing, Mainland China	Limited liability company

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For the year ended 31 December 2017

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/ registered and paid in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operation	Type of legal entity
		'000	2017	2016	2017	2016		
(a) Subsidiaries (Continued)								
Xi'an Jin Jiang Inn Company Limited 西安錦江之星旅館有限公司	Mainland China, 24 June 2005	RMB20,000	100.0%	100.0%	–	–	Budget hotel ownership and operations, Xi'an, Mainland China	Limited liability company
Zhengzhou Jin Jiang Inn Company Limited 鄭州錦江之星旅館有限公司	Mainland China, 5 July 2005	RMB20,000	100.0%	100.0%	–	–	Budget hotel ownership and operations, Zhengzhou, Mainland China	Limited liability company
Shanghai Di Shui Hu Jin Jiang Inn Company Limited 上海滴水湖錦江之星旅館有限公司	Mainland China, 22 September 2005	RMB20,000	100.0%	100.0%	–	–	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Min Hotel Company Limited 上海錦閔旅館有限公司	Mainland China, 5 July 2005	RMB40,000	100.0%	100.0%	–	–	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai YuJin Hotel Management Company Limited 上海豫錦酒店管理有限公司	Mainland China, 30 October 2008	RMB20,000	60.0%	60.0%	40.0%	40.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Tianjin Hedong District Jin Jiang Inn Company Limited 天津河東區錦江之星旅館有限公司	Mainland China, 15 January 2008	RMB21,000	100.0%	100.0%	–	–	Budget hotel ownership and operations, Tianjin, Mainland China	Limited liability company
Shenyang Songhua River Street Jin Jiang Inn Company Limited 瀋陽松花江街錦江之星旅館有限公司	Mainland China, 21 February 2008	RMB20,000	100.0%	100.0%	–	–	Budget hotel ownership and operations, Shenyang, Mainland China	Limited liability company
Shanghai Jin Jiang International Hotels Group (HK) Company Limited 上海錦江國際酒店集團(香港)有限公司	Hong Kong, 14, February 2000	RMB70,736	100.0%	100.0%	–	–	Hotel reservation, Hong Kong	Limited liability company
Jian Guo Hotel Company Limited 上海建國賓館有限公司	Mainland China, 30 October 1986	RMB80,000	65.0%	65.0%	35.0%	35.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company

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39 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/ registered and paid in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operation	Type of legal entity
		'000	2017	2016	2017	2016		
(a) Subsidiaries (Continued)								
Sofitel Hyland Shanghai Company Limited 上海海侖賓館有限公司	Mainland China, 22 November 1985	RMB62,626	66.7%	66.7%	33.3%	33.3%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
West Capital International Hotel Company Limited 西安西京國際飯店有限公司	Mainland China, 17 May 2005	RMB80,000	100.0%	100.0%	–	–	Hotel ownership and operations, Xi'an, Mainland China	Limited liability company
Shanghai Jin Ya Catering Company Limited 上海錦亞餐飲有限公司	Mainland China, 12 December 1997	RMB68,670	100.0%	100.0%	–	–	Fast food operations, Shanghai, Mainland China	Limited liability company
Capital Gathering LLC 上海錦江酒店集團(美國)有限公司	USA 15 May 2009	US$39,600	100.0%	100.0%	–	–	Investment operations Wilmington, USA	Limited liability company
ShanXi Jinguang Inn Company Limited 山西金廣快捷酒店管理有限公司	China Mainland, 15 August,2006	RMB68,333	100.0%	100.0%	–	–	Budget hotel ownership and operations, Shanxi, Mainland China	Limited liability company
Jing An Bakery Holding Co., Ltd 靜安麵包房控股有限公司	British Virginis lands Britain, 21 April 2009	RMB41,692	60.0%	60.0%	40.0%	40.0%	Investment operation Hong Kong, China	Limited liability company
Shanghai Jin Jiang International Travel Co., Ltd 上海錦江國際旅遊股份有限公司	Mainland China, 24 September 1994	RMB132,556	50.2%	50.2%	49.8%	49.8%	Travel agency, Shanghai, Mainland China	Joint stock limited company
Shanghai Jin Jiang International Industrial Investment Co., Ltd (i) 上海錦江國際實業投資股份有限公司	Mainland China, 24 February 1993	RMB551,610	39.26%	39.26%	60.74%	60.74%	Passenger transportation vehicle and logistics, Shanghai, Mainland China	Joint stock limited company
Shanghai Jing An Bakery Company Limited 上海靜安麵包房有限公司	Mainland China, 1 January 1993	US$1,000	65.9%	65.9%	34.1%	34.1%	Fast food operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang International Cold Logistics Development Co., Ltd. 上海錦江國際低溫物流發展有限公司	Mainland China, 28 August 2006	RMB83,338	100.0%	100.0%	–	–	Provision of logistics management and relevant business services, Shanghai, Mainland China	Limited liability company

