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

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

(Stock code: 02006)

2018 FINAL RESULTS ANNOUNCEMENT

The Board is pleased to announce the final results of the Group for the year ended 31 December 2018. These results have been reviewed by the Audit Committee. The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the final results announcement were consistent with the amounts set out in the audited consolidated financial statements of the Group for the year.

The adoption of Hong Kong Financial Reporting Standards ("HKFRSs") 15 Revenue from Contracts with Customers and HKFRS 9 Financial Instruments by the Group with effect from 1 January 2018 has affected certain items of revenue on the Group's consolidated income statement and the recognition of gain from the disposal of equity shares.

The Group further expedited its global strategic business deployment according to the strategy of "intensive domestic business development, global deployment and multinational operations". Through coordinated applications of capital, assets and funds coupled with industry developments, the Group implemented a "horse-racing mechanism" for the hotel management companies for each brand in respect of our frontline operations and a "one-centre, three-platform" (namely, Jin Jiang Hotel Global Innovation Centre, WeHotel Global Shared Hotel Platform, Jin Jiang Global Shared Procurement Platform and Jin Jiang Global Shared Financial Platform) structure for our back office operations was constructed jointly. In persistent adherence to the principle of "keeping the DNA unchanged, integrating back offices, realising complementary advantages, and procuring mutual development", we have established a new starting point upon which we will achieve new developments and breakthroughs.

During the Reporting Period, the Group realised sales revenue of approximately RMB20,631,063,000, representing an increase of approximately 4.4% as compared to the same period of last year. Operating profit of the Group amounted to approximately RMB2,173,438,000, representing a decrease of approximately 0.2% as compared to the same period of last year. Earnings before interests, taxes, depreciation and amortisation ("EBITDA") of the Group amounted to approximately RMB4,427,243,000, representing a decrease of approximately 0.9% as compared to the same period of last year. Profit attributable to shareholders of the Company amounted to approximately RMB761,701,000, representing an increase of approximately 0.1%, which was mainly attributable to the growth in operating results following the expansion of hotel operations and the adoption of new HKFRSs. The Board has proposed a distribution of RMB8.0 cents (inclusive of tax) per share as dividends for the year ended 31 December 2018, which remains the same 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 7,537 hotels in operation with approximately 760,000 rooms in aggregate in 68 countries over the world. Among the said hotels, a total of 6,241 self-owned or managed hotels were in operation in China with approximately 650,000 rooms in total. In addition, 3,488 hotels of the Group were under construction over the world with a total of approximately 380,000 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 2018.

During the Reporting Period, the exemplary flagship hotels for middle-end brands developed by the Group in Shanghai, including Lavande + James Joyce Coffetel (Huamu Hotel), Vienna International (Jinshajiang Road Hotel), Magnolia (Jin Jiang Leyuan Hotel) and Campanile (Jing'an Hotel), commenced business in succession, signifying a stage of rapid development for the Group's middle-end Select Service Hotels.

During the Reporting Period, the Group worked vigorously to incorporate general requirements for the development of the Communist Party of China ("CPC") organisation into the articles of association of state-owned enterprises. In June 2018, the relevant resolution was approved at the 2017 annual general meeting by a high vote.

During the Reporting Period, the Group made a strong effort to boost the "Top Four Brands" of Shanghai, according to the requirements of qualitative development and quality life, and persistently adhered to the principle of prudent progress and new development ideas. We hosted the 5th "Jin Jiang Cup" Vocation Skills Contest with success, while also completing a series of important hospitality assignments, such as the first China International Import Expo, meetings of the Shanghai Committee of the Chinese People Political Consultative Conference and the Shanghai CPC Congress, the Shanghai Mayor's Consultative Conference with international entrepreneurs and National Day celebration parties, among others, for which we were highly commended by the public.

In November 2018, Jin Jiang Development, Ever Felicitous Limited (held as to 77.84% by Mr. Zheng Nanyan), Fortune News International Limited (wholly-owned by Mr. Zheng Nanyan) and Mr. Zheng Nanyan signed an equity transfer agreement, pursuant to which Jin Jiang Development acquired 3.49825% equity interests in Keystone Lodging Holdings Limited ("Keystone") held in aggregate by Ever Felicitous Limited and Fortune News International Limited for a cash consideration of approximately RMB351 million. Following the completion of all closings under the transaction in January 2019, Jin Jiang Development's shareholding in Keystone has increased from 93.0035% to 96.50175%.

In November 2018, the Company transferred its 5% equity interests in Hua Ting Hotel to Jin Jiang International Investment and Management. Upon the completion of this transaction, the Company no longer held any equity interest in Hua Ting Hotel.

OPERATIONAL STATISTICS

	2018	2017
Average Occupancy Rate		
Full Service Hotels		
— 5-star Luxury Hotels	**74%**	74%
— 4-star Luxury Hotels	**69%**	73%
Domestic Select Service Hotels	**78%**	81%
— Middle-end Hotels	**82%**	85%
— Budget Hotels	**76%**	80%
Overseas Select Service Hotels	**65%**	64%
— Middle-end Hotels	**58%**	58%
— Budget Hotels	**67%**	66%
Average room rate *(RMB/room)*		
Full Service Hotels		
— 5-star Luxury Hotels	**889**	854
— 4-star Luxury Hotels	**540**	517
Domestic Select Service Hotels	**202**	184
— Middle-end Hotels	**264**	252
— Budget Hotels	**162**	157
Overseas Select Service Hotels *(EUR/room)*	**56**	57
— Middle-end Hotels *(EUR/room)*	**65**	67
— Budget Hotels *(EUR/room)*	**53**	53
RevPAR *(RMB/room)*		
Full Service Hotels		
— 5-star Luxury Hotels	**654**	630
— 4-star Luxury Hotels	**375**	375
Domestic Select Service Hotels	**158**	150
— Middle-end Hotels	**216**	215
— Budget Hotels	**124**	125
Overseas Select Service Hotels *(EUR/room)*	**36**	36
— Middle-end Hotels *(EUR/room)*	**37**	38
— Budget Hotels *(EUR/room)*	**36**	35

Notes:

1. 5-star Luxury Hotels include: Jin Jiang Hotel, Peace Hotel, Wuhan Jin Jiang International Hotel, Beijing Kunlun Hotel, Jin Jiang Tower, Jin Jiang Tomson Hotel and Shanghai Yangtze Hotel Company Limited ("Yangtze Hotel").

2. 4-star Luxury Hotels include: Park Hotel, Jian Guo Hotel, Cypress Hotel, Holiday Inn Downtown Shanghai, Rainbow Hotel (excluded due to room refurbishment), Shanghai Hotel, Shanghai Jing An Hotel, Shanghai Sofitel Hotel, Jiangsu Nanjing Hotel, Wuxi Jin Jiang Grand Hotel, West Capital International Hotel and Kunming Jin Jiang Hotel.

3. For domestic Select Service Hotels, the operational data of middle-end hotels comprised the operational data of all operating chain hotels under other middle-end brands including: "Jin Jiang Metropolo", "Campanile (康鉑)", "Lavande", "James Joyce Coffetel", "Xana Hotel", "Venus Royal", "Vienna International", "Vienna Classic", "Vienna Hotels" and "Vienna 3 Best". The operational data of budget hotels comprised the operational data of all operating chain hotels under other budget hotel brands including: "Jin Jiang Inn", "Jinguang Inn", "Bestay Hotels Express", "IU", "7 Days Inn" and "Pai".

4. For overseas Select Service Hotels, the operational data of middle-end hotels comprised the operational data of all operating chain hotels under other middle-end brands including "Golden Tulip". The operational data of budget hotels comprised the operational data of all operating chain hotels under other budget hotel brands including: "Premiere Classe", "Campanile", "Kyriad" and "Sarovar".

FINANCIAL HIGHLIGHTS

	2018	2017	2016	2015	2014
Items of Consolidated Income Statement *(RMB million)*					
Revenue	**20,631**	19,759	17,013	12,197	9,364
Profit attributable to shareholders of the Company	**762**	761	758	866	621
Earnings per share on profit attributable to shareholders of the Company *(RMB cents)*	**13.68**	13.67	13.63	15.55	11.16
Items of Consolidated Balance Sheet *(RMB million)*					
Total assets	**57,184**	62,998	56,771	42,298	24,163
Total liabilities	**37,138**	42,194	36,631	25,520	8,787
Total equity	**20,046**	20,804	20,140	16,778	15,376
Total equity attributable to the shareholders of the Company	**9,473**	9,485	9,357	9,296	8,619
Items of Consolidated Statement of Cash Flows *(RMB million)*					
Net cash generated from operating activities	**1,180**	6,597	1,146	2,464	(796)
NON-HKFRS Financial Information					
Proposed dividend *(RMB million)*	**445**	445	445	362	278
Proposed dividend per share *(RMB cents)*	**8.00**	8.00	8.00	6.50	5.00
EBITDA *(RMB million)*	**4,427**	4,468	4,118	3,398	2,647
Total equity per share *(RMB)*	**3.60**	3.74	3.62	3.01	2.76
Total equity per share attributable to the shareholders of the Company *(RMB)*	**1.70**	1.70	1.68	1.67	1.55
Gearing ratio	**35.0%**	37.8%	43.9%	38.7%	14.8%
Capital Expenditure *(RMB million)*	**1,423**	3,647	14,725	11,308	845

