Jin Jiang Hotels

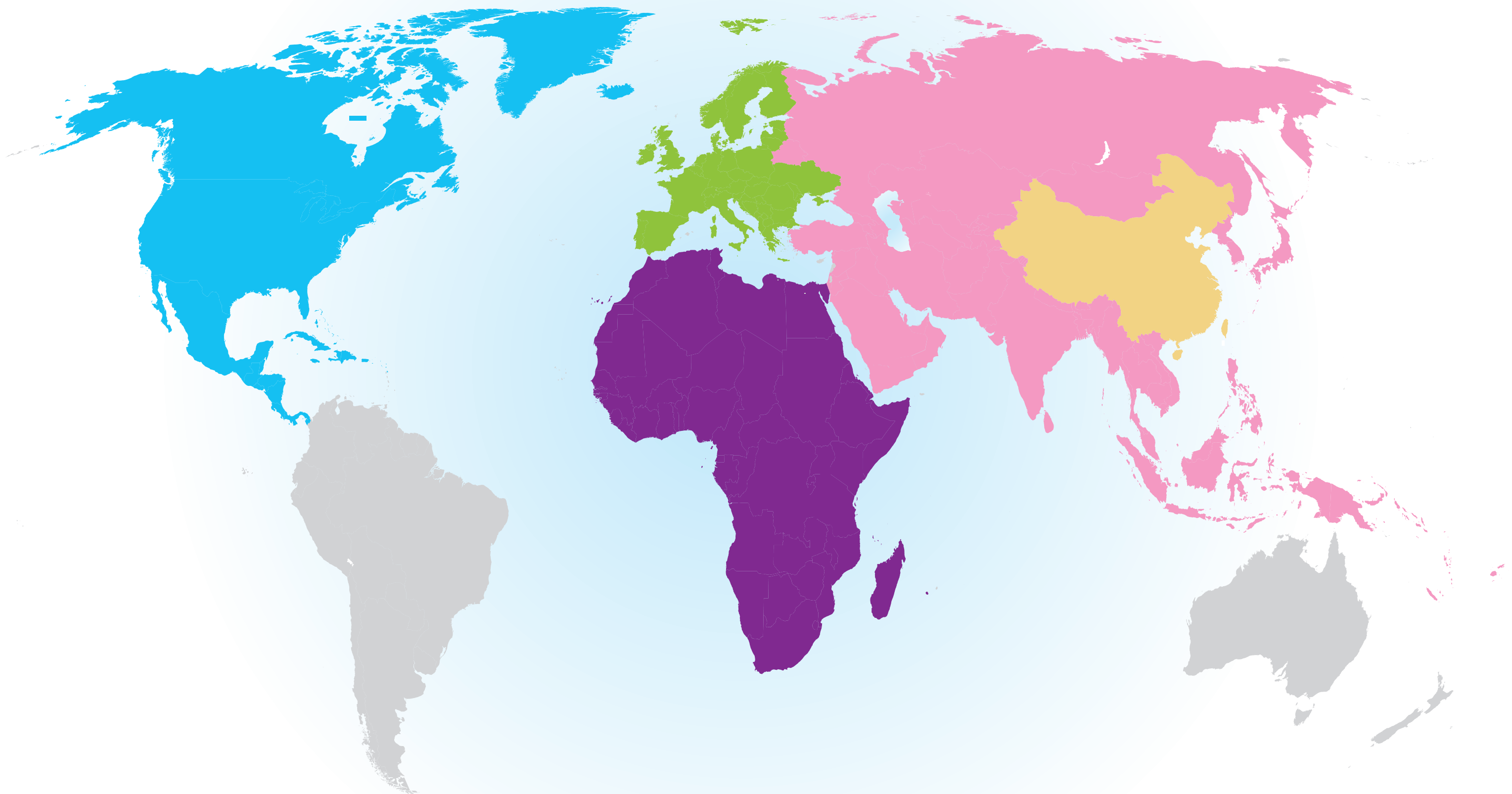
Shanghai Jin Jiang International Hotels (Group) Company Limited

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

Stock Code : 02006

ANNUAL REPORT 2018

Global Hotel Deployment



China
Number of hotels: **6,241**

Europe
Number of hotels: **1,009**

Africa
Number of hotels: **53**

Asia (excluding China)
Number of hotels: **214**

Americas
Number of hotels: **20**

Total
Number of hotels: **7,537**

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

Contents

CORPORATE INFORMATION

THE FOURTH SESSION OF THE BOARD

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

THE FOURTH SESSION OF THE SUPERVISORY COMMITTEE

SUPERVISORS

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

EXECUTIVE COMMITTEE

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

AUTHORIZED REPRESENTATIVES

Ms. Guo Lijuan
Ms. Zhang Jue

JOINT COMPANY SECRETARIES

Ms. Zhang Jue
Ms. So Lai Shan

QUALIFIED ACCOUNTANT

Dr. Ai Gengyun

NOMINATION COMMITTEE

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

STRATEGIC INVESTMENT COMMITTEE

Ms. Guo Lijuan *(Chairman)*
Dr. Rui Mingjie

INTERNATIONAL AUDITOR

PricewaterhouseCoopers

PRC AUDITOR

PricewaterhouseCoopers Zhong Tian LLP

LEGAL ADVISERS

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

As to PRC law:
King & Wood Mallesons

CHINESE NAME OF THE COMPANY

上海錦江國際酒店(集團)股份有限公司

ENGLISH NAME OF THE COMPANY

Shanghai Jin Jiang International Hotels (Group) Company Limited

H SHARE REGISTRAR AND TRANSFER OFFICE

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

INVESTOR AND MEDIA RELATIONS CONSULTANT

iPR Ogilvy & Mather

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Bank of China

LEGAL ADDRESS

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

PRINCIPAL PLACES OF BUSINESS IN THE PRC

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

PRINCIPAL PLACES OF BUSINESS IN HONG KONG

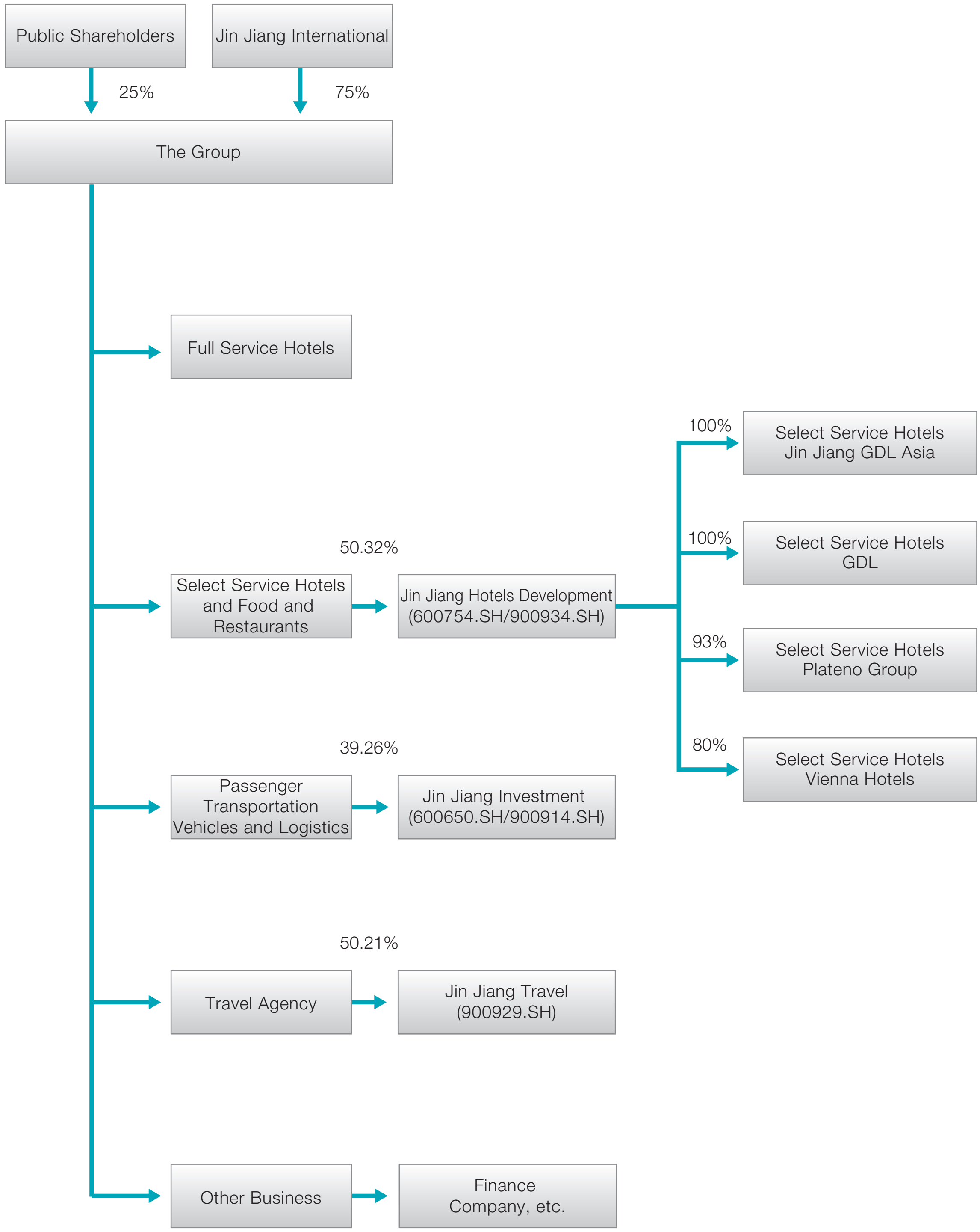
Room 3203, 32nd Floor
Shun Tak Centre, West Tower
200 Connaught Road Central
Hong Kong Special Administrative Region of the PRC ("Hong Kong")

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

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

CORPORATE STRUCTURE

The following graph sets out the major business segments of the Company as at 31 December 2018:



INFORMATION ON HOTELS OF THE GROUP

INFORMATION ON HOTELS OF THE GROUP

	Full Service Hotels		Select Service Hotels		Total	
	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms
China	94	28,622	6,147	625,235	6,241	653,857
Asia (excluding China)	—	—	214	24,473	214	24,473
Europe	—	—	1,009	72,040	1,009	72,040
Americas	—	—	20	4,481	20	4,481
Africa	—	—	53	6,472	53	6,472
Total	94	28,622	7,443	732,701	7,537	761,323

Note:

1. As at 31 December 2018, the Group owned or managed 7,537 hotels with a total of 761,323 guest rooms located in 68 countries around the world, including 6,241 hotels in operation with a total of 653,857 guest rooms owned or managed in the PRC.

INFORMATION ON HOTELS OF THE GROUP

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

All hotels (As of 31 December 2018)	Hotels in which the Group held Hotel Interests and managed by the Group		Hotels in which the Group held Hotel Interests but managed by third parties		Hotels owned by third parties but managed by the Group		Hotels owned by third parties but operated under franchises granted by the Group		Total number of hotels	
	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms
Hotel Category										
Full Service Hotels										
— 5-star Luxury Hotels	5	2,250	2	964	61	19,850	–	–	68	23,064
— 4-star Luxury Hotels	10	3,323	2	671	43	9,357	–	–	55	13,351
Sub-total	15	5,573	4	1,635	104	29,207	–	–	123	36,415
Commercial Hotels	2	274	–	–	2	366	–	–	4	640
Total Number of Full Service Hotels	17	5,847	4	1,635	106	29,573	–	–	127	37,055
Select Service Hotels										
— Jin Jiang GDL Asia	306	42,168	–	–	–	–	1,216	132,407	1,522	174,575
— GDL	282	21,599	–	–	–	–	1,086	95,386	1,368	116,985
— Plateno Group	393	41,179	–	–	–	–	5,243	450,989	5,636	492,168
— Vienna Hotels	55	13,774	–	–	–	–	2,317	310,722	2,372	324,496
Total Number of Select Service Hotels	1,036	118,720	–	–	–	–	9,862	989,504	10,898	1,108,224
Total	1,053	124,567	4	1,635	106	29,573	9,862	989,504	11,025	1,145,279

INFORMATION ON HOTELS OF THE GROUP

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

In operation (As of 31 December 2018)	Hotels in which the Group held Hotel Interests and managed by the Group		Hotels in which the Group held Hotel Interests but managed by third parties		Hotels owned by third parties but managed by the Group		Hotels owned by third parties but operated under franchises granted by the Group		Total number of hotels	
	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms
Hotel Category										
Full Service Hotels										
— 5-star Luxury Hotels	5	2,250	2	964	39	13,858	–	–	46	17,072
— 4-star Luxury Hotels	10	3,323	2	671	33	7,226	–	–	45	11,220
Sub-total	15	5,573	4	1,635	72	21,084	–	–	91	28,292
Commercial Hotels	2	274	–	–	1	56	–	–	3	330
Total Number of Full Service Hotels	17	5,847	4	1,635	73	21,140	–	–	94	28,622
Select Service Hotels										
— Jin Jiang GDL Asia	294	40,632	–	–	–	–	1,000	110,833	1,294	151,465
— GDL	282	21,599	–	–	–	–	1,005	85,955	1,287	107,554
— Plateno Group	383	39,946	–	–	–	–	3,266	259,790	3,649	299,736
— Vienna Hotels	53	13,234	–	–	–	–	1,160	160,712	1,213	173,946
Total Number of Select Service Hotels	1,012	115,411	–	–	–	–	6,431	617,290	7,443	732,701
Total	1,029	121,258	4	1,635	73	21,140	6,431	617,290	7,537	761,323

INFORMATION ON HOTELS OF THE GROUP

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

Under development (As of 31 December 2018)	Hotels in which the Group held Hotel Interests and managed by the Group		Hotels in which the Group held Hotel Interests but managed by third parties		Hotels owned by third parties but managed by the Group		Hotels owned by third parties but operated under franchises granted by the Group		Total number of hotels	
	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms
Hotel Category										
Full Service Hotels										
— 5-star Luxury Hotels	–	–	–	–	22	5,992	–	–	22	5,992
— 4-star Luxury Hotels	–	–	–	–	10	2,131	–	–	10	2,131
Sub-total	–	–	–	–	32	8,123	–	–	32	8,123
Commercial Hotels	–	–	–	–	1	310	–	–	1	310
Total Number of Full Service Hotels	–	–	–	–	33	8,433	–	–	33	8,433
Select Service Hotels										
— Jin Jiang GDL Asia	12	1,536	–	–	–	–	216	21,574	228	23,110
— GDL	–	–	–	–	–	–	81	9,431	81	9,431
— Plateno Group	10	1,233	–	–	–	–	1,977	191,199	1,987	192,432
— Vienna Hotels	2	540	–	–	–	–	1,157	150,010	1,159	150,550
Total Number of Select Service Hotels	24	3,309	–	–	–	–	3,431	372,214	3,455	375,523
Total	24	3,309	–	–	33	8,433	3,431	372,214	3,488	383,956

INFORMATION ON HOTELS OF THE GROUP

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

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

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

MAJOR AWARDS

MAJOR AWARDS RECEIVED BY THE GROUP IN 2018

"Jin Jiang"	Top 10 Influential High-end Hotel Brands in China 2017
"Jin Jiang Hotels Development"	2018 Jiemian Capital Conference cum Jiemian Gold Medal Ceremony — Value Medal of the Year The 15th China Hotel Integration Development Conference — Best Shareholders' Investment Returns The 20th China Listed Companies Golden Bull Award — Golden Bull Best Investment Value Award 2017 The 4th Shanghai Listed Companies CSR Summit — CSR Award 2018
"Golden Tulip"	The 14th China Hotel Investment Summit — Most Innovative Brand of the Year
"Jin Jiang Metropolo"	The 18th China Hotel Golden Horse Award — Hotel Brand with Best Investment Value in China 2018 The 13th China Hotel Starlight Awards — Hotel Brand with Highest Potential for Development in China 2017
"Campanile"	The 13th China Hotel Starlight Awards — Middle-tier International Hotel Brand with Best Investment Value in China
"Magnolia"	The 18th China Hotel Golden Horse Award — Hotel Brand with Best Investment Value in China 2018 The 13th China Hotel Starlight Awards —Chain Hotel Brand with Best Investment Value in China
"Jin Jiang Inn"	The 18th China Hotel Golden Horse Award — Investor's Choice of Hotel Management Company in China 2018 The 13th China Hotel Starlight Awards — Management Company for Hotel Brand with Highest Potential for Development in China
"Lavande"	The 18th China Hotel Golden Horse Award — Most Popular Middle-tier Chain Hotel Brand among Consumers in China The 18th China Hotel Golden Horse Award — Investor's Choice of Hotel Management Company in China 2018
"James Joyce Coffetel"	The 13th China Hotel Starlight Awards —Chain Hotel Brand with Best Investment Value in China
"ZMAX"	The 18th China Hotel Golden Horse Award — Most Fashionable Hotel Brand in China
"Xana Hotelle"	China Hotel Golden Eagle Award 2018 — Outstanding New Brand
"7 Days Inn"	Meadin.com — Top 10 Influential Economy Hotel Brands 2017
"7 Days Premium"	The 18th China Hotel Golden Horse Award — Hotel Brand with Best Investment Value in China 2018 The 13th China Hotel Starlight Awards — Most Popular Business Hotel Brand in China

MAJOR AWARDS

"IU Hotels"	The 18th China Hotel Golden Horse Award — Chain Hotel Brand with Best Innovative Value The 13th China Hotel Starlight Awards — Chain Hotel Brand with Best Investment Value in China
"Pai Hotels"	The 18th China Hotel Golden Horse Award — Non-standardised Hotel Brand with Best Investment Value in China The 13th China Hotel Starlight Awards — Best Investment Brand of Independent Hotel in China
"Vienna Hotels Group"	China Hotel Investment CHIA Five Star Diamond Award — Most Influential Chain Hotel Group in China The 2nd HOTELN Awards — 2018 The Most Popular National Hotels Group of China
"Vienna Hotels"	The 18th China Hotel Golden Horse Award — Investor's Choice of Hotel Management Company in China 2018 The 13th China Hotel Starlight Awards — Chain Hotel Brand with Best Investment Value in China
"Venus Royal Hotel"	Asian Tourism Industry Annual Conference 2018 — Best Emerging Middle-high-end Hotel Brand in China 2018
"Vienna 3 Best Hotel"	The 18th China Hotel Golden Horse Award — Most Environmentally-friendly Hotel Brand in China 2018

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"ADR"	room revenue divided by rooms in use
"Audit Committee"	the audit committee of the Company
"Available Rooms"	number of rooms available of each hotel after deducting Permanent House Use
"Board"	the board of Directors of the Company
"China" or "PRC"	The People's Republic of China
"Commercial Hotels"	hotels in which the Group holds Hotel Interests or which are owned by the third parties but managed by the Group, which have obtained or are expected to obtain 3-star or 2-star ratings, according to the criteria set by the Group
"Company"	Shanghai Jin Jiang International Hotels (Group) Company Limited
"Director(s)"	the director(s) of the Company
"EUR"	Euro, the lawful currency of the European Union
"Finance Company"	Jin Jiang International Finance Company Limited
"Franchisee(s)"	third party(ies) who have entered into franchise agreement(s) with the Group for the license to use the Jin Jiang trademark or Jin Jiang Inn trademark
"Full Service Hotels"	hotels which are based on comprehensive hotel functions and facilities, and provide all rounded quality services for guests
"Galaxy Hotel"	Shanghai Galaxy Hotel Co., Ltd.
"GDL"	Groupe du Louvre, a société par actions simplifiée incorporated under the laws of France
"Group"	the Company and its subsidiaries or, where the context so requires, in respect of the period prior to the date of incorporation of the Company, those entities or businesses which were consolidated into and operated by the Company upon its establishment
"Hotel Interest"	the equity interest held by the Group in companies engaged in hotel operations
"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.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"Jin Jiang Cold"	Shanghai Jin Jiang International Cold Logistics Development Co., Ltd.
"Jin Jiang GDL Asia"	Jin Jiang GDL Asia Co., Ltd. (上海錦江盧浮亞洲酒店管理有限公司) (formerly known as Shanghai Jin Jiang Metropolo Hotel Management Company Limited)
"Jin Jiang Hotel Investment"	Shanghai Jin Jiang International Hotel Investment Company Limited
"Jin Jiang Hotels Development"	Shanghai Jin Jiang International Hotels Development Company Limited
"Jin Jiang Inn"	Jin Jiang Inn Company Limited
"Jin Jiang International"	Jin Jiang International 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 Metropolo"	budget hotels in which the Group holds Substantial Hotel Interests and managed by Jin Jiang GDL Asia, or Select Service Hotels which are owned by third parties to which Jin Jiang GDL Asia has granted a franchise, most of which are operating under the brand names of Jin Jiang Metropolo or Jin Jiang Inn
"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
"Luxury Hotels"	hotels in which the Group holds Hotel Interests or which are owned by third parties but managed by the Group which have obtained or are expected to obtain 5-star or 4-star ratings, according to the criteria set by the Group
"Occupancy Rate"	rooms in use divided by Available Rooms for a given period
"Permanent House Use"	guest rooms which have been removed from the rentable inventory for a period longer than six months
"Plateno Group"	Keystone Lodging Holdings Limited and its subsidiaries
"Prospectus"	the prospectus issued by the Company on 30 November 2006
"Reporting Period"	the period from 1 January 2018 to 31 December 2018
"RevPAR"	room revenue per Available Room

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"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
"Substantial Hotel Interest"	the equity interest held by the Group in companies engaged in hotel operations which are associated companies, joint ventures or subsidiaries of the Company
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company
"Supplies Company"	Shanghai Jin Jiang International Hotel Supplies Company Limited (上海錦江國際酒店物品有限公司)
"Total Number of Rooms"	number of available rooms per hotel
"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)

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

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".

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present on behalf of the Board the annual report of the Group for the year ended 31 December 2018.

In 2018, 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-platforms" structure for our back office operations was constructed jointly to innovate business model. A global hotel management company was established to optimise our governance structure. The development of WeHotel was expedited to facilitate capital innovation and business breakthrough. Advances in the innovation of mechanisms and regimes were made to enhance vigour and energy. International development was accelerated to drive the progress of key projects as and when appropriate. Structural adjustments were implemented and improvements were made to our industry mix, as we persisted in a global manpower strategy emphasising market-orientation, internationalisation and specialisation. 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.

In 2018, the Group realised sales revenue of approximately RMB20.63 billion, representing an increase of approximately 4.4% as compared to the same period of last year. Group EBITDA amounted to approximately RMB4.43 billion, 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 million, 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.

INCREASING COMPETITIVENESS FOR PRINCIPAL OPERATIONS AND FURTHER OPTIMISATSION OF PROFIT MIX

During the Reporting Period, the Group's principal business of hotel operations continued to report growth, underpinned by quality improvements and efficiency enhancement for high star-rated hotels, rapid development for middle-end hotels, and transformation and upgrade for budget hotels. In the meantime, the back-office systems were integrated in a proactive manner with the support of the information technology system in order to realise complementary advantages and synergetic effects. As the Group stepped up with the intensive integration of its hotel segment to focus on its principle business, the profitability of its hotel assets was steadily improving and its results from principal operations continued to trend positively.

As at the end of 2018, the Group held or managed approximately 7,537 hotels in operation with approximately 760,000 rooms in aggregate in 68 countries over the world, ranking 5th in the global hotel group ranking in terms of the number of guest rooms. In addition, 3,488 hotels of the Group were under construction with a total of approximately 380,000 rooms.

CHAIRMAN'S STATEMENT

FORGING "ONE-CENTRE AND THREE-PLATFORM" AND GLOBAL INTEGRATION ACCELERATION

Focused on an innovation-driven approach, the Group made progress in business integration and structural adjustments with the creation of "one-centre and 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. Leveraging fully on the post-merger synergetic effect, we have created a greater scope for global development and multinational operations. An efficient synergetic operating regime was constructed to facilitate global business deployment, while efforts have been made to explore new characteristics of the mixed-ownership economy, in order to gradually improve and perfect our organisational structure and rules and regulations based on our own specific conditions. With a special focus on functions such as industry research, brand innovation, design work and capital incubation, full efforts have been made to drive the transformation and upgrade of budget hotels, with a particular emphasis on rebranding, quality upgrade and efficiency enhancement.

A synergetic effort was made to advance brand-building and innovation, with the emphasis shifting from quantity and scale to quality and efficiency, and from growing in size to growing in strength, so as to achieve globalisation in supply chain, brand presence, as well as innovation and R&D as we seek to create a world-class hotel group and speed up with the global development of the national "Jin Jiang" brand.