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39 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/ registered and paid in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operation	Type of legal entity
		'000	2017	2016	2017	2016		
(a) Subsidiaries (Continued)								
Shanghai Shanghai Food Co., Ltd. 上海尚海食品有限公司	Mainland China, 20 February 2010	RMB25,000	100.0%	100.0%	–	–	Trading of food, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Auto Service Co., Ltd. 上海錦江汽車服務有限公司	Mainland China, 3 May 1993	RMB338,480	95.0%	95.0%	5.0%	5.0%	Provision of vehicle rental services, Shanghai, Mainland China	Limited liability company
Shanghai CITS International Travel Services Co., Ltd. 上海國旅國際旅行社有限公司	Mainland China, 29 December 1993	RMB20,000	100.0%	100.0%	–	–	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Tourism Co., Ltd. 上海錦江旅遊有限公司	Mainland China, 25 August 1993	RMB24,990	100.0%	100.0%	–	–	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Travel Agency Co., Ltd. 上海旅行社有限公司	Mainland China, 2 September 1992	RMB2,000	100.0%	100.0%	–	–	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Jin Cai Association Co., Ltd. 上海錦琛會務有限公司	Mainland China, 1 November 2013	RMB10,000	100.0%	100.0%	–	–	Investment operation, Shanghai, Mainland China	Limited liability company
Shanghai Ji Gan Industrial Investment Co., Ltd. 上海佶苷實業投資有限公司	Mainland China, 26 November 2013	RMB1,000	100.0%	100.0%	–	–	Investment operation, Shanghai, Mainland China	Limited liability company
Shenzhen Overseas Chinese Town City Inn Co., Ltd. 深圳市都之華酒店管理有限公司	Mainland China, 23 April 1993	RMB131,400	100.0%	100.0%	–	–	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang JTB International Exhibition Co., Ltd. ("Jin Jiang JTB") (ii) 上海錦江國際JTB會展有限公司	Mainland China, 11 April 2005	US$1,000	50.0%	50.0%	50.0%	50.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Yan Enterprise Investment Management Co., Ltd. 上海錦琰企業投資管理有限公司	Mainland China, 30 November 2012	RMB78,150	100.0%	100.0%	–	–	Investment operation, Shanghai, Mainland China	Limited liability company

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39 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/ registered and paid in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operation	Type of legal entity
		'000	2017	2016	2017	2016		
(a) Subsidiaries (Continued)								
Groupe du Louvre 盧浮集團	France, 27 July 2005	EUR262,037	100%	100%	–	–	Hotel and restaurant ownership and operations, France	Limited liability company
Keystone Lodging Holdings Limited 鉑濤集團	Mainland China, 17 July 2013	RMB73,434	80.0034%	80.0034%	19.9966%	19.9966%	Hotel ownership and operations, Guangzhou, Mainland China	Limited liability company
Vienna Hotels Group Co., Ltd 維也納酒店有限公司	Mainland China，12 April 2014	RMB116,392	80.0%	80.0%	20.0%	20.0%	Hotel ownership and operations, Shenzhen, Mainland China	Limited liability company
Shenzhen Bai Sui Cun Restaurant Chain Co., Ltd 深圳市百歲村餐飲連鎖有限公司	Mainland China, 6 March 2008	RMB1,000	80.0%	80.0%	20.0%	20.0%	Fast food operations, Shenzhen, Mainland China	Limited liability company
Shanghai Xintiantian Cold Logistics Co., Ltd 上海新天天低溫物流有限公司	Mainland China, 31 July 2003	RMB66,179	65.0%	65.0%	35.0%	35.0%	Provision of logistics management and relevant business services, Shanghai, Mainland China	Limited liability company
Yangtze Hotel 上海揚子江大酒店有限公司	Mainland China, 4 February 1985	RMB451,812	66.67%	–	33.33%	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company