SELECTED CONSOLIDATED FINANCIAL INFORMATION PREPARED IN ACCORDANCE WITH HKFRS

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 *RMB'000*	2017 *RMB'000*
Revenue	3	**20,631,063**	19,758,908
Cost of sales	4	**(15,424,779)**	(14,949,609)
Gross profit		**5,206,284**	4,809,299
Other income and gain	10	**892,778**	786,010
Selling and marketing expenses	4	**(1,344,990)**	(1,112,808)
Administrative expenses	4	**(2,432,288)**	(2,114,141)
Other expenses and losses	11	**(148,346)**	(189,975)
Operating profit		**2,173,438**	2,178,385
Finance income	12	**—**	115,807
Finance costs	12	**(623,091)**	(692,005)
Finance costs — net	12	**(623,091)**	(576,198)
Share of results of joint ventures and associates accounted for using the equity method		**269,929**	359,770
Profit before income tax		**1,820,276**	1,961,957
Income tax expense	5	**(390,180)**	(407,996)
Profit for the year		**1,430,096**	1,553,961
Attributable to:			
Shareholders of the Company		**761,701**	760,770
Non-controlling interests		**668,395**	793,191
		1,430,096	1,553,961
Earnings per share for profit attributable to shareholders of the Company during the year *(expressed in RMB cents per share)* — basic and diluted	6	**13.68**	13.67
Dividends	7	**445,280**	445,280

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit for the year	**1,430,096**	1,553,961
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Fair value changes on available-for-sale financial assets — gross	**—**	(98,214)
Transfer of fair value changes on disposal of available-for-sale financial assets — gross	**—**	(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	**—**	74,441
Cash flow hedges	**1,067**	967
Currency translation differences	**(4,904)**	48,003
Item that will not be reclassified to profit or loss		
Changes in fair value of equity investments at fair value through other comprehensive income — gross	**(457,623)**	—
Changes in fair value of equity investments at fair value through other comprehensive income — tax	**189,410**	—
Remeasurements of post-employment benefit obligations	**(5,237)**	(511)
Total other comprehensive income for the year	**(277,287)**	(151,040)
Total comprehensive income for the year	**1,152,809**	1,402,921
Attributable to:		
Shareholders of the Company	**653,236**	675,413
Non-controlling interests	**499,573**	727,508
	1,152,809	1,402,921

CONSOLIDATED BALANCE SHEET

At 31 December 2018

	Note	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**11,985,729**	12,541,050
Investment properties		**330,397**	290,195
Land use rights		**3,161,582**	3,296,355
Intangible assets		**18,823,038**	18,833,492
Investments accounted for using the equity method		**1,845,156**	1,909,749
Financial assets at fair value through other comprehensive income		**1,398,011**	—
Financial assets at fair value through profit or loss		**1,188,514**	—
Available-for-sale financial assets		**—**	3,508,065
Deferred income tax assets		**816,888**	762,739
Trade receivables, prepayments and other receivables	8	**188,919**	206,954
		39,738,234	41,348,599
Current assets			
Financial assets at fair value through profit or loss		**786,683**	32,204
Available-for-sale financial assets		**—**	186,849
Inventories		**308,727**	209,153
Trade receivables, prepayments and other receivables	8	**4,059,326**	4,132,958
Restricted cash		**604,476**	420,387
Bank deposits with maturities over 3 months		**243,669**	4,560,632
Cash and cash equivalents		**11,442,949**	12,098,112
		17,445,830	21,640,295
Assets classified as held for sale		**—**	9,194
		17,445,830	21,649,489
Total assets		**57,184,064**	62,998,088

CONSOLIDATED BALANCE SHEET (CONTINUED)
At 31 December 2018

	Note	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital	1	**5,566,000**	5,566,000
Reserves		**3,906,506**	3,919,024
		9,472,506	9,485,024
Non-controlling interests		**10,573,828**	11,318,523
Total equity		**20,046,334**	20,803,547
LIABILITIES			
Non-current liabilities			
Borrowings		**16,907,239**	19,954,804
Deferred income tax liabilities		**2,710,864**	3,085,697
Trade, other payables and accruals	9	**1,645,948**	2,067,203
Contract liabilities		**205,773**	—
		21,469,824	25,107,704
Current liabilities			
Borrowings		**3,134,210**	3,828,870
Derivative financial instruments		**2,781**	4,391
Income tax payable		**369,287**	360,374
Trade, other payables and accruals	9	**10,654,900**	12,893,202
Contract liabilities		**1,506,728**	—
		15,667,906	17,086,837
Total liabilities		**37,137,730**	42,194,541
Total equity and liabilities		**57,184,064**	62,998,088

NOTES TO THE SELECTED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1 GENERAL INFORMATION

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

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

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

The Company is listed on the Main Board of the Stock Exchange (the "Listing"). The share capital of the Company is RMB5,566,000,000.

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

The Group 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 on 29 March 2019.

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.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, except that certain financial assets and liabilities are measured at fair value and assets held for sale are measured at fair value less cost to sell.

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

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

		Effective for annual periods beginning on or after
HKFRS 9	*Financial Instruments*	1 January 2018
HKFRS 15	*Revenue from Contracts with Customers*	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
HK (IFRIC) 22	*Foreign Currency Transactions and Advance Consideration*	1 January 2018
Hong Kong Accounting Standards ("HKAS") 40 (Amendments)	*Transfers of Investment Property*	1 January 2018
Annual Improvements 2014–2016 Cycle		1 January 2018

The Group had to change its accounting policies and make certain adjustments following the adoption of HKFRS 9 and HKFRS 15. The other newly adopted standards or amendments listed above did not have material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future period.

HKFRS 9 was generally adopted without restating comparative information. The Group used modified retrospective approach while adopting HKFRS 9. The reclassification and remeasurement are therefore not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet as at 1 January 2018.

The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption were recognised in retained earnings as at 1 January 2018 and that comparatives were not restated.

(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 2018 and have not been early adopted

		Effective for annual periods beginning on or after
HKFRS 16	*Leases*	1 January 2019[(i)]
HK (IFRIC) 23	*Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*	1 January 2019
Amendments to HKFRS 28	*Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to HKFRS 19	*Plan Amendment, Curtailment or Settlement*	1 January 2019
Annual Improvements to HKFRS Standards 2015–2017 Cycle		1 January 2019
Amendments to HKFRS 3	*Definition of Business*	1 January 2020
Amendments to HKAS 1 and HKAS 8	*Definition of Material*	1 January 2020
HKFRS 17	*Insurance Contracts*	1 January 2021
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

(i) 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 by lessees, 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. Total non-cancellable operating lease commitments of the Group as at 31 December 2018 amounted to approximately RMB12,907,942,000.

However, the Group is reviewing all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16 and assessing 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 in a position 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.

The accounting treatment for lessors will not significantly change. However, some additional disclosures will be required from next year.

Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured on transition and use retrospective calculation as if the new rules had always been applied or will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses) on a lease-by-lease basis.

Apart from HKFRS 16, there are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements, where they are different to those applied in prior periods.

(a) Impact on the financial statements

The impact on the Group's financial position by the application of HKFRS 9 and HKFRS 15 is as follows. The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more details below.

Consolidated Balance Sheet (extract)	31 December 2017 As originally presented	HKFRS 9	HKFRS 15	1 January 2018 Restated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Financial assets at fair value through profit or loss	—	1,128,559	—	1,128,559
Financial assets at fair value through other comprehensive income	—	2,735,749	—	2,735,749
Available-for-sale financial assets	3,508,065	(3,508,065)	—	—
Deferred tax assets	762,739	—	17,664	780,403
Current assets				
Financial assets at fair value through profit or loss	32,204	186,849	—	219,053
Available-for-sale financial assets	186,849	(186,849)	—	—
EQUITY				
Capital and reserves attributable to shareholders of the Company				
Reserves	3,919,024	141,141	(26,042)	4,034,123
Non-controlling interests	11,318,523	133,003	(25,711)	11,425,815
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	3,085,697	82,099	—	3,167,796
Trade, other payables and accruals	2,067,203	—	(117,893)	1,949,310
Contract liabilities	—	—	187,310	187,310
Current liabilities				
Trade, other payables and accruals	12,893,202	—	(1,395,344)	11,497,858
Contract liabilities	—	—	1,395,344	1,395,344

(b) ***HKFRS 9 Financial Instruments***

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated as the Group does not have any material hedge instrument.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. In addition, HKFRS 9 required that investments in equity instruments are always measured at fair value. The main effects resulting from this reclassification and measurement are as follows:

Financial assets — 1 January 2018	*Note*	**Available-for-sale financial assets ("AFS")** *RMB'000*	**Financial assets at fair value through profit or loss ("FVPL")** *RMB'000*	**Financial assets at fair value through other comprehensive income ("FVOCI")** *RMB'000*
Closing balance 31 December 2017 — HKAS 39		3,694,914	32,204	—
Reclassify debt investments from AFS to FVPL	(1)	(226,354)	226,354	—
Reclassify equity investments from AFS to FVPL	(2)	(736,897)	1,089,054	—
Reclassify non-trading listed and unlisted equity investments from AFS to FVOCI	(3)	(2,731,663)	—	2,735,749
Opening balance 1 January 2018 — HKFRS 9		—	1,347,612	2,735,749

The impact of these changes on the Group's equity is as follows:

	Note	Effect on AFS reserves *RMB'000*	Effect on FVOCI reserve *RMB'000*	Effect on retained earnings *RMB'000*	Effect on non-controlling interests *RMB'000*
Closing balance 31 December 2017 — HKAS 39		931,826	—	3,212,060	11,318,523
Reclassify debt investments from AFS to FVPL	(1)	(12)	—	12	—
Reclassify equity investments from AFS to FVPL	(2)	(71,789)	—	211,105	131,763
Reclassify non-trading listed and unlisted equity investments from AFS to FVOCI	(3)	(860,025)	861,850	—	1,240
Opening balance 1 January 2018 — HKFRS 9		—	861,850	3,423,177	11,451,526

(1) Reclassification of debt investments from AFS to FVPL

Certain debt investments amounted to RMB226,354,000 were reclassified from AFS to financial assets at FVPL as at 1 January 2018. They do not meet the HKFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest. As a result, related fair value gains of RMB12,000 were transferred from the AFS reserve to retained earnings as at 1 January 2018.