FOCUS ON QUALITY DEVELOPMENT AND PROVISION OF PREMIUM SERVICES

The high star-rated hotels of the Group seized opportunities in the market to improve its quality and services according to advanced market standards. Peace Hotel continued to report record-high operating revenue, while its reputation, standing and influence were enhanced by the annual "Peace Hotel Culture and Art Festival". During the year, 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.

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, among others, for which we were highly commended by the public.

CORPORATE STRATEGIES AND OUTLOOK FOR FUTURE DEVELOPMENT

Looking to 2019, complicated and volatile global political and economic conditions, 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 the PRC's hotel and tourism industry. The Group will actively address any challenges and seize any opportunities that might arise.

CHAIRMAN'S STATEMENT

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 funds 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 its institutional system. The Group will explore the innovation and transformation of business and service models compatible with the age of the Internet economy, while optimising the market-based remuneration regime and restraint and incentive mechanism. The Group will leverage on its strengths in specialisation, in a bid to foster 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.

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

Yu Minliang
Chairman
Shanghai, the PRC
29 March 2019

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Yu Minliang (俞敏亮), aged 61, the chairman of the Board and an executive Director. Mr. Yu is an economist with a master's degree in economics from Fudan University. With rich experience in hotel management, he has been the general manager respectively of Yangtze Hotel, Jin Jiang Hotels Development and Shanghai New Asia (Group) Company Limited, chairman of Jin Jiang (Group) Company Limited and chairman, chief executive officer and chairman of the executive committee of the board of Jin Jiang International since joining the Group in 1984. Mr. Yu is currently the chairman of Jin Jiang International, Jin Jiang Hotels Development and Yangtze Hotel, respectively.

Ms. Guo Lijuan (郭麗娟), aged 56, the vice chairman of the Board, an executive Director and the chairman of the executive committee of the Board. Ms. Guo obtained a master's degree in business administration from China Europe International Business School (CEIBS). Ms. Guo was formerly the deputy head of the suburban department and the rights and interests department of China Communist Youth League Shanghai Committee (共青團上海市委); general manager and chairman of Shanghai Advertising Co., Ltd. (上海廣告有限公司); director and vice president of Shanghai World Expo (Group) Co., Ltd. (上海世博(集團)有限公司); executive director and chairman of Shanghai Foreign Service Co., Ltd. (上海對外服務有限公司); as well as vice president of Shanghai East Best International (Group) Co., Ltd. (上海東浩國際服務貿易(集團)有限公司). Ms. Guo is currently the president and a director of Jin Jiang International and vice chairman of Jin Jiang Hotels Development.

Mr. Chen Liming (陳禮明), aged 58, the vice chairman of the Board, an executive Director and the vice chairman of the executive committee of the Board. Mr. Chen is an economist with a master's degree in business administration. He was previously the general manager of Holland Shanghai City Restaurant Co., Ltd. (荷蘭上海城酒家有限公司), deputy general manager of Shanghai Sofitel Hyland Hotel (上海海侖賓館), executive manager of Jin Jiang Hotels Development and secretary general (vice president) of the executive committee of the board of Jin Jiang International. He is currently a vice president of Jin Jiang International and a director of Jin Jiang Hotels Development.

Mr. Ma Mingju (馬名駒), aged 58, an executive Director and the chief executive officer of the Company. He is a senior accountant with a master's degree in business administration from the Asia International Open University (Macau). Mr. Ma joined the Group in 2005 and was formerly a Supervisor and a director of Jin Jiang Inn. Mr. Ma is currently the vice president and general manager of the Finance Business Division of Jin Jiang International, chairman of Jin Jiang International Investment and Management, the supervisor of Jin Jiang Hotels Development, a director of Jin Jiang Investment and Beijing Kunlun Hotel Company Limited, the chairman of Finance Company and the chairman of Radisson Hospitality AB (publ), respectively.

Mr. Zhang Qian (張謙), aged 51, an executive Director. Mr. Zhang holds a master's degree and has extensive experience in hotel management. He was previously the director of the marketing department of Shanghai Jian Guo Hotel, deputy general manager of Shanghai Renaissance Yangtze Hotel, general manager of Shanghai Jin Jiang Tomson Hotel Company Limited, general manager of Jin Jiang Hotel, general manager of Jin Jiang Tower, vice president of Jin Jiang International and the chief executive officer of Jin Jiang Hotels. Mr. Zhang is currently the secretary to the Party Committee and chairman of Shanghai Exhibition Center (Group) Co., Ltd. (上海展覽中心(集團)有限公司).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ji Gang (季崗), aged 61, an independent non-executive Director, is a senior economist with a master's degree in economics from Fudan University. Mr. Ji was previously an independent director of Jin Jiang Hotels Development from 2003 to 2006, and served as the general manager of Shanghai Zhongya Hotel, general manager and chairman of Shanghai Everbright City Company Limited, director of Zhabei District Commercial Committee, director of Zhabei District Economic Committee, president of SIIC Investment Company Limited in Hong Kong as well as the vice-chairman and president of Shanghai Industrial Development Company Limited. From 2012 to 2018, Mr. Ji was the chairman of the board, president and executive director of Shanghai Industrial Urban Development Group Limited.

Dr. Rui Mingjie (芮明杰), aged 64, an independent non-executive Director, is a professor and an instructor for doctoral candidates with a doctoral degree in economics. Dr. Rui is currently the head of the Department of Industrial Economics, director of the Center for Business Development and Management Innovation, discipline leader in the national key discipline of Industrial Economics, and person-in-charge of the post-doctoral mobile station in applied economics at Fudan University. He is also the vice president of China Society of Industrial Economics, chief specialist of Shanghai Innovative Research Base of Social Sciences (Industry Structural Adjustment) (上海市社會科學創新研究基地(產業結構調整)), and a leading figure of Rui Mingjie's Office of Government Policy Counselling and Research Base of Shanghai Municipal Government (上海市政府決策諮詢研究基地芮明杰工作室).

Dr. Tu Qiyu (屠啓宇), aged 49, an independent non-executive Director. Dr. Tu is currently a vice chairman and research fellow of the City and Population Development Research Institute of the Shanghai Social Science Academy and adjunct professor and doctoral instructor of East China Normal University, specializing in international economics and urban studies. Dr. Tu was a Fulbright Scholar of the United States and Marie Curie Scholar of the European Union. Since 2011, Dr. Tu has been the chief editor of "The Blue Book of World Cities". He was appointed by the mayor of Shanghai in 2014 as the core specialist of master urban planning (2017–2035) of Shanghai. He was appointed by the Beijing Municipal Government in 2015 as a member of the Advisory Board of Planning Experts for the Thirteenth Five-Year Plan of Beijing.

Dr. Xu Jianxin (徐建新), aged 63, an independent non-executive Director. He holds a doctoral degree in economics and is a professor-grade senior accountant and Certified Public Accountant in the PRC. He was previously a lecturer and associate professor at Shanghai University of Finance and Economics, practicing Certified Public Accountant of Dahua Accountants' Firm (大華會計師事務所), deputy general manager of Shanghai Brilliance Credit Rating and Investors Service Company Limited* (上海新世紀投資服務公司), deputy chief accountant, director, financial controller and chief economist of Orient International (Holding) Company Limited, vice chairman of Orient International Enterprise Limited, director of Shanghai Pudong Development Bank and independent director of Jin Jiang Hotels Development. He has been named as "Outstanding Accountant in Shanghai". Dr. Xu is currently a senior vice president of Shanghai Puyi Investment Management Co., Ltd.* (上海樸易投資管理有限公司).

Mr. Xie Hongbing (謝紅兵), aged 68, an independent non-executive Director. He holds a bachelor's degree. Mr. Xie served as the head of the business office and manager of the real estate credit department, the branch manager of Jing'an Sub-branch and Yangpu Sub-Branch, respectively, of the Shanghai Branch of Bank of Communications, general manager of Fund Custody Department of Bank of Communications, the chairman of Bank of Communications Schroder Fund Management Co., Ltd., and the vice chairman of China BOCOM Insurance Co., Ltd. (Hong Kong).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Dr. He Jianmin (何建民), aged 62, an independent non-executive Director. He obtained a doctoral degree in economics from Fudan University. Dr. He is currently the head and professor of the Research Center for Culture, Tourism and Convention and Exhibition of the College of Business, an instructor for doctoral candidates in tourism management, and an adjunct instructor in tourism management for post-doctoral researchers at the post-doctoral mobile station of the School of Business Administration at the Shanghai University of Finance and Economics and an independent director of New Century Real Estate Investment Trust. He has been named as a State Council Expert for Special Allowance and a National Outstanding Instructor. He has been involved in the research in tourism development and management for many years, and was appointed by the Ministry of Culture and Tourism as a member of the Advisory Board for Reform and Development of China Tourism. Dr. He is currently the independent non-executive director of New Century Real Estate Investment Trust.

SUPERVISORS

Mr. Wang Guoxing (王國興), aged 55, the chairman of the Supervisory Committee. He is a senior accountant with a master's degree in economics from Shanghai University of Finance and Economics. Mr. Wang joined the Group in 1992 and was previously a lecturer of the School of Finance of Shanghai University of Finance and Economics, board secretary of Jin Jiang Hotels Development, board secretary and deputy financial director of Shanghai New Asia (Group) Company Limited, as well as deputy financial director and chief secretary (vice president) of the executive committee of the board of Jin Jiang International. He is currently a vice president of Jin Jiang International, the chairmen of the supervisory committees of Jin Jiang Hotels Development and Jin Jiang Investment.

Mr. Zhou Qiquan (周啓全), aged 68, a Supervisor. Mr. Zhou graduated from Shanghai College of Finance (now known as Shanghai University of Finance and Economics) with a post-secondary diploma on bank credit studies. Mr. Zhou is an accountant. He joined the Group in 2003 and was formerly the person-in-charge of the department of finance of Shanghai Luwan Residential Property Company (上海盧灣住宅公司), the head and deputy manager of the planning and finance department and manager of the finance department of Shanghai Minhang United Development Company Limited.

Ms. Zhou Yu (周怡), aged 59, a Supervisor. Ms. Zhou graduated from East China University of Politics and Law (now known as East China University of Political Science and Law) with a bachelor's degree. She was formerly the person-in-charge of the marketing division of credit card department, deputy head of the deposit office, deputy head of the office of financial accounting, general manager of the marketing department, general manager of the company department and the senior manager of the retail credit management department of the Shanghai Branch of Bank of Communications.

Mr. Chen Yinghao (陳英豪), aged 45, a Supervisor and the deputy secretary of the Party Committee. He holds a bachelor's degree. He was the department head and commander (deputy regimental commander) of a brigade of Shanghai Fire Bureau, and assistant to the manager of the security department of Jin Jiang International.

Mr. He Yichi (何一遲), aged 39, a Supervisor and the head of the audit office of Jin Jiang Hotels Development. He holds a master's degree in finance. He was formerly a senior auditor, audit manager and senior audit manager of PricewaterhouseCoopers Zhong Tian LLP, and the senior manager of financial solutions of BASF (China) Co., Ltd..

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Ms. Zhang Jue (張珏), aged 36, the Board secretary and joint company secretary of the Company. She holds a bachelor's degree. She was a securities affairs representative of Jin Jiang Hotels Development, a board secretary and a deputy director of planning and development department of Jin Jiang Travel. She is currently a director of Jin Jiang Investment and Jin Jiang Travel.

Ms. So Lai Shan (蘇麗珊), the joint company secretary of the Company. Ms. So joined the Company on 31 August 2018. Ms. So is an assistant manager of the Listing Services Department of TMF Hong Kong Limited and has more than eight years of experience in company secretarial field. She is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

SENIOR MANAGEMENT

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

Ms. Yin Yanhong (尹嫣紅), aged 50, the chief financial officer and finance controller of the Company. She is a senior accountant with a master's degree in accounting. She was the manager of the audit department and finance department of Hua Lian Supermarket Co. Ltd, and the assistant to the manager and deputy manager of the planning and finance department of Jin Jiang International.

Ms. Zhang Wei (張偉), aged 52, the vice president of the Company. She is a senior political analyst with a bachelor's degree. She was the deputy secretary and deputy general manager of the Metropole Hotel, the deputy general manager of Nanjing Hotel, the secretary to the Party Committee and deputy general manager of Jin Jiang East Asia Hotel, the deputy secretary to the Party Committee and executive deputy manager of Peace Hotel, and the general manager of Expo Jin Jiang Apartment Hotel (世博錦江公寓酒店) as well as the deputy secretary to the Party Committee of the Company.

Mr. Xia Li (夏力), aged 50, a vice president of the Company. He holds a master's degree in business administration. He was formerly the general manager of Holland Shanghai City Co., Ltd. (荷蘭上海城有限公司), deputy general manager of Shanghai Marriott Hotel Hongqiao, executive deputy general manager of Shanghai Zitai Hotel Management Co. Ltd. (上海紫泰酒店管理有限公司), deputy general manager of Shanghai Zizhu Hotel Co. Ltd. (上海紫竹酒店有限公司), general manager of Shanghai Tower Jin Jiang Hotel Assets Management Company Limited (上海中心大廈錦江酒店資產管理有限公司), and the vice president of the asset management centre of the Company.

Dr. Ai Gengyun (艾耕雲), aged 48, a qualified accountant of the Company. Dr. Ai was the director of the planning and finance department of Jin Jiang Hotels Development, deputy general manager of Shanghai Kentucky Fried Chicken Company Limited, director of the planning and finance department of Jin Jiang Hotel and a director of GDL. Dr. Ai is a member of the Chinese Institute of Certified Public Accountants and a senior accountant in the PRC with extensive professional experience in financial reporting, management and internal control.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Cai Jianping (蔡建平), aged 57, a vice-president and a director of human resources department of the Company. He holds a bachelor's degree. He was a director of human resources department of Shanghai New Asia (Group) Company Limited, a deputy general manager of Shanghai Sofitel Hyland Hotel and a deputy general manager of Yangtze Hotel.

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

In accordance with code B.1.5 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules, the annual remuneration and relevant bands of the senior management listed in the section headed "Directors, Supervisors and Senior Management" in this annual report for 2018 are set out as follows:

	Year ended 31 December 2018 RMB'000
Salary and other allowances	1,899
Discretionary bonus	669
Retirement scheme contributions	633
	3,201

The emoluments fell within following bands:

	Year ended 31 December 2018 Number
Nil to RMB417,955 (equivalent to HK$500,000)	2
RMB417,955 (equivalent to HK$500,000) to RMB835,910 (equivalent to HK$1,000,000)	4
	6

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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.

MANAGEMENT DISCUSSION AND ANALYSIS

In November 2018, Jin Jiang Hotels 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 Hotels 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 December 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.

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 Group's Full Service Hotels in Shanghai			2017 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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%

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Rental revenue

Rental revenue was mainly generated from the leasing of shops at the Group's Full Service Hotels for retail, exhibition and other purposes and the outsourcing lease of certain catering space. During the Reporting Period, rental revenue amounted to approximately 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..

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB'000	2017 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 RMB'000	2017 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%

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 has been 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.

REPORT OF THE DIRECTORS

The Board is pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

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

OPERATIONAL REVIEW

Management discussion and analysis on the Group's operations are set out on pages 24 to 28 in this annual report.

FINANCIAL REVIEW

The annual results of the Group for the year ended 31 December 2018 are set out in the consolidated income statement on page 96 in this annual report. Management discussion and analysis on financial review are set out on pages 28 to 36 in this annual report. Financial highlights of the Group for the years ended 31 December 2014, 2015, 2016, 2017 and 2018 are set out on page 14 in this annual report.

BUSINESS REVIEW AND PROSPECTS

Discussion and analysis as required by Schedule 5 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of the Group's business, discussion of major risks and uncertainties faced by the Group, details of material events affecting the Group that have occurred subsequent to the end of the 2018 financial year, the Company's environmental policy and performance, the Company's compliance with relevant laws and regulations having a significant impact on the Company, the Company's important relations with its employees, customers and suppliers, and an indication of likely future developments in the Group's business, are set out in sections headed "Chairman's Statement", "Management Discussion and Analysis", "Corporate Governance Report" and "Notes to the Consolidated Financial Statements" in this annual report. The above sections form part of the Report of the Directors.

SHARE CAPITAL

For the year ended 31 December 2018, there was no issuance of new shares or bonds by the Company. The number of shares in each class of shares of the Company as at 31 December 2018 is set out as follows:

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

REPORT OF THE DIRECTORS

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

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

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

In 2007, approximately HK$1,091,600,000 (RMB1,098,200,000) was injected into Jin Jiang Hotel Investment by way of addition of capital on a pro-rata basis for the development and expansion of the Jin Jiang Metropolo hotels network, pursuant to an arrangement between the Company and Jin Jiang Hotels Development. As at 31 December 2018, the issue proceeds applied to the development and expansion of Jin Jiang Metropolo network had been fully utilized.

Issue proceeds of approximately RMB725,000,000 were applied as additional capital and investments in relevant affiliated hotels for the refurbishment of certain landmark hotels and Luxury Hotels, including Peace Hotel, Jin Jiang Tower, Jin Jiang Hotel, Cypress Hotel, Galaxy Hotel, Rainbow Hotel and Marvel Y.M.C.A. As of 31 December 2018, issue proceeds applied for the refurbishment of landmark hotels and Luxury Hotels had already been paid.

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

DIVIDENDS

On 29 March 2019, the Board proposed to declare a final dividend of RMB8.0 cents (inclusive of tax) per share for the year ended 31 December 2018, totalling RMB445,280,000. The payment of the dividend is expected to take place on 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 Organization Standards" issued by the State Administration of Taxation on 22 April 2009, the tax rate of the corporate income tax applicable to the income of non-resident enterprise deriving from the PRC is 10%. For this purpose, any H shares registered under the name of non-individual shareholder, including the H shares registered under the name of HKSCC Nominees Limited, other nominees or trustees, or other organizations or entities, shall be deemed as shares held by non-resident enterprise shareholders (as defined under the CIT Law). The Company will distribute the final dividend to non-resident enterprise shareholders subject to a deduction of 10% corporate income tax withheld and paid by the Company on their behalf.

The 10% corporate income tax will not be withheld from the final dividend payable to any natural person shareholders.

The proposed final dividend is subject to approval by shareholders of the Company at the forthcoming annual general meeting.

For details of the resolutions to be considered and approved at the forthcoming annual general meeting, the book closure period of H share register, and the date of annual general meeting, please refer to the notice of 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.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

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

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.

PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Company are set out in Note 40 to the consolidated financial statements.

RESERVES

The Group had reserves with an amount of approximately RMB3,906,506,000 as at 31 December 2018, of which RMB3,964,079,000 was retained earnings. Details of which are set out in the retained earnings in Note 20 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

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

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

As of 31 December 2018, based on the calculation made in accordance with the China Accounting Standards for Business Enterprises, relevant PRC laws and the Articles of Association, the distributable reserves of the Company amounted to RMB2,072,035,000, of which about RMB445,280,000 is proposed to be the final dividend for the year.

FIXED ASSETS

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

BORROWINGS

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

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

The Group's customers mainly comprised Franchisees, travel agencies, corporate customers and guests at its hotels. For the year ended 31 December 2018, the Group's five largest customers in aggregate accounted for less than 30% of the Group's total sales. Pursuant to the Group's franchise agreements with its Franchisees, no credit term is granted to the Franchisees and the Group's Franchisees are required to pay the continuing franchise fee on or before the tenth day of every month. A Franchisee would be obliged to pay a certain percentage of the amount payable as penalties in case of a default in payment.

The Group's suppliers mainly comprise vendors who supply the Group's hotel operations with hotel supplies such as food and beverages, as well as bath products. For the year ended 31 December 2018, the Group's five largest suppliers in aggregate accounted for less than 30% of the Group's total purchases. Generally, the credit term provided by the Group's suppliers is about two to six months.

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

CONNECTED TRANSACTIONS

Continuing Connected Transactions

According to the announcements issued by the Company on 26 April 2018 and 30 December 2018 (the "Connected Transaction Announcements"), the Company and Jin Jiang International, the controlling shareholder of the Company, and/or its associates had carried out the following continuing connected transactions. Since the applicable percentage ratios for the proposed maximum annual caps of the continuing connected transactions conducted under (1) the Master Provision of Hotel Rooms Agreement; (2) Master Property Leasing Agreement; and (3) Master Electronic Commerce Service Agreement exceed 0.1% but are lower than 5%, the continuing connected transactions under these agreements are only subject to the reporting, announcement and annual review requirements of the Listing Rules and are exempted from the independent shareholders' approval requirement, which are included in the disclosure of related party transactions in accordance with HKFRS 24 (revised) presented in Note 37 to the audited consolidated financial statements for the year ended 31 December 2018. All terms used below shall have the same meanings as defined in the Connected Transaction Announcements, unless the context requires otherwise.

(i) Master Provision of Hotel Rooms Agreement

On 26 April 2018, the Company and Jin Jiang International entered into the Master Provision of Hotel Rooms Agreement to replace the Previous Master Provision of Hotel Rooms Agreement entered into on 28 July 2015 to regulate the provision of hotel rooms by the Group to Jin Jiang International for the three years ending 31 December 2018, 2019 and 2020. Details of the Master Provision of Hotel Rooms Agreement are set out below:

Date:	26 April 2018
Parties:	(i) Jin Jiang International as the recipient; and
	(ii) the Company as the provider
Term:	1 January 2018 to 31 December 2020. The Master Provision of Hotel Rooms Agreement can be terminated by either party by giving three months' prior written notice to the other party. The term of the Master Provision of Hotel Rooms Agreement can be extended, provided that Jin Jiang International and the Company agree to such extension and the Listing Rules are complied with.

REPORT OF THE DIRECTORS

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

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

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

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

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

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

The historical amounts for the continuing connected transactions conducted under the Previous Master Provision of Hotel Rooms Agreement and the Master Provision of Hotel Rooms Agreement for each of the three years ended 31 December 2018, as well as the respective annual caps for the three years ended 31 December 2018, are set out below:

	Historical amounts (RMB in millions)			**Annual caps (RMB in millions)**		
Item	For the year ended 2016	For the year ended 2017	**For the year ended 2018**	For the year ended 2016	For the year ended 2017	**For the year ended 2018**
Fees received by the Group under the Previous Master Provision of Hotel Rooms Agreement and the Master Provision of Hotel Rooms Agreement for the relevant period	23.1	30.9	**32.6**	31.5	33.0	**40.0**

REPORT OF THE DIRECTORS

(ii) Master Property Leasing Agreement

As the Previous Master Property Leasing Agreement entered into on 28 July 2015 expired on 31 December 2017, the Company and Jin Jiang International agreed to renew the transaction terms, and entered into the Master Property Leasing Agreement on 26 April 2018 to regulate the provision of property leasing services by Jin Jiang International Group to the Group for the three years ending 31 December 2018, 2019 and 2020. Details of the Master Property Leasing Agreement are set out below:

Date:	26 April 2018
Parties:	(i) Jin Jiang International as the lessor; and (ii) the Company as the lessee
Term:	1 January 2018 to 31 December 2020. The Master Property Leasing Agreement can be terminated by either party by giving three months' prior written notice to the other party. The term of the Master Property Leasing Agreement can be extended, provided that Jin Jiang International and the Company agree to such extension and the Listing Rules are complied with.
Nature of transactions:	Jin Jiang International Group shall lease some properties legally owned by it to the Group and provide other property leasing related services to the Group. It is envisaged that from time to time and as required, individual implementation agreements may be entered into between the Group, Jin Jiang International, its subsidiaries and/or associates, as appropriate. As the implementation agreements are simply further elaborations on the provision of services as contemplated by the Master Property Leasing Agreement, they do not constitute new categories of connected transactions.
Pricing policy:	Prices for the relevant property leasing services under the Master Property Leasing Agreement shall be determined according to the "Market Price" (as defined below). "Market Price" shall be determined with reference to quotation and market transaction price for similar types of property leasing services provided by independent third parties in neighbouring areas. A designated department or personnel of the Company shall primarily be responsible for checking the quotation and market transaction price for similar types of property leasing services provided by independent third parties in neighbouring areas to determine the "Market Price". Generally, the quotations and terms will be obtained from at least two real estate agents who are independent third parties via email, facsimile or telephone enquiry. The Company will determine the "Market Price" after comparing and considering certain factors, including the condition of the relevant property, availability of ancillary facilities and service items to be provided, etc..