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39 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/ registered and paid in capital	% of ownership interest 2017	% of ownership interest 2016	Principal activities and place of operation	Type of legal entity
(b) Joint ventures (iii)						
Shanghai Galaxy Hotel Company Limited 上海銀河賓館有限公司	Mainland China, 22 August 1990	RMB19,885	50.0%	50.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Beijing Kunlun Hotel Company Limited 北京崑崙飯店有限公司	Mainland China, 24 May 1988	US$34,167	47.5%	47.5%	Hotel ownership and operations, Beijing, Mainland China	Limited liability company
Shanghai Jin Jiang Tomson Hotel Company Limited 上海錦江湯臣大酒店有限公司	Mainland China, 10 July 1993	US$24,340	50.0%	50.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Thayer Jin Jiang Interactive Co., Ltd. 上海錦江德爾互動有限公司	Mainland China, 31 October 2005	US$3,000	50.0%	50.0%	Software development and related services, Shanghai, Mainland China	Limited liability company
Shanghai Tower Jin Jiang Hotel Asset Management Co.,Ltd 上海中心大廈錦江酒店資產管理有限公司	Mainland China, 16 May 2011	RMB60,000	50.0%	50.0%	Hotel management, Shanghai, Mainland China	Limited liability company
JHJ International Transportation Co.,Ltd. 錦海捷亞國際貨運有限公司	Mainland China, 6 December 1992	US$10,000	50.0%	50.0%	Transportation and logistics, Shanghai, Mainland China	Limited liability company
Shanghai Dazhong New Asia Co., Ltd. 上海大眾新亞出租汽車有限公司	Mainland China, 27 April 2000	RMB30,000	49.5%	49.5%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Jiayou Automobile Services Co., Ltd. 上海錦江佳友汽車服務有限公司	Mainland China, 08 September 1993	RMB24,700	50.0%	50.0%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Vehicle Driver Training Centre 上海市機動車駕駛員培訓中心	Mainland China, 25 August 1989	RMB4,340	33.33%	33.33%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Zhendong Automobile Services Co., Ltd. 上海振東汽車服務有限公司	Mainland China, 25 June 1991	US$7,900	50.0%	50.0%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Jinmao Jin Jiang Automobile Services Co., Ltd. 上海金茂錦江汽車服務有限公司	Mainland China, 11 January 1996	RMB22,000	50.0%	50.0%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Wubei Parking Garage Co.,Ltd 上海烏北停車庫有限公司	Mainland China, 20 July 2016	RMB3,000	50.0%	50.0%	Parking Service, Shanghai, Mainland China	Limited liability company
INCA Hotel Holdings Company LLC	Delaware, USA, 2 May 2016	USD28,238	50.0%	50.0%	Hotel ownership and operations, USA	Limited liability company

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39 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/ registered and paid in capital	% of ownership interest		Principal activities and place of operation	Type of legal entity
		'000	2017	2016		
(c) Associates (iii)						
Wuxi Jin Jiang Grand Hotel Company Limited 無錫錦江大酒店有限公司	Mainland China, 16 December 1994	RMB67,570	25.0%	25.0%	Hotel ownership and operations, Wuxi, Mainland China	Limited liability company
Shanghai Kentucky Fried Chicken Company Limited 上海肯德基有限公司	Mainland China, 5 May 1989	US$27,010	42.0%	42.0%	Fast food operations, Shanghai, Mainland China	Limited liability company
Shanghai New Asia Fulihua Catering Company Limited 上海新亞富麗華餐飲股份有限公司	Mainland China, 25 June 1992	RMB35,000	41.0%	41.0%	Restaurant operations, Shanghai, Mainland China	Limited liability company
Shanghai Yoshinoya Company Limited 上海吉野家快餐有限公司	Mainland China, 3 June 2002	US$12,300	42.8%	42.8%	Fast food operations, Shanghai, Mainland China	Limited liability company
Jiangsu Jin Jiang Nanjing Hotel Company Limited 江蘇錦江南京飯店有限公司	Mainland China, 12 October 1982	RMB34,640	40.0%	40.0%	Hotel ownership and operations, Nanjing, Mainland China	Limited liability company
Nanjing Long Distance Passenger Transport Group Co., Ltd. 江蘇南京長途汽車客運集團有限公司	Mainland China, 4 June 1991	RMB110,000	23.0%	23.0%	Transportation services, Nanjing, Mainland China	Limited liability company
Shanghai Pudong International Airport Cargo Terminal Co., Ltd 上海浦東國際機場貨運站有限公司	Mainland China, 08 October 1999	RMB311,610	20.0%	20.0%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Yongda Fengdu Automobile Distribution and Services Co., Ltd. 上海永達風度汽車銷售服務有限公司	Mainland China, 21 January 2002	RMB15,000	40.0%	40.0%	Trading of automobile and related parts, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Passenger Transport Co., Ltd. 上海錦江客運有限公司	Mainland China, 24 February 2003	RMB10,000	30.0%	30.0%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Automobile Sales Co., Ltd. 上海錦江汽車銷售服務有限公司	Mainland China, 14 January 2004	RMB5,000	30.0%	30.0%	Trading of automobile and related parts, Shanghai, Mainland China	Limited liability company
Shanghai Shuijin Yang Food Co., Ltd. 上海水錦洋食品有限公司	Mainland China, 20 August 2012	RMB25,000	40.0%	40.0%	Frozen food and agricultural products operation, Shanghai, Mainland China	Limited liability company
China Oriental International Travel & Transport Co., Ltd. 上海東方航空國際旅遊運輸有限公司	Mainland China, 16 August 1990	RMB8,000	49.0%	49.0%	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Waihang International Travel Service Co., Ltd. 上海外航國際旅行社有限公司	Mainland China, 25 May 1993	RMB3,500	30.0%	30.0%	Travel agency, Shanghai, Mainland China	Limited liability company