(2) Reclassification of equity investments from AFS to FVPL

Certain equity investments were held for trading or the Group made an irrevocable election to measure certain equity investments as financial assets at FVPL. The carrying amount of these investments as at 31 December 2017 was RMB736,897,000. As a result, related fair value gains of RMB71,789,000 were transferred from the AFS reserves to retained earnings as at 1 January 2018. In addition, some of these equity investments were accounted at cost in accordance with HKAS 39 before 1 January 2018, because the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. Since HKFRS 9 required that investments in equity instruments are always measured at fair value, the carrying amount of these investments as at 1 January 2018 was RMB1,089,054,000. The net fair value gain amounted to RMB352,157,000 between the measurement difference of HKAS 39 and HKFRS 9 shall be recognised in the opening balance as at 1 January 2018. As a result, the retained earnings increased by RMB139,316,000, the non-controlling interests increased by RMB131,763,000 and the deferred tax liability increased by RMB81,078,000 as at 1 January 2018, respectively.

(3) Reclassification of non-trading listed and unlisted equity investments from AFS to FVOCI

The Group elected to present in other comprehensive income changes in the fair value of certain non-trading unlisted and listed equity investments previously classified as AFS. The carrying amount of these investments as at 31 December 2017 was RMB2,731,663,000. As a result, the fair value gains of RMB860,025,000 were classified from AFS reserves to the FVOCI reserve as at 1 January 2018. In addition, some of them were accounted at cost in accordance with HKAS 39 before 1 January 2018, because the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. Since HKFRS 9 required that investments in equity instruments are always measured at fair value, the carrying amount of these investments as at 1 January 2018 was RMB2,735,749,000. The net fair value gain amounted to RMB4,086,000 between the measurement difference of HKAS 39 and HKFRS 9 shall be recognised in the opening balance sheet as at 1 January 2018. As a result, the other reserves increased by RMB1,825,000, the non-controlling interests increased by RMB1,240,000 and the deferred tax liability increased by RMB1,021,000 as at 1 January 2018, respectively.

(ii) Impairment of financial assets

The Group has trade receivables due from customers for goods sold or services performed in the ordinary course of business that are subject to HKFRS 9's new expected credit loss model, and the Group was required to revise its impairment methodology under HKFRS 9 for these receivables.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The adoption of new approach did not result in any material impact on the amounts reported in the opening consolidated balance sheet as at 1 January 2018 and the financial information during the year ended 31 December 2018.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than credit terms.

While cash and cash equivalents were also subject to the impairment requirements of HKFRS 9, no impairment loss was identified.

(c) HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018, which resulted in changes in accounting policies. The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption was recognised in retained earnings as at 1 January 2018 and that comparatives were not restated. Following adjustment were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018):

	HKAS 18 carrying amount 31 December 2017	**Reclassification (i)**	**Remeasurements (ii)**	**HKFRS 15 carrying amount 1 January 2018**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Deferred income tax assets	762,739	—	17,664	780,403
Reserve	3,919,024	—	(26,042)	3,892,982
Non-controlling interests	11,318,523	—	(25,711)	11,292,812
Trade, other payables and accruals — non-current	2,067,203	(117,893)	—	1,949,310
Contract liabilities — non-current	—	117,893	69,417	187,310
Trade, other payables and accruals — current	12,893,202	(1,395,344)	—	11,497,858
Contract liabilities — current	—	1,395,344	—	1,395,344

(i) Presentation of assets and liabilities related to contracts with customers

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- Contract liabilities in relation to advances from customers were previously included trade, other payables and accruals — current (RMB1,395,344,000 as at 1 January 2018);

- Contract liabilities in relation to the customer loyalty programme and the marketing fund were previously included in trade, other payables and accruals — non-current (RMB117,893,000 as at 1 January 2018).

(ii) Entrance fees

When a management and franchise contract is signed, the Group sometimes invoices non-refundable initial entrance fees to hotel owners. Under prior standard, these non-refundable initial entrance fees were recognised in revenue in the period in which they were billed. Under HKFRS 15, these payments do not transfer any additional service to the customers, which are distinct from the promise to render services under the management and franchise contract. Therefore, the entrance fee shall be recognised on a straight-line basis over the contract term. As a result, the contract liabilities increased by RMB69,417,000, the deferred income tax assets increased by RMB17,664,000, the reserve decreased by RMB26,042,000 and the non-controlling interests decreased by RMB25,711,000 as at 1 January 2018, respectively. There was no material impact on the consolidated income statement for the year ended 31 December 2018.

(iii) Accounting for travel agent services

The Group considers that it acts as an agent for the customers in some transactions in the Travel Agency Business to the extent that it does not control the services rendered to the customers. Under HKFRS 15, 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. Therefore, revenue and cost of sales for the year ended 31 December 2017 decreased by RMB324,976,000, and there was no impact on the Group's retained earnings as at 1 January 2018. For the year ended 31 December 2018, revenue and cost of sales decreased by RMB326,434,000 accordingly.

The Group does not expect to have material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

No additional cost occurs to fulfil the contract was identified.

Contract liabilities are recognised when the payment is made or the payment is due (whichever is earlier), if customers pay consideration, or have a right to an amount of consideration that is unconditional, before the Group transfers goods or service to the customers.

3 SEGMENT INFORMATION

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

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

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

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

(3) Select Service Hotels — managed and operated overseas: operation of self-owned select service hotels and provision of management and franchising to other parties to operate select service hotels, mostly in Europe and under the brand names of GDL;

(4) Food and Restaurants: operation of fast food or upscale restaurants, moon cake production and related investments, not including the food and beverage operation in Full Service Hotels and Select Service Hotels;

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

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

(7) Other Operations: intra-group financial services, training and education, and corporate function.

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

(a) Segment revenue

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Full Service Hotels	**2,068,451**	1,888,579
— Accommodation revenue	**1,030,741**	911,039
— Food and beverage sales	**600,178**	542,145
— Rendering of ancillary services	**73,239**	62,467
— Rental revenue	**204,152**	215,814
— Sales of hotel supplies	**6,608**	4,599
— Hotel management	**153,533**	152,515
Select Service Hotels — managed and operated in Mainland China	**10,356,295**	9,435,922
— Accommodation revenue	**5,358,665**	5,427,561
— Food and beverage sales	**323,579**	343,157
— Rendering of ancillary services	**311,209**	229,678
— Rental revenue	**136,020**	121,405
— Sales of hotel supplies	**967,756**	694,681
— Hotel management and franchise	**2,919,987**	2,278,318
— Revenue under customer loyalty programme	**339,079**	341,122
Select Service Hotels — managed and operated overseas	**4,101,830**	3,890,542
— Accommodation revenue	**2,432,518**	2,122,862
— Catering and sale of products	**869,949**	809,588
— Hotel management and franchise	**796,132**	942,450
— Others	**3,231**	15,642
Food and Restaurants	**346,841**	364,618
Passenger Transportation Vehicles and Logistics	**2,428,552**	2,368,287
— Vehicle operating	**1,087,023**	1,098,561
— Trading of automobile	**1,180,767**	1,117,401
— Refrigerated logistics	**150,608**	138,947
— Others	**10,154**	13,378
Travel Agency	**1,188,342**	1,709,978
— Travel agency	**1,147,641**	1,677,803
— Others	**40,701**	32,175
Other Operations	**140,752**	100,982
	20,631,063	19,758,908

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 years ended 31 December 2018 and 2017.