REPORT OF THE DIRECTORS

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

The historical amounts for the continuing connected transactions conducted under the Previous Master Property Leasing Agreement and the Master Property Leasing Agreement for each of the three years ended 31 December 2018, as well as the respective annual caps for the three years ended 31 December 2018, are set out below:

	Historical amounts (RMB in millions)			Annual caps (RMB in millions)		
Item	For the year ended 2016	For the year ended 2017	**For the year ended 2018**	For the year ended 2016	For the year ended 2017	**For the year ended 2018**
Property leasing service fees paid by the Group under the Previous Master Property Leasing Agreement and the Master Property Leasing Agreement for the relevant period	42.0	38.6	**50.5**	52.5	55.0	**60.0**

(iii) Master Electronic Commerce Service Agreement

As the Previous Master Electronic Commerce Service Agreement entered into on 28 July 2015 expired on 31 December 2017, the Company and Jin Jiang International agreed to renew the transaction terms, and entered into the Master Electronic Commerce Service Agreement on 30 December 2018 to regulate the provision of the electronic commerce services by Jin Jiang International Group to the Group for the three years ending 31 December 2018, 2019 and 2020. Details of the Master Electronic Commerce Service Agreement are set out below:

Date: 30 December 2018

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

(ii) the Company as the service recipient

Term: 1 January 2018 to 31 December 2020.

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

Nature of transactions: Jin Jiang International Group shall provide the electronic commerce services to the Group.

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

REPORT OF THE DIRECTORS

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

Pricing policy: Prices for the electronic commerce services shall be determined in accordance with the following principles:

Services for bonus-point redemption gifts

Upon checking in a member hotel of the Group at the member room rate, a member guest may enjoy two kinds of benefits including a room rate discount and bonus points. If a member guest with rewards membership chooses to receive the bonus points, the member hotel of the Group concerned is not required to pay any bonus costs to Jin Jiang International Group; if a member guest with prime membership chooses to receive bonus points, the member hotel of the Group shall pay to Jin Jiang International Group a fixed percentage of the reasonable room charges incurred by such member guest as bonus costs.

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

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

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

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

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

REPORT OF THE DIRECTORS

The historical amounts for the continuing connected transactions conducted under the Previous Master Electronic Commerce Service Agreement and the Master Electronic Commerce Service Agreement for each of the three years ended 31 December 2018, as well as the respective annual caps for continuing connected transactions under the Master Electronic Commerce Service Agreement for the three years ended 31 December 2018, are set out below:

	Historical amounts (RMB in millions)			Annual caps (RMB in millions)		
Item	For the year ended 2016	For the year ended 2017	**For the year ended 2018**	For the year ended 2016	For the year ended 2017	**For the year ended 2018**
Service fees paid by the Group under the Previous Master Electronic Commerce Service Agreement and the Master Electronic Commerce Service Agreement for the relevant period	12.9	14.9	**16.5**	50.0	50.0	**20.0**

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

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

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS

OTHER SIGNIFICANT CONNECTED TRANSACTIONS

Acquisition of 3.49825% Equity Interest in Keystone by Jin Jiang Hotels Development

On 23 November 2018, Jin Jiang Hotels Development, a subsidiary of the Company, entered into the Equity Transfer Agreement with Ever Felicitous Limited (held as to 77.84% by Mr. Zheng Nanyan ("Mr. Zheng")), Fortune News International Limited (wholly-owned by Mr. Zheng) and Mr. Zheng, pursuant to which Jin Jiang Hotels Development shall acquire 3.49825% equity interest in Keystone held in aggregate by Ever Felicitous Limited and Fortune News International Limited for a cash consideration of RMB351,216,077.14. Following the completion of the transactions, the percentage of Jin Jiang Hotels Development's shareholdings in Keystone has increased from 93.0035% to 96.50175%. The said adjustment of the equity interest structure will further consolidate the Company's resources and lower the Company's administrative costs. It will enable the Company to exercise management in a more thorough manner and to streamline its organisational structure and business divisions, and is conducive to the Company's future strategic development and planning.

Keystone is a non-wholly-owned subsidiary of the Company, and Mr. Zheng is a director of Keystone. In accordance with Chapter 14A of the Listing Rules, Mr. Zheng is a connected person of the Company at the subsidiary level. Accordingly, transactions contemplated under the Equity Transfer Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio of transactions contemplated under the Equity Transfer Agreement exceeds 0.1% but is lower than 5%, the transactions concerned shall comply with the reporting and announcement requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company published on 23 November 2018.

Disposal of 5% Equity Interest in Hua Ting Hotel

On 21 December 2018, the Company entered into the asset and equity transaction contract with Jin Jiang International Investment and Management by way of negotiated assignment through the Shanghai United Assets and Equity Exchange, pursuant to which the Company has agreed to dispose and Jin Jiang Investment has agreed to acquire 5% equity interest in Hua Ting Hotel held by the Company at a cash consideration of RMB130,828,050.79 (equivalent to approximately HK$149,143,977.90). Prior to the completion of the transaction, the Company held 5% equity interest in Hua Ting Hotel. Upon completion of the transaction, the Company will cease to hold any equity interest in Hua Ting Hotel. The conduct of the relevant transaction under the asset and equity transaction contract is in line with the strategic planning of the Company and the interests of the Company's shareholders as a whole, and will improve the Group's assets liquidity and financial position and optimize the Group's assets allocation. The Company intends to utilize net proceeds received from the transaction under the asset and equity transaction contract as the Group's general working capital.

Jin Jiang International Investment and Management is a subsidiary of Jin Jiang International, the controlling shareholder of the Company, and thus a connected person of the Company under the Listing Rules. Accordingly, the transaction contemplated under the Asset and Equity Transaction Contract constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio of the transaction contemplated under the Asset and Equity Transaction Contract exceeds 0.1% but is lower than 5%, the transaction concerned shall comply with the reporting and announcement requirements but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company published on 30 December 2018.

REPORT OF THE DIRECTORS

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the Directors, Supervisors and senior management as at 31 December 2018 are set out on pages 19 to 23 in this annual report.

INTERESTS IN SHARES OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS

As at 31 December 2018, none of the Directors, chief executives of the Company or Supervisors had any interests or short positions in the shares, underlying shares or debentures of the Company which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") (including interests and short positions which he or she is taken or deemed to have under such provisions of the SFO) or which are required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which are otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules (which shall be deemed to apply to the Supervisors to the same extent as it applies to the Directors).

INTERESTS IN SHARES OR UNDERLYING SHARES OR DEBENTURES OF ASSOCIATED CORPORATIONS

As at 31 December 2018, Director Mr. Yu Minliang held the following number of shares in Jin Jiang Hotels Development:

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

Save as disclosed above, as at 31 December 2018, none of the Directors, chief executives of the Company or Supervisors had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors, chief executives of the Company or Supervisors is taken or deemed to have under such provisions of the SFO) or which are required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which are otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code (which shall be deemed to apply to the Supervisors to the same extent as it applies to the Directors).

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

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

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

As at 31 December 2018, so far as the Directors are aware, the following persons (other than a Director, chief executive of the Company or Supervisor) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the Company's register pursuant to section 336 of the SFO:

Name of shareholder	Class of shares	Number of shares/underlying shares held	Capacity	Percentage in the relevant class of share capital	Percentage in total share capital of the Company
Jin Jiang International	Domestic shares	4,174,500,000 (Long position)	Beneficial owner	100%	75%
Matthews International Capital Management, LLC	H shares	210,990,000 (Long position)	Investment manager	15.16%	3.79%
Kwok Hoi Hing	H shares	151,090,000 (Long position)	Beneficial owner	10.86%	2.71%

Save as disclosed above and so far as the Directors are aware, as at 31 December 2018, no other person had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the Company's register pursuant to section 336 of the SFO.

REPORT OF THE DIRECTORS

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

As at 31 December 2018, so far as the Directors are aware, each of the following parties, not being (1) a Director, chief executive of the Company or Supervisor or (2) a member of the Group, was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

	Name of subsidiary	Name of shareholder	Percentage of shareholding
1.	上海錦花旅館有限公司 (Shanghai Jinhua Hotel Co., Ltd.)	上海花木經濟發展總公司 (Shanghai Huamu Economic Development Company Limited)	20%
2.	揚州錦揚旅館有限公司 (Yangzhou Jinyang Hotel Co., Ltd.)	揚州市雙橋鄉農工商總公司 (Yangzhou Shuangqiao Town NGS Co., Ltd.)	25%
3.	上海錦海旅館有限公司 (Shanghai Jinhai Hotel Co., Ltd)	閔行區商業建設公司 (Minhang Commercial Construction Co., Ltd.)	30%
4.	蘇州新區錦獅旅館有限公司 (Suzhou New Area Jinshi Hotel Co., Ltd.)	蘇州新區獅山農工商總公司 (Suzhou Shishan Industry & Commercial Co., Ltd.)	40%
5.	上海海侖賓館有限公司 (Sofitel Hyland Shanghai Co., Ltd)	上海國際集團投資管理有限公司 (SIG Investment Management Co., Ltd.)	33.33%
6.	上海建國賓館有限公司 (Shanghai Jian Guo Hotel Co., Ltd)	上海國際集團投資管理有限公司 (SIG Investment Management Co., Ltd.)	35%
7.	北京錦江北方物業管理有限公司 (Beijing Jin Jiang Northern Property Management Company Limited)	北京市崑崙經貿公司 (Beijing Kun Lun Economy & Trade Company Limited)	20%
8.	上海錦江同樂餐飲管理有限公司 (Shanghai Jin Jiang Tung Lok Catering Management Inc.)	新加坡同樂(中國)控股有限公司 (Tung Lok (China) Holdings Pte. Ltd.)	49%
9.	上海豫錦酒店管理有限公司 (Shanghai YuJin Hotel Management Company Limited)	上海豫園(集團)有限公司 (Shanghai Yuyuan (Group) Co., Ltd.)	40%
10.	上海浦東友誼汽車服務有限公司 (Shanghai Pudong Friendship Automobile Service Co., Ltd.)	廣茂投資發展中心 (Guangmao Investment and Development Centre)	12.17%
11.	上海中油錦友油品經營有限公司 (Shanghai Zhong You Jin You Oil Products Co., Ltd.)	中油上海銷售有限公司 (Zhong You Shanghai Sales Co., Ltd.)	19%
12.	上海中油錦友油品經營有限公司 (Shanghai Zhong You Jin You Oil Products Co., Ltd.)	上海興恒拍賣有限公司 (Shanghai Xingheng Auction Company Limited)	5%
	上海嘉定錦江汽車服務有限公司 (Shanghai Jiading Jin Jiang Automobile Services Co., Ltd.)	上海振申汽車服務公司 (Shanghai Zhenshen Taxi Services Co., Ltd.)	30%
13.	上海錦江豐田汽車銷售服務有限公司 (Shanghai Toyota Automobile Sales Co., Ltd.)	上海永達(集團)股份有限公司 (Shanghai Yong Da (Group) Co., Ltd.)	20%
14.	上海花樣年華廣告有限公司 (Shanghai Colorful Day Advertising Co., Ltd.)	周力平 (Liping Zhou)	20%
15.	上海錦茂汽車銷售服務有限公司 (Shanghai Jinmao Automobile Distribution and Services Co., Ltd.)	上海榮茂工貿有限公司 (Shanghai Rongmao Industry & Trade Co., Ltd.)	49.02%

REPORT OF THE DIRECTORS

	Name of subsidiary	Name of shareholder	Percentage of shareholding
16.	上海錦茂汽車銷售服務有限公司 (Shanghai Jinmao Automobile Distribution and Services Co., Ltd.)	上海市駕駛員培訓學校 (Shanghai Vehicle Drivers Training School)	0.98%
	上海錦海捷亞物流管理有限公司 (Shanghai JHJ Logistic Management Co., Ltd.)	錦江國際集團(香港)有限公司 (Jin Jiang International Group (HK) Co., Ltd.)	21.75%
17.	上海錦海捷亞物流管理有限公司 (Shanghai JHJ Logistic Management Co., Ltd.)	香港旋光有限公司 (Hong Kong Xuanguang Co., Ltd.)	13.25%
	上海錦江國際綠色假期旅遊有限公司 (Shanghai Jin Jiang International Green Holiday Travel Co., Ltd.)	上海廊下集體資產有限公司 (Shanghai Langxia Assets Management Co., Ltd.)	30%
18.	靜安麵包房控股有限公司 (Jing An Bakery Holding Company Limited)	中國麵包投資有限公司 (China Bread Investment Limited)	30%
19.	靜安麵包房控股有限公司 (Jing An Bakery Holding Company Limited)	中國烘焙集團有限公司 (China Baking Group Co., Ltd.)	10%
	瀋陽錦富酒店投資管理有限公司 (Shenyang Jin Fu Hotel Investment and Management Company Limited)	瀋陽副食品集團公司 (Shenyang Foodstuff Group Company)	45%
20.	廬山錦江國際旅館投資有限公司 (Lushan Mountain Jin Jiang International Hotel Investment Co., Ltd.)	廬山旅遊發展股份有限公司 (Lushan Tourism Development Co., Ltd.)	40%
21.	維也納酒店有限公司 (Vienna Hotels Group Co., Ltd.)	黃德滿 (Huang Deman)	12.95%
22.	維也納酒店有限公司 (Vienna Hotels Group Co., Ltd.)	深圳市維也納之星管理有限公司 (Shenzhen Vienna Star Hotels Management Co., Ltd.)	7.05%
	深圳市百歲村餐飲連鎖有限公司 (Shenzhen Baisuicun Restaurants Chain Co., Ltd.)	黃德滿 (Huang Deman)	20%
23.	Keystone Lodging Holdings Limited	瑞信國際有限公司 (Fortune News International Limited)	6.5364%
24.	Keystone Lodging Holdings Limited	Ever Felicitous Limited	0.4601%
25.	上海揚子江大酒店有限公司 (Shanghai Yangtze Hotel Company Limited)	上海虹橋經濟技術開發區聯合發展有限公司 (Shanghai Hongqiao Economic & Technological Development Zone United Development Co., Ltd.)	33.33%
26.	上海錦江汽車銷售服務有限公司 (Shanghai Jin Jiang Automobile Sales Co., Ltd.)	上海錦江客運有限公司 (Shanghai Jin Jiang Passenger Transport Co., Ltd.)	60%
27.	上海錦江汽車銷售服務有限公司 (Shanghai Jin Jiang Automobile Sales Co., Ltd.)	嚴同愈 (Yan Tongyu)	10%

Save as disclosed above and so far as the Directors are aware, as at 31 December 2018, no other party, not being (1) a Director, chief executive or Supervisor or (2) a member of the Group, was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

REPORT OF THE DIRECTORS

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

Other than those transactions disclosed in the section "CONNECTED TRANSACTIONS" above, as of 31 December 2018 and at any time during the Reporting Period, there is or was no transaction, arrangement and contract of significance (as defined in Appendix 16 of the Listing Rules) subsisting in which any of the Directors or the Supervisors is or was, whether directly or indirectly, materially interested in.

As of 31 December 2018 and at any time during the Reporting Period, there is or was no transaction, arrangement and contract of significance in relation to the Company's business subsisting to which the Company, its subsidiaries, its holding company or a subsidiary of its holding company is or was a party and in which any of the Directors or the Supervisors has or had, or at any time during that period, in any way, whether directly or indirectly, a material interest.

As of 31 December 2018 and at any time during the Reporting Period, none of the Directors or the Supervisors is or was in any way, directly or indirectly, materially interested in any transaction, arrangement and contract of significance in relation to the Company's business entered into or proposed to be entered into with the Company.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors has entered into a service contract with the Company for a term expiring upon the conclusion of the annual general meeting of the Company to be held in 2019. Commencement dates of the terms of each independent non-executive Director are as follows:

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

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

REPORT OF THE DIRECTORS

EMOLUMENT POLICY OF THE GROUP

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

The compensation of the Directors, Supervisors, the five highest paid individuals and senior management and information regarding pension scheme have been stated in Note 26, Note 37(d) and Note 38 to the consolidated financial statements. The Group has adopted the PRC government's social security system that comprises retirement fund, housing fund and medical insurance. For the retirement funds, the employer contribution ratio and employee contribution ratio in Shanghai are currently 20% and 8% respectively.

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

EXECUTIVE DIRECTORS, INDEPENDENT NON-EXECUTIVE DIRECTORS AND SUPERVISORS

As of 31 December 2018 and up to the date of this annual report, the executive Directors were Mr. Yu Minliang (Chairman), Ms. Guo Lijuan (vice chairman), Mr. Chen Liming (vice chairman), Mr. Zhang Qian and Mr. Ma Mingju; and the independent non-executive Directors were Mr. Ji Gang, Dr. Rui Mingjie, Dr. Tu Qiyu, Dr. Xu Jianxin, Mr. Xie Hongbing and Dr. He Jianmin. Mr. Chen Liming was appointed as a vice chairman with effect from 27 July 2016. Mr. Han Min has ceased to be an executive Director with effect from 27 April 2018 on reaching the age of retirement. Mr. Ma Mingju was appointed as an executive Director with effect from 23 January 2019.

As of 31 December 2018, the Supervisors were Mr. Wang Guoxing (chairman of the Supervisory Committee), Mr. Zhou Qiquan, Ms. Zhou Yi, Mr. Chen Yinghao and Mr. He Yichi. Mr. Ma Mingju has ceased to be a Supervisor with effect from 16 November 2018 due to the change of work arrangements.

Biographical details of the Directors and the Supervisors are set out on pages 19 to 21 in this annual report.

On 16 November 2018, Mr. Ma Mingju has ceased to be a Supervisor due to the change of work arrangements. For details, please refer to the announcement of the Company published on 16 November 2018.

On 23 November 2018, Mr. Zhang Qian has ceased to be the chief executive officer of the Company due to the change of work arrangements. Mr. Ma Mingju has been appointed for the above role with effect from 23 November 2018. For details, please refer to the announcement of the Company published on 23 November 2018.

On 30 January 2019, Mr. Ma Mingju was appointed as an executive Director. For details, please refer to the announcements of the Company published on 23 November 2018, 11 December 2018 and 30 January 2019.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As of 31 December 2018, none of the Directors were interested in businesses that were deemed to be competing or possibly competing, whether directly or indirectly, with the business of the Group.

PERMITTED INDEMNITY PROVISION

During the Reporting Period and as at 31 December 2018, the Company had taken out liability insurance for its Directors and Supervisors to provide appropriate protection for the Directors and Supervisors.

PENSION SCHEMES

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

NOMINATION COMMITTEE

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

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

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

AUDIT COMMITTEE

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

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

REPORT OF THE DIRECTORS

REMUNERATION COMMITTEE

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

PUBLIC FLOAT

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

EQUITY-LINKED AGREEMENTS

The Company has not entered into any equity-linked agreement for the year ended 31 December 2018.

NON-EXECUTIVE DIRECTOR

For the year ended 31 December 2018, the Company did not have any non-executive Director.

CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from all independent non-executive Directors, namely Mr. Ji Gang, Dr. Rui Mingjie, Dr. Tu Qiyu, Dr. Xu Jianxin, Mr. Xie Hongbing and Dr. He Jianmin, the confirmation letters for the year ended 31 December 2018 confirming their independence pursuant to Rule 3.13 of the Listing Rules. Based on their confirmations, the Company considers that all independent non-executive Directors are independent.

MANAGEMENT CONTRACTS

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

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

REPORT OF THE DIRECTORS

INTERNATIONAL AUDITOR

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

By order of the Board
Yu Minliang
Chairman

29 March 2019

REPORT OF THE SUPERVISORY COMMITTEE

Dear shareholders,

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

The Supervisory Committee convened two meetings in 2018. On 29 March 2018, the Supervisory Committee received relevant reports on the financial conditions of the Group in 2017, and considered and approved the resolution relating to the 2017 Supervisory Committee report. On 31 August 2018, the Supervisory Committee received relevant reports on the financial conditions of the Group during the first half of 2018.

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

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

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

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

29 March 2019

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

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

THE BOARD

The fourth session of the Board currently consists of four executive Directors and six independent non-executive Directors (at least one independent non-executive Director possesses appropriate professional qualifications or possesses accounting or related financial management expertise). Biographical details of the Directors are set out on pages 19 to 21 in this annual report.

CORPORATE GOVERNANCE REPORT

During the Reporting Period, the fourth session of the Board held six meetings. The attendance record of each respective Director of the fourth session of the Board at the Board meetings held in 2018 is set out in the following table:

Directors	Attendance/number of meetings held or eligible to join
Mr. Yu Minliang *(Chairman)*	6/6
Ms. Guo Lijuan *(Vice Chairman)*	6/6
Mr. Chen Liming *(Vice Chairman)*	6/6
Mr. Zhang Qian	6/6
Mr. Han Min**	2/6
Mr. Ji Gang*	6/6
Dr. Rui Mingjie*	6/6
Dr. Tu Qiyu*	6/6
Dr. Xu Jianxin*	6/6
Mr. Xie Hongbing*	6/6
Dr. He Jianmin*	6/6

* Independent non-executive Director

** Mr. Han Min ceased to hold the position of executive Director with effect from 27 April 2018.

CONTINUOUS TRAINING AND DEVELOPMENT FOR DIRECTORS

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

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

CORPORATE GOVERNANCE REPORT

NOMINATION OF DIRECTORS AND TERM OF OFFICE

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

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

RESPONSIBILITIES OF THE BOARD

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

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

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

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

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

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

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

SUPERVISORY COMMITTEE

As at the end of 2018, the Supervisory Committee comprised five members. The background and biographical details of the Supervisors are set out in the section headed "Directors, Supervisors and Senior Management". Supervisors acted diligently to effectively supervise on the lawfulness and compliance of the Company's financial matters and the performance of duties by the Directors and senior management.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

(1) Audit Committee

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

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

In 2018, the Audit Committee held three meetings in total. The attendance record of each respective member at the meetings of the Audit Committee held in 2018 is set out in the following table:

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

The first meeting of the Audit Committee for 2018 was held on 12 January 2018, at which major operation results, review on internal audit, and audit plans in 2017 and the key tasks for internal audit in 2018 were reviewed and discussed. The second meeting of the Audit Committee for 2018 was held on 21 March 2018, at which the audit for 2017 and the consolidated financial statements for 2017 were reviewed and discussed. The third meeting of the Audit Committee for 2018 was held on 23 August 2018, at which the financial position of the Company for the first half of 2018 and concerns and advice relating to the major items in the interim period of 2018 were reviewed and discussed.

CORPORATE GOVERNANCE REPORT

(2) Remuneration Committee

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

In 2018, the remuneration committee held one meeting in total. The attendance record of each respective member at the meeting of the remuneration committee held in 2018 is set out in the following table:

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

The meeting of the remuneration committee for 2018 was held on 29 March 2018, at which the resolution on the remuneration for the senior management of the Company for 2018 was reviewed and passed, the disclosures in the annual report on salaries of the Directors, Supervisors and senior management were reviewed, and the summary report for the discharge of duties by the remuneration committee was reviewed.

(3) Nomination Committee

The nomination committee comprises the Chairman and the executive Director, Mr. Yu Minliang, and two independent non-executive Directors, Dr. Rui Mingjue and Dr. Tu Qiyu. Mr. Yu Minliang is the chairman of the nomination committee. The major duties of the nomination committee include: (1) review the structure, number of members and diversity of the Board at least annually, and make suggestions on any proposed changes of the Board in accordance with the corporate strategies of the Company; (2) identify candidates with appropriate qualifications to act as Directors, and select and nominate such candidates to act as Directors or make recommendations to the Board in this regard; (3) evaluate the independence of independent non-executive Directors; and (4) make suggestions to the Board on the appointment or re-appointment of Directors and the succession plan of Directors. Please refer to the Terms of Reference of the Nomination Committee of the Board published on the website of the Stock Exchange for details of the nomination policy of directors.

In 2018, the nomination committee held one meeting in total. The attendance record of each respective member at the meeting of the nomination committee held in 2018 is set out in the following table:

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

The meeting of the nomination committee for 2018 was held on 23 November 2018, at which, additional Directors to the fourth session of the Board and nomination of candidates for chief executive officer were reviewed.

CORPORATE GOVERNANCE REPORT

(4) Strategic Investment Committee

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

In 2018, the Strategic Investment Committee did not hold any meetings.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under paragraph A.2.1 of Appendix 14 to the Listing Rules, the roles of the Chairman and the chief executive officer of an issuer should be separate and should not be performed by the same person. Currently, the Chairman is Mr. Yu Minliang, who is an executive Director and is responsible for formulating overall corporate strategies and major decision-making. Mr. Zhang Qian, a then executive Director, was the chief executive officer of the Company and resigned on 23 November 2018. The chief executive officer is Mr. Ma Mingju, who is an executive Director and is responsible for overseeing the daily operation and operation management of the Company as well as coordinating the implementation of Board resolutions.