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For the year ended 31 December 2017

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/ registered and paid in capital	% of ownership interest		Principal activities and place of operation	Type of legal entity
		'000	2017	2016		
(c) Associates (iii) (Continued)						
Shanghai Oneday Travel Service Co.,Ltd. 上海一日旅行社有限公司	Mainland China, 4 May 1999	RMB3,500	**22.9%**	22.9%	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Juxing Real Estate Management Co., Ltd. 上海聚星物業管理有限公司	Mainland China, 10 January 2000	RMB1,000	**24.7%**	24.7%	Property management, Shanghai, Mainland China	Limited liability company
Shanghai Qi Cheng Network Technology Co., Ltd. 上海齊程網絡科技有限公司	Mainland China, 16 February 2017	RMB1,000,000	**20.0%**	–	Network technology and E-commerce, Shanghai, Mainland China	Limited liability company
Chengdu Jinhe Real Estate Company Limited 成都錦和物業發展有限公司	Mainland China, 12 August 1993	RMB18,000	**–**	30.0%	Hotel ownership and operations, Chengdu, Mainland China	Limited liability company
Yangtze Hotel 上海揚子江大酒店有限公司	Mainland China, 4 February 1985	RMB451,812	**–**	40.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Huangpu River Cruise Co.,Ltd. 上海浦江遊覽有限公司	Mainland China, 4 May 1982	RMB50,000	**–**	20.0%	Travel agency, Shanghai, Mainland China	Limited liability company

(i) Although the Company holds less than half of the equity interests in Jin Jiang Investment and therefore has less than half of its voting rights, the Director concludes that the Company has de facto control over Jin Jiang Investment and accounts for a subsidiary after taking into consideration, among the things: (a) the dispersed shareholder structure excluding those interests directly and indirectly held by the Company; (b) the ability to demonstrate effective control during the shareholders' meetings and board meetings; and (c) the extent of involvement of directors of Jin Jiang Investment nominated by the Company in its operational and financial policy setting and decision making.

(ii) Although Jin Jiang Travel holds 50% equity interests in Jin Jiang JTB, it is concluded that Jin Jiang Travel has control over the and accounts for a subsidiary, after taking into consideration that a majority (2 out of 3) of the board of Jin Jiang JTB can be appointed by the Company and Jin Jiang Travel is exposed to or has rights to variable returns from its involvement with Jin Jiang JTB and has the ability to affect those returns through its power over Jin Jiang JTB.

(iii) All investments in joint ventures and associates are accounted for by equity method in the consolidated financial statements of the Group. All the principal joint ventures and associates provide products and services in connection with Hotel Related Businesses, Passenger Transportation Vehicle and Logistics Businesses or Travel Agency Businesses, and are the strategic partnership for the Group.

40 EVENTS OCCURRING AFTER THE REPORTING PERIOD

(i) Please refer to Note 31 for the final dividend recommended by the Directors to be paid in 2018.

(ii) Equity transitions with non-controlling interests

On 12 January 2018, the Group acquired a further 12.0001% equity interests of Keystone, a subsidiary of the Group, from its non-controlling interests at a consideration of RMB1,204,800,000.