(b) Other segment information

The segment results for the year ended 31 December 2018 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	2,068,451	10,356,295	4,101,830	346,841	2,428,552	1,188,342	140,752	20,631,063
Inter-segment sales	8,404	7,358	13,999	6,930	6,817	4,853	69,548	117,909
Total gross segment sales	2,076,855	10,363,653	4,115,829	353,771	2,435,369	1,193,195	210,300	20,748,972
Revenue from contracts with customers:								
— Recognised at a point of time	606,786	1,291,335	869,949	315,346	1,180,767	—	—	4,264,183
— Recognised over time	1,257,513	8,928,940	3,231,881	31,495	1,210,507	1,166,599	140,752	15,967,687
	1,864,299	10,220,275	4,101,830	346,841	2,391,274	1,166,599	140,752	20,231,870
Revenue from other resources:								
— Rental revenue	204,152	136,020	—	—	37,278	21,743	—	399,193
Profit for the year	281,271	908,892	271,418	174,796	223,979	(154,546)	(275,714)	1,430,096
Other income and gain *(note 10)*	207,518	345,219	20,048	76,833	107,585	36,622	98,953	892,778
Including: interest income from bank deposits *(note 10)*	15,041	50,762	1,541	71	15,900	4,022	74,552	161,889
Depreciation of property, plant and equipment *(note 4)*	(227,067)	(824,274)	(336,678)	(7,980)	(231,043)	(6,188)	(2,234)	(1,635,464)
Impairment of property, plant and equipment *(note 4)*	—	(36,189)	—	—	—	—	—	(36,189)
Depreciation of investment properties *(note 4)*	(4,977)	—	—	—	(2,131)	(4,529)	—	(11,637)
Amortisation of land use rights *(note 4)*	(53,561)	(79,561)	—	—	(1,340)	—	(311)	(134,773)
Amortisation of intangible assets *(note 4)*	(3,241)	(151,117)	(47,121)	(491)	—	(32)	—	(202,002)
Impairment of intangible assets *(note 4)*	—	(20,545)	—	—	—	—	—	(20,545)
(Provision for)/reversal of inventories write-down *(note 4)*	—	(3)	1,492	—	—	—	—	1,489
(Provision for)/reversal of impairment of trade receivables, prepayments and other receivables *(note 4)*	(207)	721	(885)	—	24	—	—	(347)
Finance costs — net *(note 12)*	(173,820)	(40,613)	(142,519)	—	(812)	—	(265,327)	(623,091)
Share of results of joint ventures and associates accounted for using the equity method	(13,476)	(7,351)	6,907	128,149	156,771	1,542	(2,613)	269,929
Income tax expense *(note 5)*	(29,261)	(307,645)	(26,194)	(461)	(2,779)	(3,637)	(20,203)	(390,180)
Additions to non-current assets (other than financial instruments and deferred tax assets)	170,926	595,204	460,478	4,007	188,051	2,471	1,767	1,422,904

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

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

The segment assets and liabilities as at 31 December 2018 are as follows:

	Full Service Hotels	**Select Service Hotels — managed and operated in Mainland China**	**Select Service Hotels — managed and operated overseas**	**Food and Restaurants**	**Passenger Transportation Vehicles and Logistics**	**Travel Agency**	**Other Operations**	**The Group**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Segment assets	**4,837,836**	**23,131,734**	**13,957,896**	**183,752**	**3,577,431**	**1,329,580**	**8,320,679**	**55,338,908**
Investments accounted for using the equity method	**634,550**	**31,173**	**60,770**	**255,741**	**784,960**	**3,691**	**74,271**	**1,845,156**
Total assets	**5,472,386**	**23,162,907**	**14,018,666**	**439,493**	**4,362,391**	**1,333,271**	**8,394,950**	**57,184,064**
Segment liabilities	**2,636,927**	**7,731,641**	**12,639,787**	**235,539**	**964,083**	**584,405**	**12,345,348**	**37,137,730**

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

	Full Service Hotels *RMB'000*	Select Service Hotels — managed and operated by Jin Jiang in Mainland China *RMB'000*	Select Service Hotels — managed and operated overseas *RMB'000*	Food and Restaurants *RMB'000*	Passenger Transportation Vehicles and Logistics *RMB'000*	Travel Agency *RMB'000*	Other Operations *RMB'000*	The Group *RMB'000*
Segment assets	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

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

Profit for the year in the segment of "Full Service Hotels" for the year ended 31 December 2018 included the realised fair value gains on financial assets at FVPL amounting to RMB110,817,000 (note 10) (for the year ended 31 December 2017: share of results of a joint venture, which disposed of 5 hotel properties, RMB111,582,000). Profit for the year in the segment of "Other Operations" for the year ended 31 December 2017 mainly included gain on disposal of AFS of RMB98,842,000 (for the year ended 31 December 2018: no such gains because the Group adopted HKFRS 9 from 1 January 2018).

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Mainland China	**16,367,715**	15,699,210
Overseas	**4,263,348**	4,059,698
Total	**20,631,063**	19,758,908

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	
	2018	2017
	RMB'000	*RMB'000*
The total of non-current assets other than financial instruments and deferred income tax assets		
— Mainland China	**24,296,043**	25,918,722
— Overseas	**11,900,621**	10,993,748
Financial instruments	**2,724,682**	3,673,390
Deferred income tax assets	**816,888**	762,739
	39,738,234	41,348,599

4 EXPENSES BY NATURE

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Employee benefit expenses	**6,796,136**	5,946,835
Changes in inventories	**4,133,159**	3,977,493
Operating leases — land and buildings	**1,918,526**	1,879,718
Depreciation of property, plant and equipment	**1,635,464**	1,657,152
Utility cost and consumables	**974,228**	1,012,485
Repairs and maintenance	**661,329**	608,467
Commissions paid to travel agencies	**514,870**	376,744
Advertising costs	**382,760**	307,860
Consulting fee	**312,289**	269,857
Property tax, value-added tax ("VAT") through a simplified method and other tax surcharges	**268,665**	251,952
Laundry costs	**250,144**	225,636
Amortisation of intangible assets	**202,002**	197,267
Transportation expenses	**150,827**	121,112
Amortisation of land use rights	**134,773**	65,951
Telecommunication expenses	**101,893**	95,374
Entertainment expenses	**58,317**	54,222
Impairment loss of property, plant and equipment and intangible assets	**56,734**	53,602
Auditors' remuneration	**31,800**	31,416
— Audit service	**29,580**	27,967
— Non-audit service	**2,220**	3,449
Depreciation of investment properties	**11,637**	9,629
Pre-operation expenses	**8,353**	46,156
Provision for impairment of trade receivables, prepayments and other receivables	**347**	52,772
(Reversal of)/provision for inventories written-down	**(1,489)**	1,984
Others	**599,293**	932,874
	19,202,057	18,176,558

5 INCOME TAX EXPENSE

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current tax:		
Mainland China current corporate income tax ("CIT")	**505,057**	550,622
Overseas current corporate tax	**91,300**	126,818
Deferred tax:		
Mainland China deferred income tax	**(176,816)**	(248,863)
Overseas deferred income tax	**(29,361)**	(20,581)
	390,180	407,996

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 2018 (2017: 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 2018 (2017: 16.5%). For the year ended 31 December 2018, 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% (2017: 34.43%) for the year ended 31 December 2018.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of 25% (2017: 25%) in the Mainland China as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit before income tax	**1,820,276**	1,961,957
Tax calculated at a tax rate of 25% (2017: 25%)	**455,069**	490,489
Effect of different taxation rates	**(25,024)**	19,557
Income not subject to tax	**(53,731)**	(76,737)
Expenses not deductible for tax purposes	**20,280**	25,222
Tax losses and tax credit for which no deferred income tax assets were recognised	**99,875**	143,659
Utilisation of tax losses and tax credit for which deferred income tax assets were not recognised previously	**—**	(22,716)
Effect of exclusion of share of profit tax of joint ventures and associates	**(71,084)**	(60,344)
Changes in opening balance of deferred tax assets/liabilities due to adjustment in tax rate (i)	**(56,612)**	(114,417)
Others	**21,407**	3,283
	390,180	407,996

(i) According to the French Fiscal Law promulgated in 2018, the effective income tax rate for GDL will decrease from 28.92% to 25.83% in 2020. 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 RMB56,612,000 was recognised as credit to the "income tax expense".

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".

6 EARNINGS PER SHARE

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit attributable to shareholders of the Company	**761,701**	760,770
Weighted average number of ordinary shares in issue *(thousands)*	**5,566,000**	5,566,000
Basic earnings per share *(RMB cents)*	**13.68**	13.67

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

7 DIVIDENDS

A final dividend in respect of the year ended 31 December 2017 of RMB8.0 cents per share, totalling RMB445,280,000 (final dividend in respect of the year ended 31 December 2016: RMB8.0 cents per share, totalling RMB445,280,000) was paid in second half of 2018.