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

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code regarding Directors' and Supervisors' securities transactions. Every Director and Supervisor at the time of appointment was given a copy of the Model Code. The Company confirms, having made specific enquiries with all Directors and Supervisors, that for the year ended 31 December 2018, each of its Directors and Supervisors has complied with the requirements relating to Directors' and Supervisors' securities transactions as set out in the Model Code.

EXTERNAL AUDITORS

The independence of the Company's external auditors is confirmed. The external auditors will retire on the date of convening the following annual general meeting and will offer themselves for re-election at such meeting. During the Reporting Period, two external auditors were appointed, namely PricewaterhouseCoopers in Hong Kong for consolidated financial statements of the Group prepared in accordance with HKFRS and PricewaterhouseCoopers Zhong Tian LLP in the PRC for financial statements of the Group and the Company prepared in accordance with the PRC Accounting Standards for Business Enterprises. An aggregate remuneration of RMB5,831,090 for the provision of audit services on the consolidated financial statements during the Reporting Period was paid to PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP.

CORPORATE GOVERNANCE REPORT

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES

The Directors have acknowledged their responsibilities for the preparation of the consolidated financial statements for the year ended 31 December 2018, and confirm that such statements give a true and fair view of the state of affairs of the Group as at 31 December 2018 and of the profit and cash flows for the Reporting Period. In preparing these consolidated financial statements, the Directors have selected and adopted suitable accounting policies and made accounting estimates that are reasonable under the circumstances; and have prepared the consolidated financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Group at any time.

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

INVESTOR RELATIONS

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

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

CORPORATE GOVERNANCE REPORT

GENERAL MEETINGS

The Company convened the annual general meeting on 15 June 2018, at which six ordinary resolutions and two special resolutions on granting a general mandate to the Board and the amendments to the Articles of Association were considered and approved.

Details of the attendance of the Directors in the general meeting in 2018 are as follows:

Directors	Attendance/number of meeting held or eligible to join
Mr. Yu Minliang *(Chairman)*	1/1
Ms. Guo Lijuan *(Vice Chairman)*	0/1
Mr. Chen Liming *(Vice Chairman)*	1/1
Mr. Zhang Qian	1/1
Mr. Han Min *(resigned on 27 April 2018)*	0/1
Mr. Ji Gang	0/1
Dr. Rui Mingjie	0/1
Dr. Tu Qiyu	0/1
Dr. Xu Jianxin	0/1
Mr. Xie Hongbing	0/1
Dr. He Jianmin	0/1

DIVIDEND POLICY

The Board has adopted the dividend policy (the "Dividend Policy") which sets out the appropriate procedure on declaring and recommending the dividend payment of the Company. The dividend distribution decision of the Company will depend on, among others, the financial results, the current and future operations, liquidity and capital requirements, financial condition and other factors as the Board may deem relevant. The Dividend Policy will be reviewed on a regular basis.

COMMUNICATION WITH SHAREHOLDERS

Shareholders' Rights

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

Enquires of and Communication with Shareholders

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS AND AUDIT

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

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

CORPORATE GOVERNANCE REPORT

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

To further strengthen and meet the need for excellent performance, the Company carried on with the establishment of its excellent performance management system in 2018, formulating relevant work plans in respect with strategic control, system of indicators, brand marketing, operation and management, platform building and human resources. A task force headed by Mr. Ma Mingju, the chief executive officer of the Company, was established. Risk management and internal controls are highlighted in the strategic control in the six aspects pinpointed for excellent performance management systems. The task force embarked on the establishment of the risk management and control systems in the second half of 2016. The current conditions of the risk control works performed by the Company were studied, and pilot companies for risk assessment were selected. A work plan and schedule for establishing risk control system was proposed, and the process of risk identification had begun. In particular, the implementation also included the optimization of the established protocols, summarization of common issues in the internal control for the previous three years, review on internal controls on GDL, and on-site study of risk-related issues and internal control systems of Plateno Group and Vienna Hotels. From 2019 onward, the Company will continue to make advancements on the various works relating to risk control including the performance of identification, assessment and coping of risks for the pilot companies, engaging in specialized training in risk control, strengthening the establishment of risk control teams, raising the awareness of risk control for all employees and bringing forth a new culture of risk control.

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

JOINT COMPANY SECRETARIES

Ms. Mok Ming Wai ceased to hold the position of joint company secretary of the Company, with effect from 31 August 2018. The Company has appointed Ms. So Lai Shan as the joint company secretary of the Company with effect from 31 August 2018. Her primary corporate contact person at the Company is Ms. Zhang Jue, another joint company secretary and the Board secretary of the Company.

In compliance with Rule 3.29 of the Listing Rules, the joint company secretaries of the Company have undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2018.

MAJOR DUTIES OF INTERNAL AUDIT

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

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

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

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

CORPORATE GOVERNANCE REPORT

- to conduct audit on the implementation of investment management, fund management, properties management and internal control;

- to coordinate each of the departments and subsidiaries in the ongoing testing and self-evaluation for internal control on an annual basis;

- to conduct annual review on major compliance issues of the Company;

- to implement internal control and formulate and optimize risk management and internal control policies and standards according to management requirements;

- to conduct analysis and independent assessment on the effectiveness of the risk management and internal control systems of the Company;

- to be responsible for the development of full-time and part-time internal audit workforce, and organize relevant assignments in the Company's system; and

- to accomplish other audit assignments from senior management team, the Board and the Supervisory Committee.

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

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

In accordance with the arrangements disclosed in the Prospectus, the independent non-executive Directors held four meetings in 2018 to consider whether or not to exercise the relevant rights granted to the Company by Jin Jiang International over the relevant excluded hotel businesses and new union business under the Deed of Non-Competition and whether to take up any business opportunity which was referred to the Company by Jin Jiang International or any of its subsidiaries (other than the Group).

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

Shanghai Eastern Jin Jiang Hotel Company Limited ("Eastern Jin Jiang"): Pursuant to the written notice of Jin Jiang International, Eastern Jin Jiang has been converted into a limited liability company and has obtained the business license of a limited liability company. The proportion of capital injected by each of the shareholders of Eastern Jin Jiang after it became a limited liability company was confirmed. As at the date of this annual report, Jin Jiang International has transferred its 90% equity interests in Eastern Jin Jiang to its wholly-owned subsidiary, Jin Jiang International Investment and Management. For the purpose of achieving efficient management in a streamlined approach, the business segments have been separated. In November 2018, Eastern Jin Jiang was divided into two limited liability companies, namely Eastern Jin Jiang and Shanghai Jinyang Enterprise Management Company Limited ("Shanghai Jinyang"), by injecting assets of east building to Shanghai Jinyang from Eastern Jin Jiang. Jin Jiang International Investment and Management currently holds 90% equity interests in Eastern Jin Jiang and Shanghai Jinyang. Jin Jiang International Investment and Management is in a position to transfer its interests in Eastern Jin Jiang and Shanghai Jinyang to the Company. It is up to the Company's decision whether to exercise its right to purchase Jin Jiang International Investment and Management's 90% direct and indirect equity interests in Eastern Jin Jiang and Shanghai Jinyang.

CORPORATE GOVERNANCE REPORT

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

Eastern Jin Jiang has in total 850 rooms. The revenue and net assets of Eastern Jin Jiang as set out in its management account prepared in accordance with the PRC Accounting Standards for Business Enterprises for the year ended and as at 31 December 2018 amounted to approximately RMB185,109,000 and RMB309,092,000, respectively.

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

Pacific Shanghai has in total 587 rooms. The revenue and net assets of Pacific Shanghai as set out in its management account prepared in accordance with the PRC Accounting Standards for Business Enterprises for the year ended and as at 31 December 2018 amounted to approximately RMB121,933,000 and RMB594,321,000 respectively.

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

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

Garden Hotel Shanghai has in total 471 rooms. The revenue and net assets of Garden Hotel Shanghai as set out in its management account prepared in accordance with the PRC Accounting Standards for Business Enterprises for the year ended and as at 31 December 2018 amounted to approximately RMB246,880,000 and RMB145,862,000 respectively.

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

Jiaozhou Road Inn each has in total 82 rooms. The revenue and net assets of Jiaozhou Road Inn as set out in its management account prepared in accordance with the PRC Accounting Standards for Business Enterprises for the year ended and as at 31 December 2018 amounted to approximately RMB2,872,000 and RMB nil respectively.

CORPORATE GOVERNANCE REPORT

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

New Union has in total 270 rooms. The revenue and net assets of New Union as set out in its management account prepared in accordance with the PRC Accounting Standards for Business Enterprises for the year ended and as at 31 December 2018 amounted to approximately RMB285,609,000 and RMB–66,161,000 respectively.

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

(1) Jin Jiang International sought confirmation from the Company whether the business opportunity of acquisition of 100% equity interests in Radisson Holdings, Inc. and 100% equity interests in Radisson Hospitality AB is taken up by the Company. If the Company confirms not to take up such business opportunity, Jin Jiang International or its subsidiary will acquire 100% equity interests in Radisson Holdings, Inc. and 100% equity interests in Radisson Hospitality AB.

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

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

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

ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

The Group hereby publishes the Environmental, Social and Governance Report ("ESG Report") of year 2018, to demonstrate the Group's sustainable development concepts and practices to all stakeholders. This ESG Report provides information on the environmental, social and governance ("ESG") performance of the Group in 2018. This ESG Report should be read in conjunction with the annual report, in particular the Corporate Governance Report therein, as well as the section of "Corporate Governance" on the Company's website.

This ESG Report complies with the requirements of the Environment, Social and Governance Reporting Guide ("ESG Guide") set out in Appendix 27 to the Listing Rules. This ESG Report incorporates the Group's headquarters and members of its affiliated hotels, including full-service hotels and selected-service hotels[1]. There is no significant scope adjustment from the ESG Report included in the 2017 Annual Report published on 27 April 2018.

This ESG Report is in strict compliance with the disclosure requirement of "comply or explain", and inapplicable disclosure rules have been explained.

1. SOCIAL RESPONSIBILITY MANAGEMENT

The Group has established an ESG management system consisting of the Board, senior management and working groups. The Board supports the Group's commitment to fulfilling the corporate social responsibility, assumes full responsibility for ESG strategies and reporting, reviews the Group's ESG performance and approves the Group's ESG report annually; senior management reports relevant risks and opportunities to the Board, and confirms that the ESG system works efficiently; the working groups are responsible for implementing the strategies of the Board, conducting relevant management and reporting, and reporting the working progress to the senior management.

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

1 The key performance indicators (KPIs) for the environmental scope during the reporting period covers the hotels held and managed by the Group that are in sound operation in 2018, including 17 full-service hotels and 294 select service hotels under the Louvre Asia Hotel Management Co., Ltd.

ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

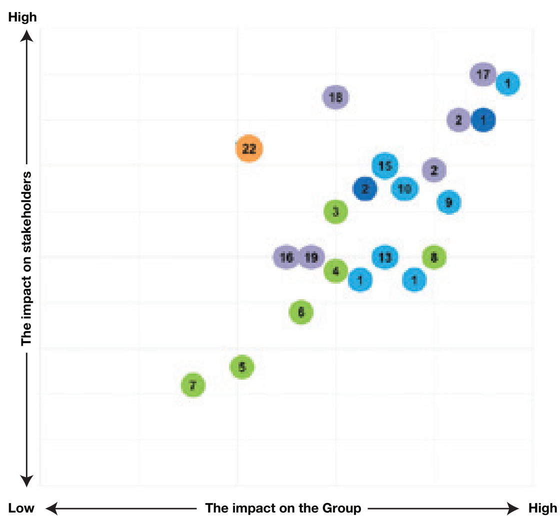
1.1. Stakeholders Communication

The Group values the expectations of all stakeholders, understands through a variety of effective channels their ESG expectations and appeals that serve as indispensable references to the development of our ESG strategies, and takes practical response measures.

Stakeholders	Stakeholders' Expectations	Communication mechanism
Government and administration	• Obey laws and regulations • Pay taxes according to law • Support local development	• Daily management • Meetings and communication • Supervision and inspection
Shareholder and investor	• Sustainable development and benefits to shareholders • Information disclosure and investor relationship • Corporate governance and risk control	• Shareholders' Meeting • Information disclosure • Investment relationship activities
Customer	• Quality service to guarantee safety and health • Focus on needs and protect privacy • Compliance promotion	• Customer satisfaction survey • Customer hotline
Employee	• Wages and welfare • Good working environment and development platform • Fair promotion and development opportunities	• Salary system • Employee care • Democratic management • Employee training
Partner	• Keep promises and compete fairly • Fair, open and just procurement • Win-win cooperation and mutual development	• Business meeting and communication • Unified procurement platform
Society	• Promote urban development • Promote public awareness • Promote community harmony	• Charity • Promote employment • Contribute to the Community • Respect the old and cherish the young
Media and public	• Transparent information	• Strengthen communication with media • Timely and accurate disclosure of information

Through seeking feedback from internal stakeholders, conducting external consultation with third-party professional organisations, and taking account of relevant standards for social responsibilities, the Group has collected relevant issues and ranked such issues in the substantive perspective of "impact on the Company's business" and "impact on stakeholders". The ranking results are presented as follows:

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



ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

1.2. Party Integrity

The Group meets the general requirements of the party construction in new era with the Party Committee serving as the leader, the Commission for Discipline Inspection serving as the supervisor and both committees collaborating in controlling the direction, managing the overall situation and ensuring the implementation effect. The Group actively implements the list of responsibilities of improving clean party conduct and list of the Commission for Discipline Inspection's responsibilities of oversight enforcement, strengthens the Party Committee's main responsibility and the Party secretary's primary responsibility, consolidates the duty consciousness of 'One position with dual responsibilities' of the Party members, and enhances the education in thinking, organisation, style and system construction, to lay a solid foundation for the reforming development and international development of the Group. In 2018, the Group actively included the party construction requirements into the Articles of Association, and carried out special inspection on the subsidiaries to check the implementation results of the "Three Importance and One Greatness" system and the central government's "Eight-point Frugality Code" as well as the correction results of the four trends of formalism, bureaucracy, hedonism, and extravagance in their new forms. Through account inspection, on-the-spot feedback, timely guidance, and post-tracking, the Group offered services to subsidiaries to help them strengthen clean party conduct. The Group strictly implemented the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》) and other relevant laws and regulations, created honest and clean working atmosphere through closely following policies such as the Anti-Fraud Investigation Policy (《反舞弊調查制度》), the Whistleblower Protection Policy (《舉報人保護制度》) and the Reporting and Complaining Policy (《舉報投訴制度》) and set reporting channels for breaches of work ethics and frauds including the hotline, email and mail box.

In 2018, in order to realise the development strategies and accomplish the annual goals of comprehensive management, the Group and the Party Committee secretaries of each subsidiary signed the comprehensive management responsibility statement that covered the responsibility objectives of party construction, anti-corruption, petition comforting and safety to further clarify the rights, obligations and responsibilities of every business operator and Party Committee secretary and strengthen the awareness of responsibility and supervision. The Group kept intensifying its self-inspection on clean party conduct and took special activities such as self-inspection and reporting according to the "Eight-point Frugality Code", "Special inspection on performance remuneration and business expenses" and "Self-inspection and reporting on the four trends of formalism, bureaucracy, hedonism and extravagance", to move the check points forward and avoid erroneous ideas at the outset.

In addition, the Group actively organised various supervision and education activities. The Group strictly complies with the requirements of the discipline inspection team of the State-owned Assets Supervision and Administration Commission, timely organised the study of documents such as Eight Prohibited Behaviours for Shanghai Discipline Inspection and Supervision Officers (《上海市紀檢監察幹部八條嚴禁行為》) and Essentials of the Supervision Work of Shanghai Discipline Inspection and Supervision Officers in 2018 (《2018年上海市紀檢監察幹部監督工作要點》) through e-learning and special sessions, and prepared 100 Questions about the Construction of Clean Party Conduct among Subsidiary Leaders (《企業領導幹部黨風廉政建設相關知識點100題》) and some other test papers for such study and training to test the leading group's knowledge about the construction of clean party conduct and strengthen discipline awareness and compliance consciousness through such process of learning.

ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

2. QUALITY SERVICE

Product quality and service levels are deemed essential by the Group because quality products and service are indispensable factors in remaining on solid footing in the highly competitive market. To encourage the service culture of Harmony and Courtesy, the Group has been developing service awareness, improving service level and delivering services in a more meticulous and earnest manner. In 2018, the brands of Jinjiang Metropolo Hotel and Campanile Hotel won the award of "China's Most Valued Hotel" and "China's Promising Hotel Brand" in the China Hotel Golden Horse Award, respectively.

Spreading City Spirit and Exhibiting Jinjiang Style

The first China International Import Expo ("CIIE") was successfully concluded. As one of the representative enterprises of Shanghai, the Group was entrusted with an important mission by the Shanghai Municipal Government — assuming the reception task of the CIIE. Jinjiang showed the high quality service spirit it had always adhered to, and safeguarded the successful close of the CIIE.

In order to welcome the first CIIE and actively respond to the Group's call, the Group provided a series of seminars and training inducing CIIE Overview and International Situation Analysis (《進口博覽會概述和國際形勢分析》) to make the management understand the significance of the CIIE, pointed the way for entities to check safe production processes, locate key areas and conduct practical exercises, sorted out the food safety control requirements in major reception works, and helped the participating entities within the Group to take precautionary measures and resolutely hold the bottom line of safety. Each entity within the Group tried the best to carry out skill contests, and jointly organised the National Guest Room Skill Contest with the theme of "Building Dreams with Heart, Winning the Future with Skills, and Assisting CIIE with Good Services", which greatly improved the service awareness and skill level of employees, served the CIIE with real action and welcomed every guest with the best service.

ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

During the CIIE, the Group attached great importance, and set up a special working group responsible for detailed deployment and division of work. The responsible persons of each functional department took initiative to safeguard the front line, and conducted checks and drills on service, catering, facilities and safety to ensure that the preparations are carried out in an efficient, orderly, detailed and thoughtful way. In order to ensure safety, the Group gave employee roster of all the reception hotels to the police for political review and asked the hotels to report complaint treatments and safety matters on a daily basis to avoid complaints and safety accidents. During the CIIE, store managers of each hotel within the Group were on duty till 24:00. In each reception hotel, a leader from the functional department of the Group was dispatched to supervise and inspect the hotel reception work during the CIIE, ensuring all superior instructions were thoroughly implemented in each reception hotel.

After working day and night for 216 hours, the Group successfully fulfilled the reception task and was spoken highly of by all parties. After this reception, the Group will continue to promote its service spirit and offer better services to more guests.

2.1. Design by Heart

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

After its landing in China, Campanile positioned itself as a mid-tier hotel with French guest rooms, public areas and catering design. It also incorporates the local cultural style which echoed with the brand positioning so that guests can have a satisfactory accommodation environment, keep on their business, have enjoyable chats with friends, and experience the romantic French afternoon tea. All of these are conducive to an immersive experience at Campanile.

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

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

ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

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

In 2018, the Campanile Jing'an Hotel, one of the model hotels of the Jinjiang Hotel Global Innovation Centre, officially opened. Featuring "intelligence, sharing, green and compact community" and being committed to provide high quality services with better experience, the hotel allows guest to enjoy family-like and interactive services through a series of high-tech means such as intelligent home, voice service and life steward. The hotel adopts the latest Jinjiang WeSmart smart guest control system that enable guests to control the electronics of the guest room through mobile phone terminals, and adjust the air environment and indoor temperature of the room as needed. At the same time, the hotel is equipped with an intelligent management system. Guests can ask for cleaning and delivery at the mobile phone end. The service requests will be sent to attendants through the system. After the services are completed, guests can give evaluation on mobile phones. In this way, the requirements of guests will never be ignored. The system can also automatically identify and count how many times the fabrics and consumables have been replaced in the guest rooms, based on which the hotel can timely eliminate consumables according to service standards and enhance the comfort of the guest rooms.

2.2. Considerate Services

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

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In order to provide customers with more convenient services, the Group invested and built "WeHotel", a global hotel sharing platform, and "Jin Jiang Travel" APP. Users can enjoy convenient hotel services at anytime and anywhere, keep updated with the hotel service information and book rooms, facilitating accommodation issues.

In order to provide customers with standard and high quality services, the hotels within the Group have established a guest room training system based on their service standards, where a training team made up of guest room trainers and regional guest room training specialists continuously carries out special trainings and tests about guest room cleaning procedures, guest room cleaning tools and guest room service procedures to continuously improve the quality of room service and maintain brand's reputation.

The Group has established different quality inspection standards in line with different brand positioning, regulated clear inspection rules for lobby, front desk, dining room, kitchen and other areas, and required each store to form a checklist and score sheet on a regular basis. In addition, the Group has set up various indicators for brand quality assessment. Comprehensively evaluating the customer satisfaction ratio, unannounced visit ratio, complaint ratio and other indicators of every store in every region, the Group grants rewards, gives punishments, constantly strengthens quality management and increases the brand's popularity.

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

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

In order to strengthen guest privacy protection, hotels of the Group established Guest Information Confidentiality Policy (《客人信息保密制度》). The Group designates persons-in-charge for customer information management. Advanced and efficient confidentiality information management system to formulate a strict information authority system. Meanwhile, the Group strengthened the training of employees, increased their awareness of confidentiality and fully protected the information safety of our guest.

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2.3. Security

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

The Group has set up a vigorous safety production group, organised safety production management panels on the basis of actual situations, and allotted full-time or part-time production safety management specialists to look into daily safety production management work. In 2018, the Group thoroughly implemented the safety production responsibility system, under which both the Party Committees and governments are held accountable, one official takes double responsibility in two positions and all departments make concerted efforts to strengthen safety production management and which ensures that those who fail to uphold safety standards are held accountable while those who have diligently fulfilled their duties are exempt from liabilities. The Group strengthened safety production management by adhering to the principle of "Seven Readiness" and the rule of "Four Let-no-passes"[2]. In addition, the Group urged each entity to appoint safety production management persons (48 persons in total), requiring them to participate in trainings for certificates of safety production posts, further raised the safety management team's sense of responsibility, and expanded the team.

The Group has established a public health and food hygiene management system, and adopted a food safety responsibility system. The Group has also taken a practical action of allotting full-time or part-time public health and food hygiene management specialists to look into daily public health and food hygiene management work. In the routine work, each entity within the Group organises panels, on both regular and irregular basis, to inspect and evaluate its public health and food hygiene, and conducts annual evaluation at year end.

In 2018, taking into consideration the requirements of reception services for the CIIE, the Group began conducting evaluation on safety work of each entity, carried out special safety inspection on a seasonal basis, actively identified safety vulnerabilities and took corrective measures for such vulnerabilities. The Group conducted 109 inspections over its subsidiaries in total, and identified and took corrective measures for 132 safety vulnerabilities. In addition, the Group started a 3-year comprehensive treatment task to prevent electrical fire, by conducting comprehensive investigation on the use and management of electric appliances and circuits at each store and taking corrective measures for any potential safety hazard identified during investigation, strictly reviewing and dealing with violation behaviours during use or maintenance of electric appliances, standardizing professional conducts of electric appliance operators, and intensifying employees' knowledge of electric safety and fire self-rescue.

2 Seven Readiness refer to that the work objectives, organisation system, division of responsibilities, working system, education and training, improvements to leased rooms and emergency plans shall be well developed and formulated. Four Let-no-passes refer to: it cannot be let pass if the accident is of unclear cause; it cannot be let passed if the responsible person is not punished; it cannot be let pass if the responsible person and the employees relating to the accident obtain no lessons; it cannot be let pass if corrective measures are not taken.

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3. CARING FOR EMPLOYEES

As a service enterprise, the Group values its employees. They are the key bridge linking the Group and its customers and represent the image and spirit of Jin Jiang, which are extremely important to the Group's development. Therefore, the Group attaches great importance to the selection, cultivation, development and retaining of suitable talents, and is committed to providing employees with a harmonious working environment and good development opportunities so that they can develop their strengths.

3.1. Protection of employee's rights and interests

3.1.1. Standardized Employment

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

3.1.2. Promotions

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

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

3.1.3. Work-life Balance

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

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

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3.1.4. Remunerations

Staff remuneration comprises basic salary, social security's contributions and merit pay according to the performance of the Group. To motivate staff and encourage work passion, the Group maintains staff rights and interests, further organize the distribution relationship, distributes incomes in favor of junior staff and staff who make great contributions, and strengthens incentive and restraint mechanism, so that personal incomes will accrue based on individual performance as well as enterprise revenues as a result of the growth of Jin Jiang Hotels.