On 29 March 2019, 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 2018. 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	
	2018	2017
	RMB'000	*RMB'000*
Proposed final dividend of RMB8.0 cents (2017: RMB8.0 cents) per share	**445,280**	445,280

8 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**1,337,959**	1,304,824
Less: provision for impairment of trade receivables	**(176,872)**	(173,837)
Trade receivables — net	**1,161,087**	1,130,987
Other receivables		
— Loans to related parties by Finance Company	**1,129,900**	1,134,500
— Other amounts due from related parties	**368,426**	245,262
— Deposits	**321,782**	315,326
— Accrued rental revenue	**45,044**	54,317
— Loans to related parties by the Group other than Finance Company	**34,400**	25,500
— Interest receivables	**9,390**	411,070
— Loans to third parties	**—**	7,918
— Others	**84,829**	72,242
Less: provision for impairment of other receivables	**(83,874)**	(80,523)
	1,909,897	2,185,612
Prepayments		
— Prepayments to suppliers	**834,797**	778,650
— Other prepaid and recoverable tax	**229,912**	241,679
— VAT recoverable	**112,552**	2,984
	1,177,261	1,023,313
Prepayments and other receivables — net	**3,087,158**	3,208,925
	4,248,245	4,339,912
Less: non-current portion of trade receivables, prepayments and other receivables	**(188,919)**	(206,954)
	4,059,326	4,132,958
Non-current portion of trade receivables, prepayments and other receivables	**188,919**	206,954

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

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Less than 3 months	**960,007**	802,859
3 months to 1 year	**245,965**	398,480
Over 1 year	**131,987**	103,485
	1,337,959	1,304,824

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

9 TRADE, OTHER PAYABLES AND ACCRUALS

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade payables	**1,808,309**	1,830,731
Deposits from related parties in Finance Company	**3,981,082**	5,361,707
Employee benefit payables	**2,145,941**	1,754,103
Payables for purchases of land use rights	**917,400**	1,274,408
Advances on behalf of the franchises	**835,100**	613,253
Payables for purchases of property, plant and equipment, and intangible assets	**554,655**	664,963
Deposits from lessees and constructors	**459,132**	440,645
Accrued expenses	**350,375**	303,359
Other tax payable	**306,618**	346,950
Other amounts due to related parties	**147,134**	232,694
Notes payable	**119,000**	—
Financial liabilities due to put options granted to holders of non-controlling interests	**92,160**	99,136
Provisions for other liabilities and charges	**77,197**	58,598
Defined benefit plan of GDL	**73,865**	59,113
Deferred government grants	**44,089**	119,176
Payables related to the disposal of Shanghai Galaxy Hotel Company Limited ("Galaxy Hotel")	**36,962**	36,962
Interest payable	**36,422**	41,668
Dividend payable to non-controlling interests	**22,458**	21,797
Deferred payment of acquisition of subsidiaries	**18,788**	9,111
Payables for acquisition of the non-controlling interests of Keystone	**3,000**	—
Advances from customers	**—**	1,395,344
Marketing fund	**—**	63,432
Deferred revenue for customer loyalty programme	**—**	54,461
Others	**271,161**	178,794
	12,300,848	14,960,405
Less: non-current portion of trade, other payables and accruals	**(1,645,948)**	(2,067,203)
Current portion of trade, other payables and accruals	**10,654,900**	12,893,202
Non-current portion of trade, other payables and accruals	**1,645,948**	2,067,203

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

	At 31 December 2018 RMB'000	2017 RMB'000
Less than 3 months	**1,652,888**	1,648,880
3 months to 1 year	**104,055**	114,197
Over 1 year	**51,366**	67,654
	1,808,309	1,830,731

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

10 OTHER INCOME AND GAIN

	Year ended 31 December 2018 RMB'000	2017 RMB'000
Interest income from bank deposits	**161,889**	149,247
Dividend income	**150,048**	185,060
— Unlisted equity investments	**87,722**	119,924
— Listed equity investments	**62,326**	65,136
Unrealised fair value gains on financial assets at FVPL	**143,204**	—
Realised fair value gains on financial assets at FVPL (i)	**128,051**	11,132
Government grants income (ii)	**81,442**	70,220
Government compensation for expropriation of hotel land use right and properties	**66,806**	—
Gain on disposal of property, plant and equipment	**42,003**	10,060
Gain on disposal of investment in associates	**9,582**	25,175
Foreign exchange gain — net	**1,840**	—
Revaluation gain from remeasuring the equity interests previously held	**—**	83,162
Gain on disposal of available-for-sale investment	**—**	175,726
Disposal gain and revaluation gain from remeasuring equity interests in Guangzhou WoQu Lodging Co., Ltd. ("WoQu")	**—**	28,807
Gain on disposal of a subsidiary	**—**	4,802
Others	**107,913**	42,619
	892,778	786,010

(i) The realised fair value gains on financial assets at FVPL in 2018 included the realised fair value gain from the investment in Hua Ting Hotel amounted to RMB110,817,000. In 2018, the Company entered into the asset and equity transaction contract with Jin Jiang International Investment and Management, a subsidiary of Jin Jiang International, pursuant to which the Company has agreed to dispose of and Jin Jiang International Investment and Management has agreed to acquire 5% equity interest in Hua Ting Hotel held by the Company at a cash consideration of RMB130,828,000. Prior to the completion of the transaction, the Company held 5% equity interest in Hua Ting Hotel as a financial asset at FVPL. Upon completion of the transaction, the Company ceased to hold any equity interest in Hua Ting Hotel.

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

11 OTHER EXPENSES AND LOSSES

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Bank charges	**57,952**	68,200
Unrealised fair value losses on financial assets at FVPL	**38,252**	—
Loss on disposal of property, plant and equipment	**16,099**	39,469
Impairment of investments in associates	**2,259**	—
Loss on disposal of investment in associates	**1,714**	—
Pending litigations	**872**	19,827
Foreign exchange loss — net	**—**	48,931
Impairment of AFS	**—**	100
Others	**31,198**	13,448
	148,346	189,975

12 FINANCE COSTS — NET

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Finance cost:		
Interest expenses	**618,922**	692,399
— Bank borrowings	**545,346**	642,266
— Borrowings from related parties	**67,348**	44,625
— Finance lease liabilities	**6,228**	5,508
Net foreign exchange loss/(gain) on borrowings	**4,169**	(394)
Total finance costs	**623,091**	692,005
Finance income:		
Interest income		
— Interest income resulting from the deposits pledged for the borrowings	**—**	(115,807)
Total finance income	**—**	(115,807)
Finance costs — net	**623,091**	576,198

13 COMMITMENTS

(a) Capital commitments

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

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Acquisition of property, plant and equipment	**88,750**	244,109

(b) Operating lease commitments

The Group leases various premises, offices and machinery and also leases out space in hotels under non-cancellable operating lease agreements.

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

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

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Not later than 1 year	**174,766**	205,383
Later than 1 year and not later than 5 years	**425,134**	556,003
Later than 5 years	**265,446**	495,937
	865,346	1,257,323

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

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Not later than 1 year	**1,676,551**	1,727,688
Later than 1 year and not later than 5 years	**6,263,331**	6,513,807
Later than 5 years	**4,968,060**	6,189,907
	12,907,942	14,431,402

(c) Loan commitments

As at 31 December 2018, loan commitments of RMB75,100,000 (31 December 2017: RMB411,500,000) represent undrawn loan facilities offered by Finance Company and granted to related parties.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Full Service Hotels

The operation and management of Full Service Hotels represents one of the major sources of revenue for the Group. During the Reporting Period, operation of Full Service Hotels contributed approximately RMB2,068,451,000 to the Group's revenue, representing an increase of approximately 9.5% as compared to the same period of last year. Such increase was mainly attributable to the stable growth in the business of our owned hotels in Shanghai and the inclusion of Yangtze Hotel in the consolidated financial statements.

During the Reporting Period, hotel market in Shanghai was effectively boosted by the growth in both supply and demand for hotels in the region. The Full Service Hotels in which the Group held equity interests, are primarily located in the core districts of Shanghai and continued to benefit from robust market demand. Due to enhanced revenue management, the Group's high Star-rating Full Service Hotels in Shanghai reported an approximately 2.4% year-on-year growth in RevPAR, reflecting an approximately 5.4% year-on-year growth in average room rate and an approximately 2.9% year-on-year decrease in average Occupancy Rate.

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

	2018			2017		
	Group's Full Service Hotels in Shanghai			Group's Full Service Hotels in Shanghai		
	Average Occupancy Rate *(%)*	**Average room rate *(RMB)***	**RevPAR *(RMB)***	Average Occupancy Rate *(%)*	Average room rate *(RMB)*	RevPAR *(RMB)*
5-star	**75%**	**933**	**703**	76%	890	679
4-star	**73%**	**632**	**463**	77%	604	463

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

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

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

As at the end of the Reporting Period, the Group owned or managed 94 Full Service Hotels which were in operation across the world, offering approximately 29,000 guest rooms, among which 73 hotels with approximately 21,000 guest rooms were owned by third parties but managed by the Group.

Select Service Hotels

The business of Select Service Hotels represents another principal business of the Group, mainly covering 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 RMB14,458,125,000 to the revenue of the Group, representing an increase of approximately 8.5% as compared to the same period of last year and accounting for approximately 70.1% of the Group's turnover.

As at the end of the Reporting Period, there were 7,443 Select Service Hotels in operation offering a total of 732,701 guest rooms. There were 2,463 middle-end hotels in operation offering a total of 303,072 guest rooms, accounting for approximately 33% and 41%, respectively; and 4,980 budget hotels in operation offering a total of 429,629 guest rooms, accounting for approximately 67% and 59%, respectively. In 2018, 1,243 Select Service Hotels commenced operations and 494 Select Service Hotels were closed, resulting in a net increase of 749 Select Service Hotels. The number of self-managed Select Service Hotels decreased by 43 and the number of franchised Select Service Hotels increased by 792.

The 2,463 middle-end hotels in operation comprised 86 Jin Jiang Metropolo hotels, 411 Lavande hotels, 161 James Joyce Coffetel hotels, 140 Xana hotels, 215 Vienna International hotels, 181 Vienna Classic hotels, 645 Vienna Hotels, 142 Vienna 3 Best hotels, 291 Golden Tulip hotels and 191 hotels under other middle-end brands.

The 4,980 budget hotels in operation comprised 1,088 Jin Jiang Inn hotels, 2,326 7 Days Inn chain hotels, 193 IU hotels, 271 Pai hotels, 253 Premiere Classe hotels, 386 Campanile hotels, 278 Kyriad chain hotels, 78 Sarovar chain hotels and 107 hotels under other budget hotel brands.

Out of the 7,443 Select Service Hotels in operation, there were 1,012 self-managed hotels, accounting for approximately 14%, and 6,431 franchised hotels, accounting for approximately 86%. Select Service Hotels in operation offered a total of 732,701 guest rooms, including 115,411 guest rooms at self-managed hotels in operation accounting for approximately 16% and 617,290 guest rooms at franchised hotels in operation accounting for approximately 84%.

During the Reporting Period, the back-office systems of Jin Jiang GDL Asia, GDL, Plateno Group and Vienna Hotels were integrated in a proactive manner with the support of the information technology system in order to realise complementary advantages and synergetic effects.

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 RMB346,841,000 for the Group, which represented a decrease of approximately 4.9% as compared to the same period of last year and accounting for approximately 1.7% of the Group's turnover.

During the Reporting Period, Jin Jiang Hotels Development made a major effort to develop the group catering business, managing 75 group catering restaurants as at the end of the Reporting Period, as compared to 63 at the end of last year. As at the end of the Reporting Period, Shanghai Kentucky Fried Chicken Company Limited, Jin Ya Catering and "Shanghai Yoshinoya" had a total of 319, 6 and 10 outlets, respectively. "Chinoise Story" currently operates one specialty restaurant, while 4 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 coverage to e-commerce vendors, in addition to direct supplies to our hotels, of 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 RMB2,428,552,000, representing an increase of approximately 2.5% as compared to same period of last year and accounting for approximately 11.8% of the Group's turnover.

During the Reporting Period, Jin Jiang Automobile completed the assignment of providing core car services to the foreign government trade delegations and groups participating and relevant government authorities involved in the first China International Import Expo. A total of 1,295 vehicle transport outings were provided, supported by nearly 1,300 staff including drivers or logistics officers. In addition, more than 1,700 hospitality assignments involving important foreign parties were completed.

During the Reporting Period, Jin Jiang Automobile vigorously expanded its market shares in group transportation vehicle services by seizing market opportunities presented by conferences, exhibitions, tournaments, the cruise market and Shanghai Disneyland and completed 51 assignments for large-scale conferences, exhibitions and tournaments, including the World Skills Conference, Undergraduate Art Exhibition and National Brand Name Day, among others, providing more than 1,800 vehicle transport outings which represented a year-on-year growth of 12%. More than 1,110 vehicle transport outings were provided to 30 cruises, including the Majestic Princess. Currently, the Disneyland service comprised mainly the in-park blue shuttle service for tourists and the ex-park shuttle service from/to staff quarters and hotels and pick-up services for employees on day as well as night shifts. During the Reporting Period, a total of 72 vehicles were committed in 232,000 outings inside and outside the park. In addition, there were a total of 1,538 chartered business limousines in operation, including an increase of 260 long-term chartered business limousines, representing a net increase of more than 50 clients.

Jin Jiang Cold provided end-to-end supply-chain services to customers and constructed a comprehensive supply chain management business model combining food import, customs declaration and inspection, storage and delivery services in accordance with customers' demands and with the support of the logistics service line. JHJ Transportation strengthened its business management and lowered the procurement costs for its air freight and marine transportation operations by centralising its resources and capacities through the integration of back offices, while stepping up with the development of a best-in-class unified freight forwarding system together with ancillary information systems.

Travel Agency

For the Reporting Period, revenue from the travel agency amounted to approximately RMB1,188,342,000, representing a decrease of approximately 30.5% as compared to the same period of last year and accounting for approximately 5.8% of the Group's turnover.

During the Reporting Period, the number of outbound tours and tourists decreased owing to various contingent political, economic and environmental events in the destinations, such as earthquakes, tightened visa approvals and political turmoils, having negative impact on our revenue. Nevertheless, Jin Jiang Travel achieved positive results in enhancing its foundation and its quality and efficiency through cost reduction initiatives.

During the Reporting Period, Jin Jiang Travel allocated its resources to the development of innovative practices in response the rapidly growing trend of fragmented travel services. Based on market demands, portfolio products comprising flight tickets, travel visas, hotels, subway tickets and insurance were launched. The REX system was developed together with WeHotel to provide online processing of travel visas, group tickets and the WeChat applet of visa. Our subsidiary travel agencies facilitated resource allocation and synergetic cooperation by implementing further breakdown of duties and functions through the experimental sub-division of BUs.

Our inbound tour business reported stable growth in annual results, due to strong efforts in customer development through precise marketing. Our outbound tour business emphasised "quality, enrichment and detail" in its products as it targeted market sub-segments by providing different routes to address demands of customers from different market segment. Our domestic tour business enhanced the development of mid- to high-end self-organised tours to bolster its market reputation. In August 2018, the flagship classroom for research and study tours was officially launched and a strategic cooperation framework agreement was signed with Worldstrides, the world's largest research and study tour agency, for the comprehensive launch of domestic as well as overseas research and study tour products.

Information Technology

In 2018, the Group made full efforts to build a global hotel sharing platform for finances, procurement and IT integration. By investing in the WeHotel platform, resources in technology, membership, direct marketing and distribution were consolidated into the Company's official global hotel reservation platform that promised optimal customer experience. By interactions of online and offline operations, the core competitiveness of the Company's global hotels has been enhanced.

FINANCIAL REVIEW

Revenue

The Group's financial information during the Reporting Period as compared to the same period in 2017 is set out as follows:

	12 months ended 31 December 2018		12 months ended 31 December 2017	
	RMB in million	***% of turnover***	*RMB in million*	*% of turnover*
Full Service Hotels	**2,068.5**	**10.0%**	1,888.6	9.5%
Select Service Hotels — managed and operated in Mainland China	**10,356.3**	**50.2%**	9,435.9	47.8%
Select Service Hotels — managed and operated overseas	**4,101.8**	**19.9%**	3,890.5	19.7%
Food and Restaurants	**346.8**	**1.7%**	364.6	1.8%
Passenger Transportation Vehicles and Logistics	**2,428.6**	**11.8%**	2,368.3	12.0%
Travel Agency	**1,188.3**	**5.8%**	1,710.0	8.7%
Other Operations	**140.8**	**0.6%**	101.0	0.5%
Total	**20,631.1**	**100.0%**	19,758.9	100.0%

Full Service Hotels

The following table sets out the percentage of contribution from the Group's Full Service Hotels segment and each type of business to the Group's turnover for the Reporting Period and the same period in 2017:

	12 months ended 31 December 2018		12 months ended 31 December 2017	
	RMB in million	***% of turnover***	*RMB in million*	*% of turnover*
Accommodation revenue	**1,030.7**	**49.9%**	911.1	48.3%
Food and beverage sales	**600.2**	**29.0%**	542.1	28.7%
Rendering of ancillary services	**73.2**	**3.5%**	62.5	3.3%
Rental revenue	**204.2**	**9.9%**	215.8	11.4%
Sales of hotel supplies	**6.7**	**0.3%**	4.6	0.2%
Hotel management	**153.5**	**7.4%**	152.5	8.1%
Total	**2,068.5**	**100.0%**	1,888.6	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 RMB1,030,741,000, representing an increase of approximately 13.1% or approximately RMB119,702,000 as compared to the same period in 2017. The aforesaid change mainly reflected the growth in accommodation revenue driven by the year-on-year rise in average room rate and average occupancy rate attributable to efforts of the Group's high Star-rating Full Service Hotels in Shanghai to capitalise on favourable factors and market opportunities and optimise revenue management through the performance excellence management model gauged against advanced standards, as well as the addition of accommodation revenue from Yangtze Hotel.

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 RMB600,178,000, representing an increase of approximately 10.7% or approximately RMB58,033,000 from the same period of last year. The aforesaid change mainly reflected the addition of food and beverage revenue from Yangtze Hotel. The food and beverage sales and sales for catering for wedding banquets in Full Service Hotels are still affected by the public catering and government policies.

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 RMB73,239,000, representing an increase of approximately 17.2% or approximately RMB10,772,000 from the same period of last year, which was mainly attributable to the growth in revenue from ancillary services in line with the increase in accommodation revenue.

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 RMB204,152,000, representing a decrease of approximately 5.4% or approximately RMB11,662,000. The decrease was mainly attributable to the re-organisation and adjustment of tenants based on brand standards at certain Full Service Hotels.

Sales of hotel supplies

Turnover from guest supplies and hotel products increased by approximately RMB2,009,000 as compared to the same period of last year. Such increase was mainly attributable to the consolidation of the Group's procurement platform and resources and 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 RMB153,533,000 during the Reporting Period, representing an increase of approximately 0.7% or approximately RMB1,018,000 as compared to the same period of last year, which was mainly attributable to the increase in management fee income in tandem with improvements in the business results of management projects of self-owned hotels.

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 RMB10,356,295,000, representing an increase of approximately RMB920,373,000 or approximately 9.8% as compared to the same period of last year.