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

3.1.5. Caring for Employees

The Group attaches importance to communication with employees, obtains comments from employees through annual employee satisfaction survey, listens to employees from five perspectives including job duty, work reward, working environment, corporate culture and work group, and develops improvement plans accordingly. On 21 March 2018, the Group's hotel sector held a meeting to hear the Administrative Report of Jin Jiang Hotel Sector, deliberated and voted to adopt the resolutions regarding employee benefits including the Agreement of Raise in Total Wages of Enterprise Employees in 2018, Collective Agreement, Collective Contract on Protection of Female Employees, etc.

The Group cares for female employees, and Jinjiang Metropolo Hotel has purchased women's health insurance for its female employees for two consecutive years, to reduce the worries and financial burden of female employees when suffering serious illness. In addition, the Group grants high temperature subsidies to all employees and raise condolence standards year by year, and attaches importance to employees' demands. In order to enhance employees' sense of well-being, the Group conducts the activity "Striving for Entering the Top Five" in a systematic way, which requires each store to improve staff canteens, living quarters, changing rooms, parking sheds and bathroom facilities, so as to provide employees with a clean and comfortable living environment.

The Group actively organises employees to participate in various staff activities such as dragon boat race, malathion, photography competition, etc., which not only enhance team cohesion among employees but also help employees cultivate hobbies and enrich employees' life.

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3.2. Enhancing Working Capabilities

The Group attaches great importance to the training and development of staff and has set up a specific training organization where responsible persons were specified. The Group has formulated a set of Policies and Procedures (《政策與程序》) for hotel training including curriculum preparation, training programs, training for trainers and training systems. In addition, the training audit practices were established in human resource audit, enabling an inspection of the hotel training system and its effectiveness and targeted integration of the resources of Jin Jiang International Hotel Management Co., Ltd. The training on hotel management and target of management get strengthened by the Group's effort in the hotel's public management courses and job-specific training.

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

Following the "Global Talent Exchange Training Plan and Implementation Plans", the Group has continued to carry out trainings and designate personnel for key projects, organised talent exchange trainings between hotel sectors in collaboration with Louvre Asia Hotel Management Co., Ltd. and the Louvre European headquarters, and launched an exchange training program "Yuan Hang" (遠航) for middle and senior operational management talents and an exchange training program "Ling Hang" (領航) for senior management from each hotel sector.

In 2018, the Group organised its management to travel to France and participate in the practical training together with all levels of Louvre Hotels Group's management. During the training, the management attended courses including development and design of new brands, repositioning of old brands, publicity and planning of brand concept, overall media public relations strategy, etc., and conduct related operation practice activities. The management also visited several industry direction and entrepreneurship centers located in Paris, and learnt about the latest French business development and industry news.

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Vienna Hotel Group and Plateno Group and other member hotel companies also built a unique training system to provide its employees with various training programs:

- Vienna Hotel Group has established the University of Vienna, enabling no less than 80 hours of studying for employees, and a pre-job training of 3–6 months for important positions. The training courses are delivered by the Company's senior technical staff and experienced teachers.

- Plateno Group's Plateno Business School has developed cooperation with prestigious schools including Harvard Business School, Lingnan College of Zhongshan University and the French European Business School. It designed learning programs such as "Overseas Class", "Ling hang" and "Yuan hang" for senior management staff.

- Jin Jiang Metropolo Brand had established Jin Jiang Metropolo City Brand Hotel Chain, which serves as a training center for employees on intermediate levels and above. They develop four major types of training courses in total, including corporate culture, marketing and sales, back office management and general management, to provide trainees with comprehensive learning programs.

In addition, each front-line entity has carried out skill competition activities involving bed-making, reception, fire safety, engineering maintenance, etc. among front-line employees, which could help improve employees' skill level and service quality and provide employees with opportunities to develop personal career. The Group has established two studios, which are named as "Zhuang Yuliang Chief Technician Studio" and "Sun Lijun Room Service Innovation Studio" respectively after the two employees awarded the May 1st Labor Medal, to set a good example of model worker and promote craftsmanship spirit. The Group has also developed a model of guidance and teaching, which creates a favorable learning atmosphere among front-line employees.

4. RESPONSIBLE PROCUREMENT

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

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

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The Group requires suppliers to sign on an Integrity Agreement (《廉潔協議書》) and carries out periodic appraisals and evaluation of suppliers' product quality, price, delivery, service, etc. Based on the result of the appraisal, the decision will be made whether to renew the contract or terminate the cooperation. In the meantime, people in procurement and material management positions also need to abide by the Incorruption and Integrity System for Material Management Personnel (《物資管理人員廉政、廉潔制度》) and implement the change of posts system.

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

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

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

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

5. SOCIAL WELFARE

Social welfare is a cause that helps the poor, increases cohesion and brings positive energy. The Group strives to integrate its own development with serving and contributing to the society, so as to actively create a harmonious external environment and secure harmonious development between the enterprise and the society.

5.1. Mutual Support and Co-constructing

The Group has signed the Agreement of Mutual Support and Co-constructing between Shanghai Urban and Rural Party Organisations (《上海市城鄉黨組織結對幫扶(共建)協議書》) with the Party branch of Shantang Village in Langxia Town, Jinshan District, with the help of urban and rural areas and by using the platform for Party building. Various interactive activities have been held to facilitate supporting work. The two sides have held joint construction and experience exchange activities regarding Party construction areas, Party branch construction, Party member activities, etc., to enhance the quality of the Party's supporting work. The Group's Party Committee and the general Party branch in the village continue work exchange and interaction in respect of co-promotion, co-constructing, co-cultivation and co-creation, to facilitate mutual support and co-constructing between urban and rural areas.

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In 2018, the Group organised visits to a total of 14 low-income families in Shantang Village, giving out a total of RMB28,000 showing their concern. In addition, the Group offered accident insurance for a total of 900 old people over age 60 in Shantang Village, and a total of RMB18,000 was paid to cover the insurance premium.

5.2. Love and Care

Caring for the elders and children and helping the poor have always been the focus of the Group's public welfare activities. The Group requires all its hotels to provide vacant rooms for disaster-stricken people and disaster relief personnel for free during major natural disasters or accidents, and actively participate in disaster relief activities. Each hotel within the Group actively carries out all kinds of charity activities and volunteer activities. The Group actively organises or participates in public welfare activities, promotes healthy lifestyles, and promotes public activities and public spirit through social media and other channels to build a corporate image which assumes social responsibility.

Caring for the Elderly and Public Welfare

The Group's Campanile stores organised charity activities, together with the neighbourhood committees of the communities where the stores operate. The Group's Campanile stores organised lonely elderly people to enjoy longevity noodles in stores, to express Jin Jiang's wishes to them.

6. ENERGY CONSERVATION AND EMISSION REDUCTION

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

6.1. Green Construction and Rebuild

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

The Group requires each hotel to implement energy conservation design based on climatic conditions of project location and according to local standards for energy conservation design. For example, on the premise of meeting the required area ratio of window to floor and planning requirements, the area of outside windows of new projects shall be minimised to meet energy-saving requirement; outer walls, roofs, floors, outside doors and windows of buildings shall adopt insulation and energy-saving materials to meet national standards regarding environmental protection, firefighting, etc.; each hotel shall employ energy-saving and environment-friendly equipment, such as solar energy and air source heat bump as heat source and make full use of afterheat and waste heat.

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6.2. Emission Reduction

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

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

- **Waste gas:** Mainly generated in combustion processes inside boilers, as well as kitchen exhaust and car exhaust emissions. For boilers, actions have been taken to enhance combustion, rendering the fuel combustible and material all burnt out. The fly ash generated by burning should be treated with a variety of dust removal methods (such as cyclones, tubes, wet dust, etc.) to conform to the Emission standard of air pollutants for boiler (GB 13271-2014) (《鍋爐大氣污染物排放標準》(GB 13271-2014)). In 2018, some hotels of the Group transformed the boilers and burners to meet the requirements of low nitrogen emission. As the main fuel of Group is natural gas clean energy, the emissions data of exhaust gas is minimum and immaterial to the Group's operation and the emission amount of waste gas have not been disclosed in this ESG Report.

- **Greenhouse gases:** The Group's greenhouse gas emissions are mainly derived from the energy indirect emissions from the purchased electricity (Scope 2) and direct emissions from the burning of fossil fuels in boilers and kitchens (Scope 1). Therefore, the Group actively adopts energy-saving measures, uses energy-saving technology, and reduces energy consumption to cut greenhouse gas emissions.

- **Sewage:** Mainly comprised of the domestic sewage discharged by enterprises. According to the national standards, some hotels discharge sewage directly after treatment, while some discharge the sewage to the municipal pipe network after treatment with wastewater treatment equipment. The hotel organizes related personnel to carry out cleaning and inspection on rain and sewage pipeline regular, and kitchen drainage system is equipped with oil-water separator and grease trap. In 2018, some hotels of the Group conducted the grease trap renovation project, installing oil-water separator, negative ion generator and other equipment. Dumping substances which does great harm to environment such as waste oil and waste chemicals into drain is banned. Remote monitors have been installed at wastewater outlets to enable real-time monitoring and guarantee the conformity of the sewage discharge to the Integrated Wastewater Discharge Standard (GB 8978-1996) (《污水綜合排放標準 (GB 8978-1996) 》).

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

- **Waste:** The waste generated by the Group includes a small amount of hazardous waste and non-hazardous waste. Non-hazardous waste includes kitchen waste and room garbage. All waste must be collected to the designated place or area and not in open air, to prevent the waste flowing into the rainwater pipe with rain. The Group recycles recyclable waste paper, plastic and glass, and transfers other waste to municipal sanitation office.

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The Group's key performance indicators ("KPIs") in aspect of emissions during the Reporting Period are as follows:

Emissions	2018	2017
Wastewater discharge (tonnes)	**5,838,514.49**	6,072,133.84
Total greenhouse gas emissions (Scopes 1 and 2) (tonnes of CO_2)	**182,074.13**	184,290.82
Direct greenhouse gas emissions (Scope 1) (tonnes of CO_2)	**39,851.55**	52,314.80
Energy indirect greenhouse gas emissions (Scope 2) (tonnes of CO_2)	**142,222.57**	131,976.02
Intensity of greenhouse gas emissions (tonnes of CO_2 per room)	**3.98**	3.98

Notes:

1. Based on the nature of the Group's business operation, the greenhouse gas emissions of the Group mainly comprise direct greenhouse gas emissions arising from the use of fossil fuels (Scope 1) and energy indirect greenhouse gas emissions from purchase of electricity (Scope 2).

2. Greenhouse gases include carbon dioxide (CO2). Greenhouse gas emissions are presented as carbon dioxide equivalent (CO2e) and accounted for according to the Accounting Methods and Reporting Guide for Greenhouse Gas Emissions from Public Building Operators issued by the National Development and Reform Commission ("NDRC").

3. The Group's hazardous wastes include a small amount of waste oil, waste lamp tubes, waste electronic parts and components, waste cells, etc. Through implementing waste classification, the Group's hazardous wastes recycled by the manufacturers or was disposed of by qualified disposal parties. As hazardous wastes are emitted in small amount and immaterial to the Group's operation, the Group does not disclose KPI A1.3 (total hazardous waste produced) in this ESG Report.

4. The Group has not established a sound non-hazardous waste data collection process, and thus does not disclose KPI A1.4 (total non-hazardous waste produced) in this ESG Report in order to ensure the accuracy of data. The Group intends to establish a systematic data collection channel to collect and analyse data about general waste emissions and disclose this KPI.

6.3. Resources Conservation

The Group adheres to the Energy Conservation Law of People's Republic of China (《中華人民共和國節約能源法》) and other relevant laws and regulations. In order to strengthen the management of affiliated companies and save energy, the Group set up energy management positions for each enterprise, and is responsible for supervising and inspecting the energy utilization status of the enterprise, and formulating a targeted energy-saving plan. The Group set up and issued annual energy consumption plans, energy-saving indicators and assessment requirements, to help enterprises establish and further improve the energy-saving goal responsibility system where leaders at all levels are assigned corresponding tasks. The Group also took effective measures to ensure the completion of energy-saving goal. The energy-saving practices of each enterprise will be evaluated regularly, and get praised or criticized based on evaluation results. Energy-saving education and training should be actively carried out for each energy-consuming enterprise to enhance their energy-saving consciousness and through Energy Conservation Policy (《節約能源管理規定》) and other systems to ensure the implementation of various energy-saving matters.

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

The Group attaches importance to the conservation and utilization of resources, and improves water efficiency in various ways. Water balance tests have been conducted, and a 3-level meter system has been installed to avoid leakage in pipelines and abnormal water using activities. In addition, water saving cards were placed in the room. Bedsheets and bath towels will be replaced or cleaning on the request of the guests. Selected-service hotels adjust the water level control valves in tanks to reduce the flush.

The Group's KPIs in aspect of use of resources during the reporting period are as follows:

Use of Resources	**2018**	2017
Energy consumption in total (MWh)	**403,262.88**	436,457.78
Direct energy consumption in total (MWh)	**197,411.55**	245,276.92
Indirect energy consumption in total (MWh)	**205,851.33**	191,179.86
Intensity of energy consumption (MWh per room)	**8.82**	9.42
Water consumption (tonnes)	**6,487,238.32**	6,746,815.38
Intensity of water consumption (tonnes per room)	**141.92**	145.69

Notes:

1. Total energy consumption is calculated based on the consumptions of electricity and oil and the default parameter values related to fossil fuel as shown in Attached Table 1 to the Accounting Methods and Reporting Guide for Greenhouse Gas Emissions from Public Building Operators (《公共建築運營企業溫室氣體排放核算方法與報告指南》) issued by the NDRC.

2. As no packaging materials were used during the Group's operational activities, KPI A2.5 (total packaging material used for finished products) is not applicable to the Group.

3. As no other environmental and natural resources are involved in the Group's operational activities, Aspect A3 (Environmental and Natural Resources) and KPI A3.1 (Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them) under Aspect A3 are not applicable to the Group and thus are not disclosed in this ESG Report.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Shanghai Jin Jiang International Hotels (Group) Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 94 to 252, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and intangible assets with indefinite useful lives in relation to the hotel related business	
Refer to note 2.11 "Significant accounting policies of intangible assets" and note 9 "Intangible assets" to the consolidated financial statements. As at 31 December 2018, goodwill and intangible assets with indefinite useful lives (excluding the licences of operation vehicles) in relation to the hotel related business (the major business of the Group) amounted to RMB11,462 million and RMB6,148 million, respectively. In assessing the recoverable amounts of the Group's cash generating units ("CGUs") that include these goodwill and intangibles assets, management engaged external valuation experts to assist in determining the value in use calculations of these CGUs, being the present value of the future cash flows expected to be derived from these CGUs. Such calculations involved developing assumptions and estimates about the future results of the relevant businesses, including: • revenue per available room; • number of self-owned and franchised hotels; and • discount rates.	We assessed the competence, capabilities and objectivity of the external valuation experts who assisted management in determining the value in use calculations of these CGUs. We compared the current year actual results with the prior year forecast to consider, with hindsight, whether key assumptions included in that forecast had been subject to management bias. We assessed management's future cash flow forecasts and calculation of value in use of each CGU. Our procedures included: • assessing the appropriateness of the valuation methodology adopted by reference to market practices; • assessing the key assumptions, including the projected revenue per available room and number of self-owned and franchised hotels, by comparing with the historical operating results and future operating plans of the relevant businesses, taking into consideration of economic and industry forecasts; • assessing the discount rates by reference to external data, including the risk factor of comparable companies and market risk premium; • assessing the appropriateness of other key input data by comparing with the approved budget, historical data or future business plan; and • testing the mathematical accuracy of the discounted cash flows calculations.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS (CONTINUED)

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

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the Company's 2018 Annual Report other than the consolidated financial statements and our auditor's report thereon.

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

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2019

CONSOLIDATED BALANCE SHEET

As 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	6	**11,985,729**	12,541,050
Investment properties	7	**330,397**	290,195
Land use rights	8	**3,161,582**	3,296,355
Intangible assets	9	**18,823,038**	18,833,492
Investments accounted for using the equity method	11	**1,845,156**	1,909,749
Financial assets at fair value through other comprehensive income	13	**1,398,011**	—
Financial assets at fair value through profit or loss	17	**1,188,514**	—
Available-for-sale financial assets	13	**—**	3,508,065
Deferred income tax assets	14	**816,888**	762,739
Trade receivables, prepayments and other receivables	16	**188,919**	206,954
		39,738,234	41,348,599
Current assets			
Financial assets at fair value through profit or loss	17	**786,683**	32,204
Available-for-sale financial assets	13	**—**	186,849
Inventories	15	**308,727**	209,153
Trade receivables, prepayments and other receivables	16	**4,059,326**	4,132,958
Restricted cash	18	**604,476**	420,387
Bank deposits with maturities over 3 months	18	**243,669**	4,560,632
Cash and cash equivalents	19	**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)

As 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	20	**5,566,000**	5,566,000
Reserves	20	**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	22	**16,907,239**	19,954,804
Deferred income tax liabilities	14	**2,710,864**	3,085,697
Trade, other payables and accruals	21	**1,645,948**	2,067,203
Contract liabilities	5(c)	**205,773**	—
		21,469,824	25,107,704
Current liabilities			
Borrowings	22	**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	21	**10,654,900**	12,893,202
Contract liabilities	5(c)	**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

The notes on pages 102 to 252 are an integral part of these consolidated financial statements.

The consolidated financial statements on page 94 to 252 were approved by the Board on 29 March 2019 and were signed on its behalf by:

Yu Minliang
Chairman and Executive Director

Ma Mingju
Chief Executive Officer and Executive Director

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

		Year ended 31 December	
	Note	2018 RMB'000	2017 RMB'000
Revenue	5(a)	20,631,063	19,758,908
Cost of sales	25	(15,424,779)	(14,949,609)
Gross profit		5,206,284	4,809,299
Other income and gain	23	892,778	786,010
Selling and marketing expenses	25	(1,344,990)	(1,112,808)
Administrative expenses	25	(2,432,288)	(2,114,141)
Other expenses and losses	24	(148,346)	(189,975)
Operating profit		2,173,438	2,178,385
Finance income	27	—	115,807
Finance costs	27	(623,091)	(692,005)
Finance costs — net		(623,091)	(576,198)
Share of results of joint ventures and associates accounted for using the equity method	28	269,929	359,770
Profit before income tax		1,820,276	1,961,957
Income tax expense	29	(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	30	13.68	13.67

The notes on pages 102 to 252 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 RMB'000	2017 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	13	**–**	(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	29	**–**	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	13	**(457,623)**	—
Changes in fair value of equity investments at fair value through other comprehensive income — tax	29	**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

The notes on pages 102 to 252 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to shareholders of the Company					
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017	5,566,000	862,183	2,928,777	9,356,960	10,783,115	20,140,075
Comprehensive income:						
Profit for the year	–	–	760,770	760,770	793,191	1,553,961
Other comprehensive income:						
Remeasurements of post-employment benefit obligations	–	(257)	–	(257)	(254)	(511)
Fair value changes on available-for-sale financial assets — gross (note 13)	–	(50,913)	–	(50,913)	(47,301)	(98,214)
Transfer of fair value changes on disposal of available-for-sale financial assets — gross (note 13)	–	(88,473)	–	(88,473)	(87,253)	(175,726)
Fair value changes on available-for-sale financial assets and transfer of fair value changes on disposal of available-for-sale financial assets — tax (note 29)	–	37,887	–	37,887	36,554	74,441
Cash flow hedges	–	499	–	499	468	967
Currency translation differences	–	15,900	–	15,900	32,103	48,003
Total other comprehensive income	–	(85,357)	–	(85,357)	(65,683)	(151,040)
Total comprehensive income	–	(85,357)	760,770	675,413	727,508	1,402,921
Transactions with owners:						
Contributions by and distributions to owners of the Company recognised directly in equity:						
Profit appropriation	–	32,207	(32,207)	–	–	–
Dividends (note 31)	–	–	(445,280)	(445,280)	–	(445,280)
Total contributions by and distributions to owners of the Company recognised directly in equity	–	32,207	(477,487)	(445,280)	–	(445,280)
Dividends to non-controlling interests	–	–	–	–	(412,193)	(412,193)
Acquisition of equity interests in subsidiaries from non-controlling interests	–	(172)	–	(172)	(1,691)	(1,863)
Disposal of equity interests in a subsidiary to a non-controlling interests with loss of control	–	–	–	–	(10,672)	(10,672)
Capital contribution from non-controlling interests	–	–	–	–	144,590	144,590
Transaction with non-controlling interests arising from put options	–	(49,885)	–	(49,885)	(49,251)	(99,136)
Non-controlling interests arising from business combinations	–	–	–	–	154,307	154,307
Decrease in capital surplus of an associate arising from its business combination under common control	–	(52,012)	–	(52,012)	(17,190)	(69,202)
Total transactions with owners	–	(69,862)	(477,487)	(547,349)	(192,100)	(739,449)
Balance at 31 December 2017	5,566,000	706,964	3,212,060	9,485,024	11,318,523	20,803,547

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2018

	Attributable to shareholders of the Company					
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 31 December 2017 originally presented	5,566,000	706,964	3,212,060	9,485,024	11,318,523	20,803,547
Change in accounting policy — HKFRS 9 (note 2.2)	—	(69,976)	211,117	141,141	133,003	274,144
Change in accounting policy — HKFRS 15 (note 2.2)	—	—	(26,042)	(26,042)	(25,711)	(51,753)
Balance at 1 January 2018	5,566,000	636,988	3,397,135	9,600,123	11,425,815	21,025,938
Comprehensive income:						
Profit for the year	—	—	761,701	761,701	668,395	1,430,096
Other comprehensive income:						
Changes in fair value of equity investments at fair value through other comprehensive income — gross (note 13)	—	(207,955)	—	(207,955)	(249,668)	(457,623)
Changes in fair value of equity investments at fair value through other comprehensive income — tax (note 29)	—	89,819	—	89,819	99,591	189,410
Remeasurements of post-employment benefit obligations	—	(2,635)	—	(2,635)	(2,602)	(5,237)
Cash flow hedges	—	537	—	537	530	1,067
Currency translation differences	—	11,769	—	11,769	(16,673)	(4,904)
Total other comprehensive income	—	(108,465)	—	(108,465)	(168,822)	(277,287)
Total comprehensive income	—	(108,465)	761,701	653,236	499,573	1,152,809
Transfer of fair value changes on disposal of equity investments at fair value through other comprehensive income — gross (note 13)	—	(354,871)	354,871	—	—	—
Transfer of fair value changes on disposal of equity investments at fair value through other comprehensive income — tax	—	50,514	(50,514)	—	—	—
Transactions with owners:						
Contributions by and distributions to owners of the Company recognised directly in equity:						
Profit appropriation	—	53,834	(53,834)	—	—	—
Dividends (note 31)	—	—	(445,280)	(445,280)	—	(445,280)
Total contributions by and distributions to owners of the Company recognised directly in equity	—	53,834	(499,114)	(445,280)	—	(445,280)
Dividends to non-controlling interests	—	—	—	—	(489,948)	(489,948)
Acquisition of equity interests in subsidiaries from non-controlling interests (note 36)	—	(335,573)	—	(335,573)	(869,205)	(1,204,778)
Non-controlling interests arising from business combinations (note 35(d))	—	—	—	—	7,593	7,593
Total transactions with owners	—	(281,739)	(499,114)	(780,853)	(1,351,560)	(2,132,413)
Balance at 31 December 2018	5,566,000	(57,573)	3,964,079	9,472,506	10,573,828	20,046,334

The notes on pages 102 to 252 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from operating activities:			
Cash generated from operations	32(a)	**3,882,021**	2,812,580
Net (decrease)/increase in deposits from customers(*)		**(1,380,625)**	4,320,609
Net increase in loans to customers(*)		**4,600**	712,500
Interests paid		**(630,943)**	(700,086)
Interest income from restricted deposits pledged for borrowings		**—**	55,310
Income tax expense		**(694,739)**	(604,077)
Net cash generated from operating activities		**1,180,314**	6,596,836
Cash flows from investing activities:			
Proceeds from disposal of property, plant and equipment	32(a)	**107,826**	110,710
Proceeds from disposal of intangible assets		**2,965**	2,617
Proceeds from disposal of interests in associates		**19,092**	38,139
Proceeds from disposal of available-for-sale financial assets		**—**	604,706
Proceeds from disposal of financial assets at fair value through other comprehensive income	13	**886,492**	—
Proceeds from disposal of financial assets at fair value through profit or loss		**428,313**	41,132
Proceeds from disposal equity interests of subsidiaries		**—**	7,275
Purchase of property, plant and equipment		**(1,284,790)**	(1,073,570)
Purchase of intangible assets		**(83,899)**	(68,075)
Purchase of available-for-sale financial assets	13	**—**	(729,801)
Purchase of financial assets at fair value through other comprehensive income	13	**(6,377)**	—
Purchase of financial assets at fair value through profit or loss	17	**(953,316)**	(1,302)
Purchase of land use rights		**(357,008)**	(137,886)
Cash outflow for increase in investments in associates		**—**	(201,000)
Deferred consideration for acquisition of subsidiaries		**(336)**	(189,818)
Payment of bank deposits with maturities over 3 months		**(973,669)**	(5,065,632)
Receipt from bank deposits with maturities over 3 months		**5,290,632**	2,855,271
Interests received		**563,569**	158,555
Dividends received		**465,012**	697,589
Net cash outflow for business combination	35	**(24,811)**	(257,200)
Government grants		**—**	76,000
(Loans to related parties)/Loans repayments received from related parties		**(8,900)**	105,320
Net cash generated from/(used in) investing activities		**4,070,795**	(3,026,970)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2018

		Year ended 31 December	
	Note	2018 RMB'000	2017 RMB'000
Cash flows from financing activities:			
Capital contribution from non-controlling interests		–	144,590
Proceeds from borrowings	32(c)	3,036,661	15,979,847
Repayments of borrowings	32(c)	(6,844,580)	(18,027,835)
Dividends paid to non-controlling interests		(489,287)	(412,159)
Dividends paid to shareholders of the Company	31	(445,280)	(445,280)
Acquisition of equity interests from non-controlling interests	36	(1,201,778)	(1,863)
Withdrawal of restricted deposits pledged for borrowings		–	4,723,560
Net cash (used in)/generated from financing activities		(5,944,264)	1,960,860
(Decrease)/increase in cash and cash equivalents		(693,155)	5,530,726
Cash and cash equivalents at beginning of the year		12,098,112	6,559,042
Exchange gains on cash and cash equivalents		37,992	8,344
Cash and cash equivalents at end of the year	19	11,442,949	12,098,112

* The deposits and loans activities of Finance Company, a subsidiary of the Company and a non-bank finance company, are included in the cash flows from operating activities.

The notes on pages 102 to 252 are an integral part of these consolidated financial statements.

NOTES TO THE 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 Company and its subsidiaries are principally engaged in investment and operation of hotels and related businesses (the "Hotel Related Business"), investment and operation of passenger transportation vehicles, logistics and related businesses (the "Passenger Transportation Vehicles and Logistics Business") and investment and operation of travel agency and related businesses (the "Travel Agency Business").

These consolidated financial statements were approved for issue by the Board 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. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures

(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.

The impact of the adoption of HKFRS 9 and HKFRS 15 is disclosed in Note 2.2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2018 and have not been early adopted (Continued)

(i) HKFRS 16 Leases (Continued)

Impact

The standard will affect primarily the accounting for the Group's operating leases. The Group's current accounting policy for such leases is set out in note 2.33. As set out in Note 34(b), 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, 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 entity in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 detail below.

Consolidated Balance Sheet (extract)	31 December 2017 As originally presented RMB'000	HKFRS 9 RMB'000	HKFRS 15 RMB'000	1 January 2018 Restated 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

(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. The new accounting policies are set out in note 2.14 and note 2.16 below. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

(b) HKFRS 9 Financial Instruments (Continued)

(i) Classification and measurement (Continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

(b) HKFRS 9 Financial Instruments (Continued)

(i) Classification and measurement (Continued)

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

(b) HKFRS 9 Financial Instruments (Continued)

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

(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 RMB'000	Reclassification (i) RMB'000	Remeasurements (ii) RMB'000	HKFRS 15 carrying amount 1 January 2018 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

(c) HKFRS 15 Revenue from Contracts with Customers (Continued)

(ii) Entrance fees

When a management and franchise contract is signed, the Group sometimes invoices an 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 over 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting

2.3.1 Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group.

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

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2.3.2 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (note 2.12). See note 2.12 for the impairment of investments in subsidiaries, joint ventures, associates and non-financial assets.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting (Continued)

2.3.2 Associates (Continued)

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

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

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

In the Company's balance sheet, the investments in associates are stated at cost less provision for impairment losses (note 2.12). The results of associates are accounted for by the Company on the basis of dividend received or receivable.

2.3.3 Joint arrangements

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

Joint ventures are all entities over which the Group has joint control but not solo control. Interests in joint ventures are accounted for using the equity method of accounting, after initially being recognised at cost. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition of profits or losses and movements in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures. The Group's investment in joint ventures includes goodwill identified on acquisition, net of any accumulated impairment loss (note 2.12). See note 2.12 for the impairment of investments in subsidiaries, joint ventures, associates and non-financial assets.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting (Continued)

2.3.3 Joint arrangements (Continued)

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

In the Company's balance sheet, the investments in joint ventures are stated at cost less provision for impairment losses (note 2.12). The results of joint ventures are accounted for by the Company on the basis of dividend received or receivable.

2.3.4 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Consolidation

2.4.1 Business combination

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

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interests in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement (note 2.11).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Consolidation (Continued)

2.4.1 Business combination (Continued)

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

2.4.2 Common control combinations

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

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

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

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

2.4.3 Changes in ownership interests in subsidiaries without change of control

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

2.4.4 Disposal of subsidiaries

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Separate financial statements

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment (note 2.12). Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

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

2.6 Segment reporting

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

2.7 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Foreign currency translation (Continued)

(ii) Transactions and balances (Continued)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(iii) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property, plant and equipment

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

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

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

Buildings	20 to 60 years
Renovations and leasehold improvements	3 to 10 years but not exceeding the lease period
Plant and machinery	3 to 20 years
Operating vehicles	4 to 10 years
Motor vehicles	3 to 10 years
Furniture, fittings and equipment	3 to 15 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.12).

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

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

2.9 Investment properties

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Land use rights

Land use rights represent the prepaid operating lease payments, which are charged to the consolidated income statement on a straight-line basis over the period of the lease. The accounting policy is described in note 2.33(i).

2.11 Intangible assets

(i) Goodwill

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

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

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

(ii) Computer software, patents and other rights

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

(iii) Brandnames and trademark

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

(iv) Favourable lease contracts

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Intangible assets (Continued)

(v) Licenses of operating vehicles

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

(vi) Memberships

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

2.12 Impairment of investments in subsidiaries, joint ventures, associates and non-financial assets

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

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

2.13 Non-current assets held for sale

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Investments and other financial assets

2.14.1 Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.14.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.14.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Investments and other financial assets (Continued)

2.14.3 Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated income statement and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Investments and other financial assets (Continued)

2.14.4 Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 16 for further details.

2.14.5 Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification

Until 31 December 2017, the Group classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

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

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Investments and other financial assets (Continued)

2.14.5 Accounting policies applied until 31 December 2017 (Continued)

Classification (Continued)

(iv) Available-for-sale financial assets

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

Recognition and measurement

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Investments and other financial assets (Continued)

2.14.5 Accounting policies applied until 31 December 2017 (Continued)

Impairment of financial assets

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

For loan and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss. Impairment testing of trade receivables is described in note 3(a)(ii).

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

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

2.15 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments, and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

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

2.17 Derivative financial instruments and hedging activities

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

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

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

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

At the inception of the hedging, the Group documents the economic, relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedges items. The group documents its risk management objective and strategy for undertaking its hedge transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Derivative financial instruments and hedging activities (Continued)

(i) Cash flow hedge that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other gains/(losses).

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognised within OCI in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within OCI in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Derivative financial instruments and hedging activities (Continued)

(ii) Net investment hedges

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

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other gains/(losses).

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

(iii) Derivatives that do not qualify for hedge accounting

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

2.18 Inventories

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

2.19 Trade receivables, prepayments and other receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 16 for further information about the Group's accounting for Trade receivables, prepayments and other receivables note 3(a)(ii) for a description of the Group's impairment policies.

2.20 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Share capital

Ordinary shares are classified as equity.

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

2.22 Trade, other payables and accruals

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

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

2.23 Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Borrowing costs

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

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

All other borrowing costs are expensed in the period in which they are incurred.

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

2.25 Current and deferred income tax

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

(i) Current income tax

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

(ii) Deferred income tax

Inside basis differences

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Current and deferred income tax (Continued)

(ii) Deferred income tax (Continued)

Outside basis differences

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

(iii) Offsetting

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

2.26 Employee benefits

(i) Pension obligations

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

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

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

(ii) Housing benefits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Employee benefits (Continued)

(iii) Defined benefit plans

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

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

Past-service costs are recognised immediately in income statements.

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

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

(iv) Termination and early retirement benefits

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Employee benefits (Continued)

(vi) Other post-employment obligations

Some companies in the Group provide post-retirement benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

2.27 Provisions and contingent liabilities

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

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

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

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

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

2.28 Government grants

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Revenue recognition

The Group is principally engaged in the operation of the Hotel Related Business, the Passenger Transportation Vehicles and Logistics Business and the Travel Agency Business.

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point of time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use of the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point of time when the customer obtains the control of an asset. The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

An entity is a principal if it controls the promised good or service before transferring it to the customer. And an entity is an agent if its role is to arrange for another entity to provide goods or service.

The Group does not expect to have any contract containing financing components. As a consequence, the Group does not adjust any of the transition prices for the time value of money.

The policy for revenue recognition of the Group and whether an entity is a principle or an agency by segment are as follows:

Hotel Related Business

Hotel Related Business includes full service hotels and select service hotels operation, hotel management and franchise and sale of hotel supplies.

Revenue from full service hotels and select service hotels operation mainly comprises of accommodation, food and beverage and ancillary services. Except for the revenue from food and beverage sales which is recognised at a point of time when the services is rendered to the customers. The revenue from other hotel operation services is recognised over time in the accounting period in which the services are rendered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Revenue recognition (Continued)

Hotel Related Business (Continued)

Revenue from hotel management and franchise mainly comprises of initial entrance fee, service fee and on-going management fee. When a management and franchise contract is signed, the Group sometimes invoices an non-refundable initial entrance fees to hotel owners. These payments do not transfer any additional service to the customer, which is distinct from the promise to render services under the management and franchise contract. Therefore, the entrance fee is recognised over straight-line basis over the contract term. Revenue arising from other hotel management and franchise service is recognised over time in the accounting period in which the services are rendered because all of the benefits are received and consumed simultaneously by the customer as the Group performs. The Group bills the hotel service fee or management fee for each month of service provided to its customer and recognises as revenue in the amount to which the Group has a right to invoice and corresponds directly with the value of performance completed.

Revenue from sales of hotel supplies is recognised at a point of time when the control of the goods has transferred to the customers, being when the goods are delivered to the customers, there is no unfulfilled obligation that could affect the customers' acceptance of the goods. And the customer has obtained the physical possession or the legal title of the goods and the Group has present right to payment and the collection of the consideration is probable.

The Group considers it is a principal in providing its services or goods in the Hotel Related Business, so the revenue from the Hotel Related Business is recognised on a gross basis.

Passenger Transportation Vehicles and Logistics Business

Passenger Transportation Vehicles and Logistics Business includes vehicle operating, trading of automobiles and refrigerated logistics.

The revenue from vehicle operating and refrigerated logistics is recognised over time in the accounting period in which the services are rendered. The Group bills the related service fee for each month of service provided to its customer and recognises as revenue in the amount to which the Group has a right to invoice and corresponds directly with the value of performance completed. The revenue from trading of automobiles is recognised at a point of time when the control of the goods has transferred to the customers, being when the goods are delivered to the customers, there is no unfulfilled obligation that could affect the customers' acceptance of the goods.

The Group considers it is a principal in providing its services or goods in the Passenger Transportation Vehicles and Logistics Business, so the revenue from the Passenger Transportation Vehicles and Logistics Business is recognised on a gross basis.

Travel Agency Business

The revenue from Travel Agency Business is recognised over time in the accounting period in which the control of the services are transferred to the customer because the customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs. The Group considers that it is a principal in providing its services, except for certain service in the Travel Agency Business to the extent that it does not control the products or the services before being transferred to the customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Revenue recognition (Continued)

Customer loyalty Programme

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

Interest income generated by Finance Company

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

2.30 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

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

2.31 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated income statement as part of “other income and gain”.

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.32 Dividend income

Dividends are received from financial assets measured at FVPL and FVOCI (2017 — from financial assets at FVPL and available-for-sale financial assets). Dividends are recognised as other income in consolidated income statement when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

2.33 Lease

(i) Operating leases

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

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

(ii) Finance leases

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

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

2.34 Dividend distribution

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

(i) Market risk

(1) Foreign exchange risk

For the Group's operation in Mainland China, most of the transactions, assets and liabilities are denominated in RMB and United States Dollars ("US$"). For the Group's operation in Europe, most of the transactions, assets and liabilities are denominated in Euro ("EUR"). The Group sometimes are required to settle payments for its purchases of equipment from overseas suppliers and certain expenses, and for its foreign investments in other foreign currencies. Other foreign currencies are also received from overseas customers. The Group's trade receivables, prepayments and other receivables, restrict cash, bank deposits, cash and cash equivalents, trade, other payables and accruals and borrowings as at 31 December 2018 and 2017 included assets and liabilities, denominated in either US$, EUR or other foreign currencies other than EUR and US$ ("other foreign currencies"), which are disclosed in notes 16, 18, 19, 21 and 22.

As at 31 December 2018, if RMB strengthens/weakens by 5% (31 December 2017: 5%) (i.e. RMB/US$ 6.8632 from 7.2064 to 6.5200) against US$ with all other variables held constant, post-tax profit for the operation in Mainland China for the year would have changed mainly as a result of foreign exchange gains/losses on translation of US$ denominated trade receivables, prepayments and other receivables, restrict cash, bank deposits, cash and cash equivalent, trade, other payables and accruals and borrowings. Details of the changes are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
The Group operated in Mainland China:		
(Decrease)/increase in profit for the year		
— Strengthened	**(9,702)**	(27,593)
— Weakened	**9,702**	27,593

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(1) Foreign exchange risk (Continued)

As at 31 December 2018, if EUR strengthens/weakens by 5% (31 December 2017: 5%) (i.e. EUR/US$ 1.1434 from 1.2006 to 1.0862) against other foreign currencies with all other variables held constant, post-tax profit for the Group operated in Europe for the year would have changed mainly as a result of foreign exchange gains/losses on translation of other foreign currencies denominated trade receivables, prepayments and other receivables, cash and cash equivalent, trade, other payables and accruals and borrowings. Details of the changes are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
The Group operated in Europe:		
Increase/(decrease) in profit for the year		
— Strengthened	**(3,275)**	(1,909)
— Weakened	**3,275**	1,909

(2) Cash flow and fair value interest rate risk

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

As at 31 December 2018, if interest rates on bank deposits and borrowings are 5% (31 December 2017: 5%) (i.e. 5% from 4.5% to 5.5%) higher/lower with all other variables held constant, the post-tax profit for the year would have changed mainly as a result of higher/lower interest expenses. Details of the changes are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
(Decrease)/increase in profit for the year		
— Increase in interest rates	**(16,516)**	(15,439)
— Decrease in interest rates	**16,516**	15,439

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(3) Price risk

The Group is exposed to major equity securities price risk because of its holding of listed equity investments which are classified on the consolidated balance sheet as at FVOCI (note 13) or at FVPL (note 17) (2017: available-for-sale financial assets (note 13)). The Group has not hedged its price risk arising from investments in equity securities.

As at 31 December 2018, if the quoted market price of the listed equity investments measured as FVOCI increases/decreases 10% (31 December 2017: 10%, available-for-sale financial assets) with all other variables held constant, the equity would have changed mainly as a result of fair value gain/losses on FVOCI. Details of the changes are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Increase/(decrease) in other comprehensive income		
— Increase in quoted market price	**102,921**	202,967
— Decrease in quoted market price	**(102,921)**	(202,967)

As at 31 December 2018, if the quoted market price of the listed equity investments measured as FVPL increases/decreases 10% with all other variables held constant, the profit or loss would have changed mainly as a result of fair value gain/losses on FVPL. Details of the changes are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Increase/(decrease) in profit or loss		
— Increase in quoted market price	**95,537**	—
— Decrease in quoted market price	**(95,537)**	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(ii) Credit risk

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

(a) Risk management

As at 31 December 2018, these bank deposits and cash at bank were deposited in reputable financial institutions which are considered with low credit risk. The table below shows bank deposits and cash at bank balances by counterparties:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Counterparties		
— People's Bank of China	**491,622**	405,196
— Big 4 domestic banks*	**6,765,271**	10,229,367
— Other domestic commercial banks	**4,340,589**	4,513,119
— Foreign-owned banks	**679,581**	1,910,564
	12,277,063	17,058,246

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

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

(b) Impairment of financial assets

The Group has trade receivables for provision of services or sales of goods subject to the expected credit loss model on adoption of HKFRS 9.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

(b) Impairment of financial assets (Continued)

Trade receivables

The Group applies 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 expected loss rates are based on the payment profiles of sales over a period of 3 years before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of the customers to settle the receivables. The Group has identified the economic conditions of the customers and the performance of the customers, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of HKFRS 9) was determined as follows for trade receivables:

31 December 2018	**Within 3 months**	**3 months to 12 months**	**Over 1 year**	**Total**
Expected loss rate	**2.21%**	**15.3%**	**96.6%**	
Gross carrying amount — trade receivables (RMB'000)	**960,007**	**245,965**	**131,987**	**1,337,959**
Loss allowance (RMB'000)	**(20,754)**	**(28,679)**	**(127,439)**	**(176,872)**

1 January 2018	Within 3 months	3 months to 12 months	Over 1 year	Total
Expected loss rate	2.26%	14.3%	95.3%	
Gross carrying amount — trade receivables (RMB'000)	802,859	398,480	103,485	1,304,824
Loss allowance (RMB'000)	(18,113)	(57,128)	(98,596)	(173,837)

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Impairment losses on trade receivables are presented within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

(b) Impairment of financial assets (Continued)

Trade receivables (Continued)

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor,
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. The change of the impairment methodology to other receivables has immaterial impacts on the existing amount of loss allowances for other receivables as at 1 January 2018.

(c) Net impairment losses on financial assets recognised in profit or loss

During the years ended 31 December 2018 and 2017, net impairment losses of RMB347,000 and RMB52,772,000 were recognised in "administrative expenses" in the consolidated income statement in relation to impaired financial assets (note 25).

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

The Group is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments amounted to RMB273,986,000 (31 December 2017: RMB31,734,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

(e) Financial guarantees

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

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Credit risk exposure relating to off-balance sheet items		
— Financial guarantees	**–**	9,500

As at 31 December 2017, all financial guarantee contracts are granted to the related parties. Management has established limits on the financial guarantee contracts to be granted and expects that no material liabilities will arise from the financial guarantee contracts (31 December 2018: nil).

(iii) Liquidity risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

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

	Within 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Over 5 years RMB'000
At 31 December 2018				
Borrowings (excluding finance lease liabilities)	**3,118,447**	**2,135,779**	**14,592,022**	**–**
Finance lease payables	**18,322**	**17,352**	**50,557**	**191,062**
Contractual interest payable	**445,613**	**311,666**	**303,854**	**–**
Trade, other payables and accruals (excluding non-financial liabilities)	**8,710,229**	**1,016,774**	**–**	**–**
Financial guarantees (off-balance sheet items) (note 33)	**–**	**–**	**–**	**–**
At 31 December 2017				
Borrowings (excluding finance lease liabilities)	3,815,313	4,565,383	15,131,048	92,626
Finance lease payables	16,479	15,675	46,661	168,005
Contractual interest payable	532,880	449,149	504,160	1,804
Trade, other payables and accruals (excluding non-financial liabilities)	8,830,809	1,280,167	–	–
Financial guarantees (off-balance sheet items) (note 33)	9,500	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Capital risk management

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

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

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

The gearing ratios at 31 December 2018 and 2017 were as follows:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Total borrowings (note 22)	**20,041,449**	23,783,674
Total assets	**57,184,064**	62,998,088
Gearing ratio	**35.04%**	37.75%

The decrease in the gearing ratio of the Group during 2018 was resulted from the repayment of the borrowings of the Group.

(c) Fair value estimation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (Continued)

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2018				
Financial assets at fair value through other comprehensive income				
— Equity securities (note 13)	1,372,277	—	25,734	1,398,011
Financial assets at fair value through profit or loss				
— Equity securities (note 17)	1,273,828	—	427,383	1,701,211
— Debt securities (note 17)	31,096	242,890	—	273,986
Total assets	2,677,201	242,890	453,117	3,373,208
Derivative financial instruments				
— Interest rate swaps	—	(2,781)	—	(2,781)
Total liabilities	—	(2,781)	—	(2,781)
At 31 December 2017				
Available-for-sale financial assets				
— Equity securities (note 13)	2,706,165	—	687,536	3,393,701
— Debt securities (note 13)	—	226,354	—	226,354
Financial assets at fair value through profit or loss				
— Equity securities (note 17)	470	—	—	470
— Debt securities (note 17)	31,734	—	—	31,734
Total assets	2,738,369	226,354	687,536	3,652,259
Derivative financial instruments				
— Interest rate swaps	—	(4,391)	—	(4,391)
Total liabilities	—	(4,391)	—	(4,391)

See note 2.2 for reclassification following the adoption of HKFRS 9 Financial Instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (Continued)

Fair value measurements using quoted prices (Level 1)

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

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

Valuation techniques used to derive fair value (Level 2)

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (Continued)

Fair value measurements using significant unobservable inputs (Level 3)

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

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

In 2018, the Group transferred an equity investment from level 3 to level 1 because of its successful listing in Hong Kong Stock Exchange. Other than that, there were no significant transfers of financial assets among level 1, level 2 and level 3 fair value hierarchy classifications.

The fair value of financial assets at FVOCI and financial assets at FVPL (2017: available-for-sale financial assets and financial assets at fair value through profit or loss) traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

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

(i) Estimated impairment of goodwill

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (Continued)

(i) Estimated impairment of goodwill (Continued)

For the purposes of impairment testing, goodwill has been allocated to the CGUs of different businesses that is expected to generate future economic benefits. As at 31 December 2018, management determined that the CGUs containing goodwill had suffered no material impairment.

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

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

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

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

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

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

As at 31 December 2018, management determined that the CGUs containing license of operating vehicles, and the brandnames had not suffered any impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (Continued)

(iii) Deferred income tax assets and liabilities

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

The Group's management determines the deferred income tax assets based on the enacted or substantially enacted tax rates and laws and best knowledge of profit projections of the Group for coming years during which the deferred income tax assets are expected to be utilised. Management revises the assumptions and profit projections by the balance sheet date. If the profit projections of the Group had been 10% greater/less with all other variables held constant, profit for the year would have been RMB66,769,000 higher/lower.

(iv) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. If the useful lives for property, plant and equipment had been 10% longer/shorter with all other variables held constant, profit for the year would have been RMB108,623,000 higher or RMB132,761,000 lower.

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

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

(vi) Impairment of trade receivables

The loss allowances for trade receivables are based on assumptions about risks of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing marketing conditions as well as forward looking estimates at the end of each reporting period. Details of key assumptions and inputs used are disclosed in the tables in Note 3(a)(ii).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

(i) Fair value of financial assets as FVPL and FVOCI

The fair value of financial assets as FVPL and FVOCI that are not traded in an active market can be determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on existing market conditions at each balance sheet date.