The increase mainly reflected the business growth of Jin Jiang GDL Asia, Plateno Group and Vienna Hotels, in particular the growth represented by management fees from new franchised hotels.

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 RMB4,101,830,000 for the Reporting Period, representing an increase of approximately RMB211,288,000 or approximately 5.4% as compared to the same period of last year. The increase was mainly attributable to additional revenue derived from hotels acquired by GDL in 2017 and a higher average EUR exchange rate compared to the same period of last year.

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 RMB346,841,000, representing a decrease of approximately 4.9% or approximately RMB17,777,000 as compared to the same period of last year. Food and restaurant revenue was affected by the decrease in revenue from Jin Ya Catering following the decrease in the number of chain stores, despite growth in the group catering business of Shanghai Jin Jiang International Food Catering Management Co., Ltd..

Passenger Transportation Vehicles and Logistics

During the Reporting Period, the revenue of passenger transportation vehicles and logistics was approximately RMB2,428,552,000, representing an increase of approximately 2.5% or approximately RMB60,265,000 as compared to the same period of last year, primarily reflecting the increase in revenue from the vehicle and related trading businesses.

Travel Agency

During the Reporting Period, the revenue of travel agency was approximately RMB1,188,342,000, representing a decrease of approximately 30.5% or approximately RMB521,636,000 as compared to the same period of last year, mainly reflecting the decline in the outbound tour business due to various contingent political, economic and environmental events in the destinations, such as earthquakes, tightened visa approvals and political turmoils. In addition, the Group has adopted HKFRS 15 Revenue from

Contracts with Customers with effect from 1 January 2018, resulting in the reduction of revenue from and cost of sales of travel agency for the Reporting Period each by RMB326,434,000.

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 RMB140,752,000, representing an increase of approximately 39.4% as compared to the same period of last year, which was primarily due to the increase in interest income derived from deposits in other banks in line with the expanding business scale of the Finance Company.

Cost of Sales

Cost of sales for the Reporting Period amounted to approximately RMB15,424,779,000 (same period in 2017: approximately RMB14,949,609,000), representing an increase of approximately 3.2% as compared to the same period of last year. The increase mainly reflected the increase in cost of sales in line with the expansion of the Select Service Hotel chain business.

Gross Profit

As a result of the factors described above, the Group recorded a gross profit of approximately RMB5,206,284,000 for the Reporting Period, representing an increase of approximately RMB396,985,000 or approximately 8.3% 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 RMB892,778,000 (same period in 2017: approximately RMB786,010,000), representing in an increase of approximately RMB106,768,000 or approximately 13.6% as compared to the same period of last year.

The increase reflected primarily a gain of approximately RMB110,817,000 from the transfer of 5% equity interests in Hua Ting Hotel by the Group to Jin Jiang International Investment and Management during the year and a fair value gain of approximately RMB143,204,000 of financial assets at fair value through profit or loss. In addition, gains from the disposal of available-for-sale financial assets generated from stocks were no longer recognised as income on the income statement following the Group's adoption of HKFRS 9 Financial Instruments with effect from 1 January 2018, whereas gain from the disposal of available-for-sale financial assets generated from stocks amounting to RMB175,726,000 was recognised for the same period in 2017. During the Reporting Period, the Group received dividends amounting to approximately RMB150,048,000 (same period in 2017: approximately RMB185,060,000).

Selling and Marketing Expenses

Selling and marketing expenses comprise primarily of labour costs, travel agent commissions and advertising fees, which amounted to approximately RMB1,344,990,000 during the Reporting Period (same period in 2017: approximately RMB1,112,808,000), representing an increase of approximately 20.9% as compared to the same period of last year. The increase mainly reflected the increase in selling and marketing expenses in line with the expansion of the Select Service Hotel chain business.

Administrative Expenses

Administrative expenses for the Reporting Period was approximately RMB2,432,288,000 (same period in 2017: approximately RMB2,114,141,000), representing an increase of approximately 15.0%, which reflected mainly the growth in administrative expenses in line with the expansion of the Select Service Hotel chain business.

Other Expenses and Other Losses

Other expenses and other losses consisted primarily of bank charges and losses from the disposal of property, plant and equipment. For the Reporting Period, other expenses and losses amounted to approximately RMB148,346,000 (same period in 2017: approximately RMB189,975,000), representing a decrease of approximately RMB41,629,000 as compared to the same period of last year, which was mainly due to the decrease in the exchange loss.

Finance Costs — net

Finance Costs — net comprises interest expenses in respect of the Group's bank borrowings and exchange gain or loss after deduction of the interest income of the relevant pledged deposits. During the Reporting Period, finance cost — net was approximately RMB623,091,000 (same period in 2017: approximately RMB576,198,000), representing an increase of approximately RMB46,893,000 or approximately 8.1% as compared to the same period of last year. The increase in finance costs — net was mainly attributable to the decrease in interest income from pledged long-term deposits as a result of the release of long-term deposits previously subject to a loan pledge following the loan swap conducted by the Group.

Share of Results of Joint Ventures and Associates

Operating results of joint ventures and associates mainly comprised share of results of joint ventures including Beijing Kunlun Hotel, Jin Jiang Tomson Hotel and JHJ Transportation, among others, and of associates including Shanghai Kentucky Fried Chicken Company Limited, 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., among others. During the Reporting Period, share of results of joint ventures and associates was approximately RMB269,929,000 (same period in 2017: approximately RMB359,770,000), representing a year-on-year decrease primarily reflecting the receipt of partial gains from the disposal of five self-owned hotels in the United States by IHHC for the same period in 2017 and the year-on-year growth in the operating results of Shanghai Kentucky Fried Chicken Company Limited and Jin Jiang Tomson Hotel.

Taxation

The effective tax rate for the Reporting Period was approximately 21.4% (same period in 2017: approximately 20.8%). The effective tax rate increased mainly as a result of the decrease of the effective income tax rate for GDL from 28.92% to 25.83% from 2020 onwards following the enactment of the French Finance Act 2018. The Group has assessed the impact on the corresponding deferred income tax assets and deferred income tax liabilities according to the expected periods for the recovery of such assets or repayment of such liabilities based on applicable income tax rates in force. The effect of the revaluation of deferred income tax assets amounting to RMB56,612,000 has been recognised under "Income tax expenses" as a credit item. Under the French Finance Act 2017, the effective income tax rate for GDL will decrease from 34.43% to 28.92% in 2019. The Group has assessed the impact on the corresponding deferred income tax assets and deferred income tax liabilities according to the expected periods for the recovery of such assets or repayment of such liabilities based on applicable income tax rates in force.

The effect of the revaluation of deferred income tax assets amounting to RMB114,417,000 has been recognised under "Income tax expenses" as a credit item.

Net Profit

As a result of the factors described above, net profit for the Reporting Period attributable to shareholders of the Company was approximately RMB761,701,000 (same period in 2017: approximately RMB760,770,000), representing an increase of approximately RMB931,000 or approximately 0.1%, mainly attributable to further improvements to the profit mix underpinned by continuous growth in profit from the Group's operations, notwithstanding the decrease in income from asset applications and the adoption of new HKFRSs.

GROUP DEBTS AND FINANCIAL CONDITIONS

Borrowings and pledge of assets

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Borrowings included in non-current liabilities:		
Bank borrowings — secured	**10,650,536**	10,841,487
Bank borrowings — unsecured	**3,698,633**	4,773,794
Borrowings from related parties	**4,423,650**	4,401,150
Finance lease liabilities	**195,201**	179,304
	18,968,020	20,195,735
Less: current portion of long-term secured bank borrowings	**(523,855)**	(223,961)
current portion of long-term unsecured bank borrowings	**(1,221,163)**	(3,413)
current portion of long-term borrowings from related parties	**(300,000)**	—
current portion of long-term finance lease liabilities	**(15,763)**	(13,557)
	16,907,239	19,954,804
Borrowings included in current liabilities:		
Bank borrowings — secured	**5,000**	8,000
Bank borrowings — unsecured	**1,038,429**	3,549,939
Borrowings from related parties	**30,000**	30,000
Current portion of long-term secured bank borrowings	**523,855**	223,961
Current portion of long-term unsecured bank borrowings	**1,221,163**	3,413
Current portion of long-term borrowings from related parties	**300,000**	—
Current portion of long-term finance lease liabilities	**15,763**	13,557
	3,134,210	3,828,870

As at 31 December 2018, the secured bank borrowings included:

(a) Bank borrowings of EUR768,000,000, equivalent to RMB6,026,726,000 (31 December 2017: 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") 35,324,000, equivalent to RMB64,810,000 (31 December 2017: PLN48,946,000, equivalent to RMB74,716,000), which were pledged by the property, plant and equipment of certain subsidiaries of GDL located in Poland;

(c) Bank borrowings of RMB5,000,000 (31 December 2017: Bank borrowings of RMB8,000,000), which were guaranteed by a non-controlling shareholder of a subsidiary of the Group; and

(d) Bank borrowings of RMB4,559,000,000 (31 December 2017: RMB4,759,000,000), which were pledged by the equity interests in 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	
	2018	2017
	RMB'000	*RMB'000*
Between 1 and 2 years	**2,151,346**	4,578,338
Between 2 and 5 years	**14,638,595**	15,170,870
Over 5 years	**117,298**	205,596
	16,907,239	19,954,804

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

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
RMB	**9,783,764**	13,558,921
EUR	**10,124,805**	10,070,554
PLN	**131,794**	151,326
Other foreign currencies	**1,086**	2,873
	20,041,449	23,783,674

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

	At 31 December	
	2018	2017
Borrowings denominated in RMB	**3.7292%**	3.7954%
Borrowings denominated in EUR	**1.2480%**	1.2491%
Borrowings denominated in other foreign currencies	**4.2256%**	4.2253%

Treasury Management and Interest Rate Risk Management

As at 31 December 2018 and 31 December 2017, cash and cash equivalents amounted to approximately RMB11,442,949,000 and approximately RMB12,098,112,000, respectively.