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

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

5 SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5 SEGMENT INFORMATION (CONTINUED)

(a) Segment revenue

	Year ended 31 December	
	2018 RMB'000	2017 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5 SEGMENT INFORMATION (CONTINUED)

(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 (note 5(a))	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 23)	207,518	345,219	20,048	76,833	107,585	36,622	98,953	892,778
Including: interest income from bank deposits (note 23)	15,041	50,762	1,541	71	15,900	4,022	74,552	161,889
Depreciation of property, plant and equipment (note 6)	(227,067)	(824,274)	(336,678)	(7,980)	(231,043)	(6,188)	(2,234)	(1,635,464)
Impairment of property, plant and equipment (note 6)	–	(36,189)	–	–	–	–	–	(36,189)
Depreciation of investment properties (note 7)	(4,977)	–	–	–	(2,131)	(4,529)	–	(11,637)
Amortisation of land use rights (note 8)	(53,561)	(79,561)	–	–	(1,340)	–	(311)	(134,773)
Amortisation of intangible assets (note 9)	(3,241)	(151,117)	(47,121)	(491)	–	(32)	–	(202,002)
Impairment of intangible assets (note 9)	–	(20,545)	–	–	–	–	–	(20,545)
(Provision for)/reversal of inventories write-down (note 15)	–	(3)	1,492	–	–	–	–	1,489
(Provision for)/reversal of impairment of trade receivables, prepayments and other receivables (note 16)	(207)	721	(885)	–	24	–	–	(347)
Finance costs – net (note 27)	(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 (note 28)	(13,476)	(7,351)	6,907	128,149	156,771	1,542	(2,613)	269,929
Income tax expense (note 29)	(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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5 SEGMENT INFORMATION (CONTINUED)

(b) Other segment information (Continued)

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

	Full Service Hotels RMB'000	Select Service Hotels — managed and operated in Mainland China RMB'000	Select Service Hotels — managed and operated overseas RMB'000	Food and Restaurants RMB'000	Passenger Transportation Vehicles and Logistics RMB'000	Travel Agency RMB'000	Other Operations RMB'000	The Group RMB'000
External sales (note 5(a))	1,888,579	9,435,922	3,890,542	364,618	2,368,287	1,709,978	100,982	19,758,908
Inter-segment sales	7,229	2,973	—	7,666	459	207	47,903	66,437
Total gross segment sales	1,895,808	9,438,895	3,890,542	372,284	2,368,746	1,710,185	148,885	19,825,345
Profit for the year	176,768	681,648	300,759	153,057	305,877	64,545	(128,693)	1,553,961
Other income and gain (note 23)	147,863	111,496	23,174	63,321	84,307	120,751	235,098	786,010
Including: interest income from bank deposits (note 23)	14,096	31,818	1,025	350	11,061	8,656	82,241	149,247
Depreciation of property, plant and equipment (note 6)	(182,906)	(885,263)	(340,453)	(8,933)	(231,794)	(6,636)	(1,167)	(1,657,152)
Impairment of property, plant and equipment (note 6)	—	(33,975)	—	—	—	—	—	(33,975)
Depreciation of investment properties (note 7)	(4,976)	—	—	—	(513)	(4,140)	—	(9,629)
Amortisation of land use rights (note 8)	(24,141)	(40,158)	—	—	(1,340)	—	(312)	(65,951)
Amortisation of intangible assets (note 9)	(3,262)	(153,438)	(38,769)	(1,218)	—	(580)	—	(197,267)
Impairment of intangible assets (note 9)	—	(19,627)	—	—	—	—	—	(19,627)
Provision for inventories write-down (note 15)	(1,619)	(365)	—	—	—	—	—	(1,984)
(Provision for)/reversal of impairment of trade receivables, prepayments and other receivables (note 16)	(23,153)	(19,834)	(9,775)	—	(109)	99	—	(52,772)
Finance costs — net (note 27)	(156,668)	(56,015)	(134,710)	(1,315)	(939)	—	(226,551)	(576,198)
Share of results of joint ventures and associates accounted for using the equity method (note 28)	104,905	(1,310)	(18,071)	120,585	170,866	(2,191)	(15,014)	359,770
Income tax expense (note 29)	(43,332)	(325,113)	41,383	(1,867)	(37,495)	(13,835)	(27,737)	(407,996)
Additions to non-current assets (other than financial instruments and deferred tax assets)	2,122,099	538,429	615,635	8,379	154,236	6,286	201,729	3,646,793

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5 SEGMENT INFORMATION (CONTINUED)

(b) Other segment information (Continued)

The segment assets and liabilities as at 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
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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5 SEGMENT INFORMATION (CONTINUED)

(b) Other segment information (Continued)

Profit for the year in the segment of "Full Service Hotels" for the year ended 31 December 2018 included the realised fair value gains on financial assets at FVPL amounted to RMB110,817,000 (note 23) (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 available-for-sale financial assets 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 RMB'000	2017 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 RMB'000	2017 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5 SEGMENT INFORMATION (CONTINUED)

(c) Liabilities related to contracts with customers

(i) The Group has recognised the following liabilities related to contracts with customers:

	At 31 December 2018 RMB'000
Contract liabilities — entrance fee, customer loyalty programme and marketing fund	205,773
Contract liabilities — advances from customers	1,506,728
Total contract liabilities	1,712,501

(ii) The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	At 31 December 2018 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	
Contract liabilities — entrance fee, customer loyalty programme and marketing fund	83,298
Contract liabilities — advances from customers	1,215,219
	1,298,517

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5 SEGMENT INFORMATION (CONTINUED)

(c) Liabilities related to contracts with customers (Continued)

(iii) Unsatisfied long-term entrance fee contracts

The following table shows unsatisfied performance obligations resulting from fixed-price long-term entrance fee contracts:

	At 31 December 2018 RMB'000
Aggregate amount of the transaction price allocated to long-term entrance fee contracts that are partially or fully unsatisfied as at 31 December	65,594

The contract liabilities are related to the entrance fee which shall be recognised on a straight-line basis over 15 to 20 year.

The Group has applied the practical expedient in HKFRS 15 not to disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied or partially unsatisfied as at the end of the reporting period for all amounts where the Group has a right to consideration in an amount that corresponds directly with the value to the customer of the Group's performance completed to date. Besides above, all other contracts are for periods of one year or less or are billed based on time incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6 PROPERTY, PLANT AND EQUIPMENT

	Freehold land RMB'000	Buildings RMB'000	Renovations and leasehold improvements RMB'000	Plant and machinery RMB'000	Operating vehicles RMB'000	Motor vehicles RMB'000	Furniture, fittings and equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost									
At 1 January 2017	1,188,143	7,807,178	6,020,320	2,254,760	1,630,087	69,919	1,110,322	656,179	20,736,908
Additions	792	68,213	38,388	84,409	16,097	1,105	26,473	877,542	1,113,019
Additions resulting from acquisition through business combination	27,231	424,387	11,649	15,790	–	477	6,363	2,076	487,973
Transfers from construction-in-progress	36	26,754	543,610	93,497	109,512	2,441	39,767	(815,617)	–
Transferred to investment properties (note 7)	–	(22,034)	–	–	–	–	–	–	(22,034)
Transferred to assets held for sale	–	(12,086)	(3,365)	(6,139)	–	–	–	–	(21,590)
Disposals	(3,167)	(41,344)	(157,714)	(183,805)	(158,263)	(7,913)	(46,746)	–	(598,952)
Currency translation differences	86,828	391,692	19,831	66,423	–	–	2,071	10,001	576,846
At 31 December 2017	1,299,863	8,642,760	6,472,719	2,324,935	1,597,433	66,029	1,138,250	730,181	22,272,170
Additions	946	60,195	40,541	99,761	981	1,294	8,733	978,603	1,191,054
Additions resulting from acquisition through business combination (note 35)	5,623	38,685	400	2,560	–	108	202	2,024	49,602
Transfers from construction-in-progress	–	132,849	718,096	115,154	165,660	5,530	37,328	(1,174,617)	–
Transferred to investment properties (note 7)	–	(101,577)	–	–	–	–	–	–	(101,577)
Disposals	(10,635)	(53,878)	(70,667)	(227,687)	(226,648)	(6,947)	(28,441)	–	(624,903)
Currency translation differences	3,754	16,877	966	1,127	–	–	–	982	23,706
At 31 December 2018	**1,299,551**	**8,735,911**	**7,162,055**	**2,315,850**	**1,537,426**	**66,014**	**1,156,072**	**537,173**	**22,810,052**
Accumulated depreciation									
At 1 January 2017	(5,637)	(2,513,989)	(2,772,769)	(1,120,551)	(810,304)	(50,478)	(853,971)	–	(8,127,699)
Depreciation charge for the year (note 25)	(2,434)	(349,443)	(767,858)	(280,785)	(204,007)	(8,779)	(43,846)	–	(1,657,152)
Transferred to assets held for sale	–	5,542	3,352	5,099	–	–	–	–	13,993
Disposals	–	33,792	97,131	133,645	145,353	5,636	43,236	–	458,793
Transferred to investment properties (note 7)	–	10,658	–	–	–	–	–	–	10,658
Currency translation differences	(2,948)	(229,694)	(9,659)	(57,783)	–	–	(1,888)	–	(301,972)
At 31 December 2017	(11,019)	(3,043,134)	(3,449,803)	(1,320,375)	(868,958)	(53,621)	(856,469)	–	(9,603,379)
Depreciation charge for the year (note 25)	(963)	(378,486)	(729,228)	(292,774)	(204,172)	(7,089)	(22,752)	–	(1,635,464)
Disposals	–	46,241	54,600	202,084	205,474	5,475	25,289	–	539,163
Transferred to investment properties (note 7)	–	49,738	–	–	–	–	–	–	49,738
Currency translation differences	(384)	(13,094)	(83)	(708)	–	–	–	–	(14,269)
At 31 December 2018	**(12,366)**	**(3,338,735)**	**(4,124,514)**	**(1,411,773)**	**(867,656)**	**(55,235)**	**(853,932)**	**–**	**(10,664,211)**
Impairment									
At 1 January 2017	(23)	(1,980)	(88,498)	(562)	–	–	(63)	(2,680)	(93,806)
Charge for the year (note 25)	–	–	(24,162)	(4,545)	–	–	–	(5,268)	(33,975)
Disposals	–	–	–	40	–	–	–	–	40
At 31 December 2017	(23)	(1,980)	(112,660)	(5,067)	–	–	(63)	(7,948)	(127,741)
Charge for the year (note 25)	–	–	(36,189)	–	–	–	–	–	(36,189)
Disposals	–	114	–	3,704	–	–	–	–	3,818
At 31 December 2018	**(23)**	**(1,866)**	**(148,849)**	**(1,363)**	**–**	**–**	**(63)**	**(7,948)**	**(160,112)**
Net book amount									
At 31 December 2018	**1,287,162**	**5,395,310**	**2,888,692**	**902,714**	**669,770**	**10,779**	**302,077**	**529,225**	**11,985,729**
At 31 December 2017	1,288,821	5,597,646	2,910,256	999,493	728,475	12,408	281,718	722,233	12,541,050

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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 certain property, plant and equipment of certain subsidiaries of GDL located in Poland with a net book amount of RMB182,008,000 (31 December 2017: RMB200,860,000) (note 22).

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Cost of sales	**1,528,279**	1,546,925
Selling and marketing expenses	**11,578**	21,349
Administrative expenses	**131,796**	122,853
	1,671,653	1,691,127

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Cost	**624,903**	598,952
Less: accumulated depreciation	**(539,163)**	(458,793)
impairment	**(3,818)**	(40)
	81,922	140,119

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

No borrowing costs (2017: nil) arising on financing entered into for the construction of property, plant and equipment have been capitalised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Cost — capitalised finance leases		
Freehold land	**121,853**	121,154
Buildings	**798,544**	793,964
Plant and machinery	**46,832**	54,446
Total	**967,229**	969,564
Accumulated depreciation		
Freehold land	**(771)**	(70)
Buildings	**(700,561)**	(673,502)
Plant and machinery	**(27,331)**	(27,570)
Total	**(728,663)**	(701,142)
Net book amount	**238,566**	268,422

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

All freehold land is located in Europe.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

7 INVESTMENT PROPERTIES

	Buildings RMB'000
Cost	
At 1 January 2017	462,919
Transferred from property, plant and equipment (note 6)	22,034
At 31 December 2017	484,953
Transferred from property, plant and equipment (note 6)	101,577
At 31 December 2018	**586,530**
Accumulated depreciation	
At 1 January 2017	(174,471)
Charge for the year (note 25)	(9,629)
Transferred from property, plant and equipment (note 6)	(10,658)
At 31 December 2017	(194,758)
Charge for the year (note 25)	(11,637)
Transferred from property, plant and equipment (note 6)	(49,738)
At 31 December 2018	**(256,133)**
Net book amount	
At 31 December 2018	**330,397**
At 31 December 2017	290,195

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Cost of sales	**11,637**	9,629

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

7 INVESTMENT PROPERTIES (CONTINUED)

Amounts recognised in profit and loss for investment properties

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Rental revenue	**112,314**	111,207
Direct operating expenses from properties that generated rental revenue	**(14,245)**	(12,650)
	98,069	98,557

The land use right and buildings located on, which are held to earn rentals, could not be separated for valuation purpose under income approach. The fair value of the properties as at 31 December 2018, which includes the building with the carrying amount of RMB330,397,000 (31 December 2017: RMB290,195,000) and the related land use right with the carrying amount of RMB22,363,000 (31 December 2017: RMB22,589,000), is approximately RMB1,051,473,000 (31 December 2017: RMB1,021,466,000).

Leasing arrangements

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Later than 5 years	**337,725**	425,466
Later than 1 year but not later than 5 years	**383,185**	369,660
Not later than 1 year	**100,004**	99,211
	820,914	894,337

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

8 LAND USE RIGHTS

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Cost		
At beginning of the year	3,832,891	2,423,597
Additions	–	1,412,294
Transferred to assets held for sale	–	(3,000)
At end of the year	3,832,891	3,832,891
Accumulated amortisation		
At beginning of the year	(536,536)	(471,988)
Charge for the year (note 25)	(134,773)	(65,951)
Transferred to assets held for sale	–	1,403
At end of the year	(671,309)	(536,536)
Net book amount		
At end of the year	3,161,582	3,296,355

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Cost of sales	134,773	65,951

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

9 INTANGIBLE ASSETS

	Goodwill RMB'000	Brandnames and trademark RMB'000	Computer software, patents and others RMB'000	Favourable lease contracts RMB'000	Licences of operating vehicles RMB'000	Memberships RMB'000	Total RMB'000
Cost							
At 1 January 2017	10,953,742	5,875,325	693,929	466,103	248,760	335,600	18,573,459
Additions	–	–	68,075	–	–	–	68,075
Additions resulting from acquisition through business combination	152,385	123,339	710	–	–	–	276,434
Disposal	–	–	(5,115)	–	–	–	(5,115)
Currency translation differences	300,770	140,306	22,410	3,257	–	–	466,743
At 31 December 2017	11,406,897	6,138,970	780,009	469,360	248,760	335,600	19,379,596
Additions	–	–	83,899	–	–	–	83,899
Additions resulting from acquisition through business combination (note 35)	78,182	–	19,392	–	775	–	98,349
Disposal	–	(100)	(3,586)	–	(87)	–	(3,773)
Currency translation differences	20,643	9,291	4,392	2,069	–	–	36,395
At 31 December 2018	**11,505,722**	**6,148,161**	**884,106**	**471,429**	**249,448**	**335,600**	**19,594,466**

	Goodwill RMB'000	Brandnames and trademark RMB'000	Computer software, patents and others RMB'000	Favourable lease contracts RMB'000	Licences of operating vehicles RMB'000	Memberships RMB'000	Total RMB'000
Accumulated amortisation							
At 1 January 2017	–	(18)	(228,120)	(69,841)	–	(12,575)	(310,554)
Charge for the year (note 25)	–	(35)	(129,180)	(51,272)	–	(16,780)	(197,267)
Disposal	–	–	2,498	–	–	–	2,498
Currency translation differences	–	–	(17,192)	(221)	–	–	(17,413)
At 31 December 2017	–	(53)	(371,994)	(121,334)	–	(29,355)	(522,736)
Charge for the year (note 25)	–	(28)	(125,477)	(59,717)	–	(16,780)	(202,002)
Disposal	–	–	808	–	–	–	808
Currency translation differences	–	–	(3,563)	(22)	–	–	(3,585)
At 31 December 2018	**–**	**(81)**	**(500,226)**	**(181,073)**	**–**	**(46,135)**	**(727,515)**
Impairment							
At 1 January 2017	(3,741)	–	–	–	–	–	(3,741)
Charge for the year (note 25)	(19,627)	–	–	–	–	–	(19,627)
At 31 December 2017	(23,368)	–	–	–	–	–	(23,368)
Charge for the year (note 25)	(20,545)	–	–	–	–	–	(20,545)
At 31 December 2018	**(43,913)**	**–**	**–**	**–**	**–**	**–**	**(43,913)**
Net book amount							
At 31 December 2018	**11,461,809**	**6,148,080**	**383,880**	**290,356**	**249,448**	**289,465**	**18,823,038**
At 31 December 2017	11,383,529	6,138,917	408,015	348,026	248,760	306,245	18,833,492

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

9 INTANGIBLE ASSETS (CONTINUED)

Brandnames have an indefinite useful life, are carried at cost less any subsequent accumulated impairment losses. As at 31 December 2018, the net book amount of brandnames amounted to RMB6,147,924,000 (31 December 2017: RMB6,138,733,000).

The goodwill additions resulting from acquisition through business combination also included the goodwill amounted to RMB3,116,000 based on the purchase consideration final settlement of the acquisitions of Sarovar Hotels Private Limited and Hôtels et Préférence.

In 2018, the goodwill in "Select Service Hotels — managed and operated by Jin Jiang GDL Asia" had an impairment amounted to RMB20,545,000. The goodwill arose on the acquisition of the subsidiary ShanXi Jinguang Inn Company Limited ("Jinguang Inn") by Jin Jiang Hotels Development in 2012, which operates the select service hotels in Shanxi City of Mainland China. The management made a decision that Jin Jiang Hotels Development would no longer put priority on the development of the select service hotels in Jinguang Inn and closed some hotels.

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Cost of sales	**202,002**	197,267
Administrative expenses	**20,545**	19,627
	222,547	216,894

Impairment tests for goodwill

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

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Select Service Hotels — managed and operated by Plateno Group (a)	**5,766,875**	5,766,875
Select Service Hotels — managed and operated overseas (b)	**4,938,876**	4,840,051
Select Service Hotels — managed and operated by Vienna Hotels (a)	**668,817**	668,817
Select Service Hotels — managed and operated by Jin Jiang GDL Asia (a)	**58,864**	79,409
Full service hotels (a)	**28,377**	28,377
	11,461,809	11,383,529

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

9 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for goodwill (Continued)

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

The recovery amounts of CGUs Select Service Hotels — managed and operated by Plateno Group and Select Service Hotels — managed and operated by Vienna Hotels were determined based on the valuation results from an independent qualified appraisal firm, Shanghai Orient Appraisal Co., Ltd..

The key assumptions used for value-in-use calculation in 2018 are as follows:

	Full Service Hotels	Select Service Hotels — managed and operated by Jin Jiang GDL Asia	Select Service Hotels — managed and operated by Plateno Group	Select Service Hotels — managed and operated by Vienna Hotels
Gross margin	**38.5%**	**21.5%**	**29.9%**	**23.3%**
Growth rate for room revenue	**2.0%**	**0.0%**	**7.2%**	**7.0%**
Discount rate	**10.0%**	**10.0%**	**11.3%**	**13.0%**

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

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

As at 31 December 2018, the recoverable amount of CGU included in "Select Service Hotels — managed and operated by Jin Jiang GDL Asia" was RMB1,813,464,000, which is its value in use. Such recoverable amount was lower than it corresponding book amount by RMB20,545,000 as at 31 December 2018 which was impaired and was recognised in "administrative expenses".

Apart from the impairment in CGU Select Service Hotels — managed and operated by Jin Jiang GDL Asia amounted to RMB20,545,000, no other impairment loss is considered necessary in 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

9 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for goodwill (Continued)

(b) The recoverable amount of the CGU Select Service Hotels — managed and operated overseas generated from the business combination is determined based on value-in-use calculations. The calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate for revenue does not exceed the long-term average growth rate for the business in which the CGU operates.

The recovery amount of CGU Select Service Hotels — managed and operated overseas was determined based on the valuation results from an independent qualified appraisal firm, MKG Hospitality.

The key assumptions used for the value-in-use calculation in 2018 are as follows:

	Select Service Hotels — managed and operated overseas
Growth rate for revenue from owned hotels	**2.3%**
Discount rate for owned hotels	**8.0%**
Growth rate for revenue from management and franchised contracts	**5.5%**
Discount rate for management and franchised contracts	**12.9%–15.8%**

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

	Select Service Hotels — managed and operated overseas
Growth rate for revenue from owned hotels	2.5%
Discount rate for owned hotels	8.2%
Growth rate for revenue from management and franchised contracts	2.4%
Discount rate for management and franchised contracts	9.5%

The growth rate and the discount rate increased both in 2018, mainly because the management decided to expand the market and develop its business in China. Some franchised hotels were open in China in 2018 and will have more franchised hotels in China market in the future, which led to the higher growth rate and the higher discount rate in 2018.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

9 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for licenses of operating vehicles

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

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

	2018	2017
Gross margin	23.6%	23.6%
Growth rate for revenue	0.0%	0.0%
Discount rate	5.5%	5.5%

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

Impairment tests for brandnames

	At 31 December	
	2018 RMB'000	2017 RMB'000
Select Service Hotels — managed and operated by GDL (a)	2,424,124	2,414,933
Select Service Hotels — managed and operated by Plateno Group (b)	2,965,700	2,965,700
Select Service Hotels — managed and operated by Vienna Hotels (b)	758,256	758,284
	6,148,080	6,138,917

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

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

The recovery amount of the brandnames in the CGU Select Service Hotels — managed and operated overseas was determined based on the valuation results from an independent qualified appraisal firm, MKG Hospitality.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

9 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for brandnames (Continued)

(a) (Continued)

The key assumptions used for value-in-use calculation as at 31 December 2018 are as follows:

	Première Classe	Campanile	Kyriad series	Golden Tulip series	Sarovar
Royalty rate	3.0%–3.7%	2.8%–3.4%	1.8%–2.2%	0.4%–0.5%	2.0%
Growth rate for revenue	2.3%	6.4%	10.0%	5.1%	3.3%
Discount rate	15.8%	12.9%	13.9%	13.9%	12.2%

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

	Première Classe	Campanile	Kyriad series	Golden Tulip series
Royalty rate	3.0%–3.7%	2.8%–3.4%	1.8%–2.2%	0.4%–0.5%
Growth rate for revenue	2.4%	2.4%	2.4%	2.4%
Discount rate	9.5%	9.5%	9.5%	9.5%

The growth rate and the discount rate increased both in 2018, mainly because the management decided to expand the market and develop these brandnames in China. Some franchised hotels were open in China in 2018 and will have more franchised hotels in China market in the future, which led to the higher growth rate and the higher discount rate in 2018.

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

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

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

The recovery amounts of the brandnames in the CGUs Select Service Hotels — managed and operated by Plateno Group and Select Service Hotels — managed and operated by Vienna Hotels were determined based on the valuation results from an independent qualified appraisal firm Shanghai Orient Appraisal Co., Ltd..

The key assumptions used for value-in-use calculation as at 31 December 2018 are as follows:

	Plateno Group	Vienna Hotels
Royalty rate	0.8%–1.9%	1.6%
Growth rate for revenue	7.2%	7.0%
Discount rate	12.4%–12.7%	19.2%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

9 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for brandnames (Continued)

(b) (Continued)

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

	Plateno Group	Vienna Hotels
Royalty rate	1.6%	1.3%
Growth rate for revenue	8.4%	6.4%
Discount rate	12.7%	19.2%

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

10 SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 40.

Summarised financial information on subsidiaries with material non-controlling interests

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

Summarised balance sheet

	Jin Jiang Hotels Development At 31 December		Jin Jiang Travel At 31 December		Jin Jiang Investment At 31 December	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Non-current assets	**30,679,736**	31,150,332	**732,208**	1,222,545	**3,033,462**	3,441,797
Current assets	**9,835,192**	12,409,364	**716,272**	380,494	**1,463,376**	1,101,569
Total assets	**40,514,928**	43,559,696	**1,448,480**	1,603,039	**4,496,838**	4,543,366
Non-current liabilities	**(18,438,065)**	(22,005,390)	**(95,108)**	(135,166)	**(299,707)**	(336,908)
Current liabilities	**(8,050,040)**	(6,938,569)	**(489,297)**	(320,741)	**(660,882)**	(556,921)
Total liabilities	**(26,488,105)**	(28,943,959)	**(584,405)**	(455,907)	**(960,589)**	(893,829)
Net assets	**14,026,823**	14,615,737	**864,075**	1,147,132	**3,536,249**	3,649,537

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

10 SUBSIDIARIES (CONTINUED)

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

Summarised statement of comprehensive income

	Jin Jiang Hotels Development Year ended 31 December		Jin Jiang Travel Year ended 31 December		Jin Jiang Investment Year ended 31 December	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Revenue	**14,697,420**	13,582,584	**1,519,627**	1,710,185	**2,435,409**	2,368,746
Profit/(loss) before income tax expense	**1,403,933**	1,276,598	**(160,569)**	76,191	**229,194**	343,831
Income tax expense	**(361,082)**	(286,536)	**(3,637)**	(13,835)	**(2,779)**	(37,495)
Profit/(loss) for the year	**1,042,851**	990,062	**(164,206)**	62,356	**226,415**	306,336
Other comprehensive income	**(245,336)**	(91,451)	**(318,482)**	(50,779)	**(247,891)**	(2,430)
Total comprehensive income/(loss)	**797,515**	898,611	**(482,688)**	11,577	**(21,476)**	303,906
Total comprehensive income/(loss) allocated to non-controlling interests	**494,022**	446,430	**(125,490)**	5,764	**42,592**	184,593
Dividends paid to non-controlling interests	**70,387**	42,043	**–**	–	**42,260**	31,633

Summarised cash flows

	Jin Jiang Hotels Development Year ended 31 December		Jin Jiang Travel Year ended 31 December		Jin Jiang Investment Year ended 31 December	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Net cash generated from/(used in) operating activities	**3,515,211**	3,251,785	**(72,720)**	(45,795)	**115,622**	242,971
Net cash (used in)/generated from investing activities	**(605,243)**	(945,216)	**211,247**	18,098	**106,296**	65,949
Net cash (used in)/generated from financing activities	**(5,443,688)**	1,176,532	**(31,018)**	(30,753)	**(180,489)**	(167,793)
Exchange gains/(losses) on cash and cash equivalents	**7,318**	38,269	**392**	(575)	**–**	–
Net (decrease)/increase in cash and cash equivalents	**(2,526,402)**	3,521,370	**107,901**	(59,025)	**41,429**	141,127

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Investments in joint ventures (a)	**943,069**	1,006,445
Investments in associates (b)	**902,087**	903,304
	1,845,156	1,909,749

(a) Investments in joint ventures

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
At 1 January	**1,006,445**	1,168,759
Share of results (note 28)	**9,390**	123,174
— Profit before income tax	**22,499**	140,828
— Income tax expense	**(13,109)**	(17,654)
Declaration of dividends	**(71,075)**	(283,614)
Currency translation differences	**(1,691)**	(1,874)
At 31 December	**943,069**	1,006,445

Particulars of the Group's principal joint ventures are set out in note 40.