Finance Company, a subsidiary of the Company, acts as a non-bank financial institution within the Group that manages available cash resources of the Group's subsidiaries, joint ventures and associates in a centralised manner. Funding and financing requirements of Group's members were fulfilled through entrusted loans and self-operated loans, etc. resulting in lower financing costs and greater efficiency in fund application.

Financial Assets at Fair Value through Other Comprehensive Income

Financial assets at fair value through other comprehensive income held by the Group included mainly: 80,780,012 shares in Bank of Communications Co., Ltd. (601328.SH), 57,740,000 shares in Guotai Jun'an (601211.SH), 116,813 shares in VCANBIO (600645.SH), 916,517 shares in Bank of Shanghai (601229.SH) and 1,055,900 shares in Bank of Beijing (601169.SH), etc.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss held by the Group included mainly: 68,330,660 shares in Tongcheng-Elong (00780.HK) held through Ocean BT L.P., 68,853,377 shares in Bank of Beijing (601169.SH) and 50,000,091 shares in Agricultural Bank of China (601288.SH), etc.

HUMAN RESOURCES AND TRAINING

As at the end of the Reporting Period, the Group had approximately 57,490 employees included in its consolidated financial statements. As of now, no share options scheme has been established by the Group.

The Group seeks to consolidate all training resources from the hotel segment to facilitate cross-sharing of superior training programmes and resources of various brand management companies. A mobile learning platform has been built to provide integrated efforts for training. The nurturing, recommendation, identification and cultivation of talents and the training of young officers are conducted with a global vision, as the Group seeks to leverage the superior human resources of the branded hotel management companies with the formulation and implementation of the "Global Staff Nurturing and Exchange Scheme", aiming to build a nationalised team of talents that is compatible with the Group's strategies, world standards and the requirements of China and the Company in general.

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 welfare 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 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 2018. 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 2018 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 2018 of the Company will be set out in the 2018 annual report of the Company.

CORPORATE STRATEGIES AND OUTLOOK FOR FUTURE DEVELOPMENT

The uncertainties in the global economic recovery, periodic structural supply-and-demand correlation 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.

In pursuit of its strategic plan of "intensive domestic business development, global deployment and multinational operations", the Group will uphold a development philosophy underpinned by innovation, coordination, eco-friendliness and sharing as it seeks to further entrench supply-side reforms, step up with the development of its core business, forge the "Jin Jiang" brand and advance the progress of international development in a prudent manner. We will make vigorous efforts to ensure proper integration relating to mergers and acquisitions, while driving capital, assets and fund operations and industry developments in a concerted manner to facilitate capital innovation and business breakthrough. We will also make advances in the innovation of mechanisms and regimes, with a view to enhancing vigour and energy in business development. We will step up with our international development and drive the progress of key projects as and when appropriate. Structural adjustments will be implemented and the industry mix will be improved. We will persist in a global manpower strategy emphasising market-orientation, internationalisation and specialisation. Efforts will also be made to further enhance risk control and corporate governance.

The Group will seize the opportunity presented by the reform of state-owned assets and state-owned enterprises to enhance its development towards a market-oriented corporation and expedite the reforms of institutional system. We will explore the innovation and transformation of business and service models compatible with the age of Internet economy, while optimising our market-based remuneration regime and restraint and incentive mechanism. The Group will leverage on its strengths in specialisation, in a bid to foster a modern tourism service industry chain and a sharing economy platform centered on hotel operations. We will enhance asset liquidity and structural adjustments to further increase our overall asset return and enterprise value.

DIVIDENDS

On 29 March 2019, the Board proposed to declare a final dividend of RMB8.0 cents (inclusive of tax) per share or an aggregate of RMB445,280,000 for the year ended 31 December 2018. The dividend is expected to be paid no later than 15 August 2019.

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

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

For details of the resolutions to be considered and approved at the forthcoming annual general meeting, the book closure period of H share register, and the date of annual general meeting, please refer to the notice of 2018 annual general meeting to be issued by the Company in due course.

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

CORPORATE GOVERNANCE

The Board has reviewed its "Company Operation and Corporate Governance Guidelines" and is of the view that such guidelines have incorporated most of the principles and all of the code provisions of the "Corporate Governance Code" as set out in Appendix 14 to the Listing Rules. The Company has complied with the applicable code provisions of the Corporate Governance Code for the financial year ended 31 December 2018.

AUDIT COMMITTEE

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

The annual results have been reviewed by the Audit Committee. The committee has reviewed the accounting principles and practices adopted by the Company and conducted a discussion on matters in relation to the audit, risk management, internal controls and financial reporting, including the review of the consolidated financial statements for the year ended 31 December 2018 prepared in accordance with HKFRSs, together with the management of the Company.

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

NOMINATION COMMITTEE

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year of 2018, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the listed securities of the Company.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"ADR"	room revenue divided by rooms in use
"Audit Committee"	the audit committee of the Company
"Available Rooms"	number of rooms available of each hotel after deducting Permanent House Use
"Board"	the board of Directors of the Company
"China" or "PRC"	The People's Republic of China
"Company"	Shanghai Jin Jiang International Hotels (Group) Company Limited
"Director(s)"	the director(s) of the Company
"EUR"	Euro, the lawful currency of the European Union
"Finance Company"	Jin Jiang International Finance Company Limited
"Full Service Hotels"	hotels which are based on comprehensive hotel functions and facilities, and provide all rounded quality services for guests
"GDL"	Groupe du Louvre, a société par actions simplifiée incorporated under the laws of France
"Group"	the Company and its subsidiaries or, where the context so requires, in respect of the period prior to the date of incorporation of the Company, those entities or businesses which were consolidated into and operated by the Company upon its establishment
"Hua Ting Hotel"	Shanghai Hua Ting Hotel and Towers Company Limited
"IHHC"	INCA HOTEL HOLDINGS COMPANY LLC, a special-purpose entity under common control of the Company to hold all retained assets including 5 proprietary hotels in the United States and undertake relevant responsibilities
"JHJ Transportation"	JHJ International Transportation Co., Ltd.
"Jin Jiang Automobile"	Shanghai Jin Jiang Automobile Services Co., Ltd.
"Jin Jiang Cold"	Shanghai Jin Jiang International Cold Logistics Development Co., Ltd.
"Jin Jiang GDL Asia"	Jin Jiang GDL Asia Co., Ltd. (上海錦江盧浮亞洲酒店管理有限公司) (formerly known as Shanghai Jin Jiang Metropolo Hotel Management Company Limited)
"Jin Jiang Hotels Development"	Shanghai Jin Jiang International Hotels Development Company Limited

"Jin Jiang Inn"	Jin Jiang Inn Company Limited
"Jin Jiang International"	Jin Jiang International Holding Company Limited
"Jin Jiang International Investment and Management"	Shanghai Jin Jiang International Investment and Management Company Limited
"Jin Jiang Investment"	Shanghai Jin Jiang International Industrial Investment Company Limited
"Jin Jiang Travel"	Shanghai Jin Jiang International Travel Co., Ltd.
"Jin Ya Catering"	Shanghai Jin Ya Catering Management Co., Ltd. (上海錦亞餐飲管理有限公司) (formerly known as Shanghai New Asia Café de Coral Company Limited)
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Occupancy Rate"	rooms in use divided by Available Rooms for a given period
"Permanent House Use"	guest rooms which have been removed from the rentable inventory for a period longer than six months
"Plateno Group"	Keystone Lodging Holdings Limited and its subsidiaries
"Reporting Period"	the period from 1 January 2018 to 31 December 2018
"RevPAR"	room revenue per Available Room
"RMB"	Renminbi, the lawful currency of the PRC
"Select Service Hotels"	hotels providing guests with basic professional services which are suitable for mass consumption with emphasis on the core function of accommodation
"Star-rating" or "Star-rated"	number of star(s) conferred by the National Tourism Administration of the PRC to a hotel according to the Star-rating Standard Manual and a Star-rated hotel refers to a hotel with Star-rating conferred as mentioned above
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplies Company"	Shanghai Jin Jiang International Hotel Supplies Company Limited (上海錦江國際酒店物品有限公司)
"Vienna Hotels"	Vienna Hotels Group Co., Ltd. (維也納酒店有限公司), a limited liability company established in the PRC

"WeHotel" Shanghai Qi Cheng Network Technology Co., Ltd. (上海齊程網絡科技有限公司)

By Order of the Board
Shanghai Jin Jiang International Hotels (Group) Company Limited*
Zhang Jue
Joint Company Secretary

Shanghai, the PRC, 29 March 2019

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

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