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

Commitments and contingent liabilities in respect of joint ventures

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

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Proportionate interests in joint ventures' capital and lease commitments	**21,228**	26,367

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Investments in joint ventures (Continued)

Summarised financial information for joint ventures

All joint ventures of the Group as at 31 December 2018 are immaterial to the Group. A summary of the financial information of the Group's joint ventures, attributable to the shares of the Group and in aggregate, is as follows:

Summarised statement of comprehensive income

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit for the year	**9,390**	123,174
Other comprehensive income	**(1,691)**	(1,874)
Total comprehensive income	**7,699**	121,300

Reconciliation of summarised financial information

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Opening net assets	**1,006,445**	1,168,759
Profit for the year (note 28)	**9,390**	123,174
Declaration of dividends	**(71,075)**	(283,614)
Currency translation differences	**(1,691)**	(1,874)
Closing net assets	**943,069**	1,006,445
Carrying value	**943,069**	1,006,445

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Investments in associates

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
At beginning of the year	**903,304**	780,441
Additions	**–**	288,998
Disposal of equity interests in subsidiaries to a non-controlling interest with loss of control	**–**	23,092
Share of results (note 28)	**260,539**	236,596
— Profit before income tax	**335,041**	316,156
— Income tax expense	**(74,502)**	(79,560)
Declaration of dividends	**(247,437)**	(216,345)
Disposals	**(11,224)**	(12,964)
Impairment losses (note 24)	**(2,259)**	—
Step-up acquisition to a subsidiary	**(3,254)**	(130,752)
Decrease in capital surplus of an associate arising from its business combination under common control	**–**	(69,202)
Currency translation differences	**2,418**	3,440
At end of the year	**902,087**	903,304

Particulars of the Group's principal associates are set of in note 40.

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

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

Summarised financial information for associates

All associates of the Group as at 31 December 2018 are immaterial to the Group. A summary of the financial information of the Group's associates attributable to the shares of the Group and in aggregate is as follows:

Summarised statement of comprehensive income

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit for the year	**260,539**	236,596
Other comprehensive income	**2,418**	3,440
Total comprehensive income	**262,957**	240,036

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Investments in associates (Continued)

Reconciliation of summarised financial information

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Opening net assets	**903,304**	780,441
Additions	**–**	288,998
Disposal of a subsidiary to a non-controlling interest	**–**	23,092
Share of results (note 28)	**260,539**	236,596
Declaration of dividends	**(247,437)**	(216,345)
Disposal	**(11,224)**	(12,964)
Impairment losses (note 24)	**(2,259)**	–
Step-up acquisition to a subsidiary	**(3,254)**	(130,752)
Decrease in capital surplus of an associate arising from its business combination under common control	**–**	(69,202)
Currency translation differences	**2,418**	3,440
Closing net assets	**902,087**	903,304
Carrying value	**902,087**	903,304

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

12 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables at amortised costs RMB'000	Financial assets at fair value through the profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Total RMB'000
31 December 2018				
Financial assets at fair value through other comprehensive income (note 13)	—	—	1,398,011	1,398,011
Trade receivables, prepayments and other receivables excluding non-financial assets	3,070,984	—	—	3,070,984
Financial assets at fair value through profit or loss (note 17)	—	1,975,197	—	1,975,197
Restricted cash and bank deposits (note 18)	848,145	—	—	848,145
Cash and cash equivalents (note 19)	11,442,949	—	—	11,442,949
	15,362,078	1,975,197	1,398,011	18,735,286

	Financial liabilities at amortised cost RMB'000	Derivatives used for hedging RMB'000	Total RMB'000
31 December 2018			
Borrowings (excluding finance lease liabilities) (note 22)	19,846,248	—	19,846,248
Finance lease liabilities (note 22)	195,201	—	195,201
Derivative financial instruments	—	2,781	2,781
Trade, other payables and accruals excluding non-financial liabilities	9,727,003	—	9,727,003
	29,768,452	2,781	29,771,233

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

12 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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

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

See note 2.2 for reclassification following the adoption of HKFRS 9 Financial Instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Year ended 31 December 2018 RMB'000
At beginning of the year (note 2.2)	2,735,749
Additions	6,377
Fair value changes (recorded under other comprehensive income)	(457,623)
Disposals	(886,492)
At end of the year	1,398,011

(i) Classification of financial assets at fair value through other comprehensive income

Financial assets at FVOCI are equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

(ii) Equity investments at fair value through other comprehensive income

	At 31 December 2018 RMB'000
Listed securities, at fair value	
— Equity securities, listed in Mainland China	1,372,277
Unlisted securities, at fair value	
— Equity securities	25,734
	1,398,011
Market value of listed equity investments	1,372,277

On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

In the prior financial year, the Group had designated equity investments as available-for-sale where management intended to hold them for the medium to long-term.

Note 2.2 explains the change of accounting policy and the reclassification of certain equity investments from available-for-sale to at FVPL. Note 2.14 sets out the remaining accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(iii) Disposal of equity investments

In 2018, the Group realised a gain of RMB732,867,000 on sales its investments in some equity securities, and the shares sold had a fair value of RMB886,492,000 when they were sold. The gain attributed to shareholders of the Company included in the OCI was RMB354,871,000. This gain has been transferred to retained earnings, net of tax of RMB50,514,000.

In 2017, the Group realised a gain of RMB175,726,000 on sales its investments in some equity securities, and the shares sold had a fair value of RMB206,793,000 when they were sold. In accordance with the Group's accounting policy for the prior period (see note 2.14.5), this gain and the associated tax impact was transferred from OCI to profit or loss at the date of sale.

(iv) Amounts recognised in profit or loss and other comprehensive income

During the year, the following gains/(losses) were recognised in profit or loss and other comprehensive income.

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Losses recognised in other comprehensive income, 2017 relating to available-for-sale financial assets	**(457,623)**	(98,214)
Gains reclassified from other comprehensive income to profit or loss on the sale of available-for-sale financial assets	**—**	175,726
Dividends from equity investments held at FVOCI recognised in profit or loss		
— Related to investments derecognised during the period	**11,187**	—
— Related to investments held at each balance sheet date	**53,531**	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(v) Financial assets previously classified as available-for-sale financial assets (2017)

Available-for-sale financial assets included the following classes of financial assets:

	At 31 December 2017 RMB'000
Listed securities, at fair value	
— Equity securities, listed in Mainland China	2,706,165
Unlisted securities, at fair value	
— Equity securities	767,669
— Debt securities	226,354
Unlisted securities, at cost	
— Equity securities	85,913
Less: provision for impairment of unlisted equity investments	(91,187)
	3,694,914
Market value of listed equity investments	2,706,165

Classification of financial assets as available-for-sale

Investments were designated as available-for-sale financial assets if they did not have fixed maturities and fixed or determinable payments, and management intended to hold them for the medium to long-term. Financial assets that were not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) were also included in the available-for-sale category.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(v) Financial assets previously classified as available-for-sale financial assets (2017) (Continued)

Impairment indicators for available-for-sale financial assets

A security was considered to be impaired if there had been a significant or prolonged decline in the fair value below its cost.

	Year ended 31 December 2017 RMB'000
At beginning of the year	3,667,472
Additions	729,801
Additions resulting from acquisition through business combinations	527
Fair value changes (recorded under other comprehensive income)	(98,214)
Disposals	(604,706)
Impairment losses	(100)
Currency translation differences	134
At end of the year	3,694,914
Less: current portion of available-for-sale financial assets (i)	(186,849)
	3,508,065
Current portion of available-for-sale financial assets (i)	186,849

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

14 DEFERRED INCOME TAX

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

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Deferred income tax assets		
— Deferred income tax assets to be recovered after more than 12 months	**741,860**	716,197
— Deferred income tax assets to be recovered within 12 months	**75,028**	46,542
	816,888	762,739
Deferred income tax liabilities		
— Deferred income tax liabilities to be settled after more than 12 months	**(2,641,712)**	(3,028,972)
— Deferred income tax liabilities to be settled within 12 months	**(69,152)**	(56,725)
	(2,710,864)	(3,085,697)
	(1,893,976)	(2,322,958)

The movement on the deferred income tax account is as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
At beginning of the year	**(2,322,958)**	(2,446,508)
Impact of changes in accounting policies (note 2.2)	**(64,435)**	—
Additions resulting from acquisition through business combination	**—**	(143,404)
Credited to consolidated income statement	**206,177**	269,444
Credited to other comprehensive income (note 29)	**191,600**	74,201
Directly to equity	**107,295**	—
Currency translation differences	**(11,655)**	(76,691)
At end of the year	**(1,893,976)**	(2,322,958)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

14 DEFERRED INCOME TAX (CONTINUED)

The movement in deferred income tax assets and liabilities during the year ended 31 December 2018, without taking into consideration of the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets:

	Impairment of assets RMB'000	Accelerated accounting depreciation RMB'000	Tax losses RMB'000	Provisions RMB'000	Asset basis differences (i) RMB'000	Fair value changes on financial instruments RMB'000	Other temporary differences(ii) RMB'000	Total RMB'000
At 1 January 2017	41,957	7,123	612,649	78,959	80,688	–	163,281	984,657
Credited/(charged) to consolidated income statement	9,619	(1,137)	(1,972)	600	–	–	29,013	36,123
Currency translation differences	–	–	31,308	1,222	–	–	1,316	33,846
At 31 December 2017	51,576	5,986	641,985	80,781	80,688	–	193,610	1,054,626
Change in accounting policy – HKFRS 15 (note 2.2)	–	–	–	–	–	–	17,664	17,664
At 1 January 2018	51,576	5,986	641,985	80,781	80,688	–	211,274	1,072,290
Credited/(charged) to consolidated income statement	930	(821)	(37,916)	53,255	–	9,528	(5,088)	19,888
Currency translation differences	–	–	(2,906)	113	–	–	145	(2,648)
At 31 December 2018	**52,506**	**5,165**	**601,163**	**134,149**	**80,688**	**9,528**	**206,331**	**1,089,530**

(i) The amounts as at 31 December 2018 and 31 December 2017 represent the land appreciation tax in connection with reorganisation with Jin Jiang Hotels Development, which can be deducted against future appreciation when the related land use right and properties are sold out of the Group. However, these appreciation of the related land use right and properties were eliminated in the consolidated balance sheet under intercompany transactions, which resulted in a deferred income tax asset.

(ii) The amount mainly includes the deferred income tax effect for deferred revenue under customer loyalty program and accrued rental expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

14 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities:

	Impairment of assets (i) RMB'000	Accelerated tax depreciation RMB'000	Fair value changes on financial instruments RMB'000	Fair value adjustments on other assets RMB'000	Other temporary differences (ii) RMB'000	Total RMB'000
At 1 January 2017	(12,528)	(85,436)	(611,250)	(2,668,850)	(53,101)	(3,431,165)
Additions resulting from acquisition through business combination	—	—	—	(125,013)	(18,391)	(143,404)
(Charged)/credited to consolidated income statement	(4,461)	7,485	(1)	206,123	24,175	233,321
Charged/(credited) to other comprehensive income	—	—	74,441	—	(240)	74,201
Currency translation differences	—	(4,072)	—	(98,846)	(7,619)	(110,537)
At 31 December 2017	(16,989)	(82,023)	(536,810)	(2,686,586)	(55,176)	(3,377,584)
Change in accounting policy — HKFRS 9 (note 2.2)	—	—	(82,099)	—	—	(82,099)
At 1 January 2018	(16,989)	(82,023)	(618,909)	(2,686,586)	(55,176)	(3,459,683)
(Charged)/credited to consolidated income statement	(3,068)	10,074	(16,877)	172,455	23,705	186,289
Charged to other comprehensive income	—	—	189,410	—	2,190	191,600
Directly to equity	—	—	107,295	—	—	107,295
Currency translation differences	—	(204)	—	(7,681)	(1,122)	(9,007)
At 31 December 2018	**(20,057)**	**(72,153)**	**(339,081)**	**(2,521,812)**	**(30,403)**	**(2,983,506)**

(i) Certain provisions for impairment of loans granted to subsidiaries were deductible for PRC current income tax purpose. However, these provisions were eliminated at the consolidated balance sheet, which resulted in a deferred income tax liability.

(ii) The amount mainly includes the deferred income tax effect for finance lease.

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For the year ended 31 December 2018

14 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets for the tax loss of RMB1,622,759,000 (2017: RMB1,435,557,000), as the Directors believe it is more likely than not that such tax losses would not be realised before their expiry. The expiry of related unrecognised tax loss are analysed as follows:

	At 31 December	
	2018 RMB'000	2017 RMB'000
Within 1 year	**187,322**	117,568
Between 1 and 2 years	**272,658**	183,713
Between 2 and 3 years	**263,366**	264,559
Between 3 and 4 years	**447,274**	221,217
Between 4 and 5 years	**421,388**	514,393
Over 5 year (i)	**30,751**	134,107
	1,622,759	1,435,557

(i) The amount represents the unrecognised tax loss of GDL, whose tax losses have no expiry date.

15 INVENTORIES

	At 31 December	
	2018 RMB'000	2017 RMB'000
Raw materials	**106,452**	94,143
Finished goods and merchandise	**182,683**	95,322
Consumables and supplies	**19,592**	19,688
	308,727	209,153

The cost of inventories recognised as expense and included in cost of sales amounted to RMB4,133,159,000 (2017: RMB3,977,493,000) (note 25).

The Group reversed inventory write-down of RMB1,489,000 for the year ended 31 December 2018 (2017: provided for inventory write-down of RMB1,984,000) (note 25).

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For the year ended 31 December 2018

16 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December	
	2018 RMB'000	2017 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 (note 37(b))	1,129,900	1,134,500
— Other amounts due from related parties (note 37(b))	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 (note 37(b))	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
— Value-added tax ("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:		
— Prepayments and deposits	143,874	138,849
— Accrued rental revenue	45,045	54,317
— Amounts due from related parties	—	13,788
	188,919	206,954

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16 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

The carrying amount of the financial assets of Trade receivables, prepayments and other receivables approximates their fair value.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

The majority of the Group's sales in Hotel Related Business, Passenger Transportation Vehicle and Logistics Business and Travel Agency Business are retail sales, with immediate cash settlement and no credit terms granted. For certain corporate or travel agency customers, the sales are made generally with credit terms ranging from 30 to 90 days. Ageing analysis of trade receivables based on invoice date at respective balance sheet dates are as follows:

	At 31 December	
	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 Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Note 3(a)(ii) provides for details about the calculation of the allowance.

Information about the impairment of Trade receivables, prepayments and other receivables the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 3(a).

The carrying amounts of the Group's Trade receivables, prepayments and other receivables are denominated in the following currencies:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
RMB	**3,269,047**	3,393,265
EUR	**802,068**	763,704
US$	**54,747**	46,587
PLN	**36,696**	29,009
Other foreign currencies	**85,687**	107,347
	4,248,245	4,339,912

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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16 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

Movements on the provision for impairment of trade receivables, prepayments and other receivables are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
At beginning of the year	**(254,360)**	(191,479)
Additions resulting from acquisition through business combination	**(4,550)**	(6,270)
Provision for impairment of trade receivables, prepayments and other receivables (note 25)	**(347)**	(52,772)
Receivables written off as uncollectible	**1,077**	2,947
Currency translation differences	**(2,566)**	(6,786)
At end of the year	**(260,746)**	(254,360)

The creation and usage of provision for impaired receivables have been included in "administrative expenses" in the consolidated income statement (note 25).

The maximum exposure of the Group to credit risk at the balance sheet date was the carrying value of trade receivables, prepayments and other receivables as mentioned above.

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(i) Classification of financial assets at fair value through profit or loss

The Group classifies the following financial assets at FVPL:

- debt investments that do not qualify for measurement at either amortised cost or FVOCI,
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(i) Classification of financial assets at fair value through profit or loss (Continued)

Financial assets mandatorily measured at FVPL include the following:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Non-current assets		
Listed securities, at fair value		
— Equity securities	**707,212**	—
Unlisted securities, at fair value		
— Equity securities	**427,383**	—
— Debt securities	**53,919**	—
	1,188,514	—
Current assets		
Listed securities, at fair value		
— Equity securities	**566,616**	470
Unlisted securities, at fair value		
— Debt securities	**220,067**	31,734
	786,683	32,204
Market value of listed equity investments	**1,273,828**	470

See note 2.2 for explanations regarding the change in accounting policy and the reclassification of certain investments from available-for-sale to financial assets at FVPL following the adoption of HKFRS 9, and note 2.14 for the remaining relevant accounting policies.

(ii) Amounts recognised in profit or loss

During the year, the following gains were recognised in profit or loss:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Fair value gains on equity investments at FVPL recognised in profit or loss	**219,767**	9,711
Fair value gains on debt instruments at FVPL recognised in profit or loss	**13,236**	1,421

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17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(iii) Previous accounting policy: Classification of financial assets at fair value through profit or loss

In 2017, the Group classified financial assets at fair value through profit or loss if they were acquired principally for the purpose of selling in the short term, ie are held for trading. They were presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they were presented as non-current assets. See note 2.14 for the Group's other accounting policies for financial assets.

	At 31 December	
	2018	2017
	RMB'000	RMB'000
At beginning of the year	**1,347,612**	60,924
Additions	**953,316**	1,302
Additions resulting from acquisition through business Combinations (note 35(b))	**387**	—
Fair value changes transferred to profit or loss	**233,003**	11,132
Disposals	**(559,141)**	(41,154)
Currency translation differences	**20**	—
At end of the year	**1,975,197**	32,204

18 RESTRICTED CASH AND BANK DEPOSITS

(a) Restricted cash

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Mandatory reserve deposit (i)	**491,622**	405,196
Other restricted cash (ii)	**112,854**	15,191
	604,476	420,387
Restricted cash denominated in		
— RMB	**604,181**	420,106
— US$	**295**	281
	604,476	420,387

(i) As at 31 December 2018, mandatory reserve deposit of Finance Company, a subsidiary and a non-bank finance company, was placed with the People's Bank of China, the central bank of the Mainland China. The weighted average effective interest rate on the mandatory reserve deposit was 1.62% (31 December 2017: 1.62%) per annum.

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For the year ended 31 December 2018

18 RESTRICTED CASH AND BANK DEPOSITS (CONTINUED)

(a) Restricted cash (Continued)

(ii) As at 31 December 2018, other restricted cash included:

(1) Guarantee fund for providing travel agency services of RMB3,000,000 (31 December 2017: RMB3,700,000) as required by National Tourism Administration of the People's Republic of China with effective annual interest rate of 3.25% (31 December 2017: 3.25%);

(2) Deposit pledged for issuance of letters of credit of RMB2,211,000 (31 December 2017: RMB802,000) with effective annual interest rate of 0.35% (31 December 2017: 0.35%);

(3) Restricted cash deposits for issuance of letters of guarantee of RMB13,912,000 (31 December 2017: RMB7,615,000) with effective annual interest rate of 0.35% (31 December 2017: 0.35%);

(4) Deposit pledged for bank acceptance drafts of RMB93,731,000 (31 December 2017: nil) with effective annual interest rate of 0.35% (31 December 2017: nil).

As at 31 December 2017, other restricted cash also included:

(1) deposits for litigation of RMB3,074,000 (31 December 2018: nil) with effective annual interest rate of 0.35% (31 December 2018: nil).

(b) Bank deposits with maturities over 3 months

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Bank deposits with maturities ranging from 3 months to 12 months	**243,669**	4,560,632
Denominated in:		
— RMB	**220,000**	4,078,012
— US$	**23,669**	482,620
	243,669	4,560,632

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19 CASH AND CASH EQUIVALENTS

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Cash at bank and in hand	**10,069,727**	9,113,310
Bank deposits with maturities within 3 months	**1,373,222**	2,984,802
	11,442,949	12,098,112
Cash and cash equivalents denominated in:		
— RMB	**9,979,397**	11,117,747
— EUR	**686,329**	624,017
— US$	**517,318**	347,302
— Other foreign currencies	**259,905**	9,046
	11,442,949	12,098,112

As at 31 December 2018, the weighted average effective interest rate on bank deposits with maturities within 3 months was 2.51% (31 December 2017: 4.02%) per annum.

20 SHARE CAPITAL AND RESERVES

(a) Share capital

	Share capital	
	Number of shares '000	Amount RMB'000
At 1 January 2017, 31 December 2017 and 2018	5,566,000	5,566,000

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20 SHARE CAPITAL AND RESERVES (CONTINUED)

(b) Reserves

	Other reserves								
	Capital surplus (i) RMB'000	Statutory and discretionary surplus reserve (ii) RMB'000	Merger reserve (iii) RMB'000	Available-for-sale financial assets (iv) RMB'000	Currency translation differences RMB'000	Others RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2017	2,015,107	697,270	(2,880,680)	1,033,325	(1,624)	(1,215)	862,183	2,928,777	3,790,960
Profit for the year	–	–	–	–	–	–	–	760,770	760,770
Remeasurements of post-employment benefit obligations net of tax	–	–	–	–	–	(257)	(257)	–	(257)
Fair value changes on available-for-sale financial assets-gross	–	–	–	(50,913)	–	–	(50,913)	–	(50,913)
Transfer of fair value changes on disposal of available-for-sale financial assets-gross	–	–	–	(88,473)	–	–	(88,473)	–	(88,473)
Fair value changes on available-for-sale financial assets and transfer of fair value changes on disposal of available-for-sale financial assets – tax	–	–	–	37,887	–	–	37,887	–	37,887
Cash flow hedges	–	–	–	–	–	499	499	–	499
Currency translation differences	–	–	–	–	15,900	–	15,900	–	15,900
Dividends declared (note 31)	–	–	–	–	–	–	–	(445,280)	(445,280)
Profit appropriation	–	32,207	–	–	–	–	32,207	(32,207)	–
Acquisition of equity interests in subsidiaries from non-controlling equity interests	(172)	–	–	–	–	–	(172)	–	(172)
Capital contribution from a non-controlling interest	(49,885)	–	–	–	–	–	(49,885)	–	(49,885)
Effect of business combination under common control combination	(52,012)	–	–	–	–	–	(52,012)	–	(52,012)
At 31 December 2017	1,913,038	729,477	(2,880,680)	931,826	14,276	(973)	706,964	3,212,060	3,919,024

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20 SHARE CAPITAL AND RESERVES (CONTINUED)

(b) Reserves (Continued)

	Other reserves									
	Capital surplus (i) RMB'000	Statutory and discretionary surplus reserve (ii) RMB'000	Merger reserve (iii) RMB'000	Available-for-sale financial assets (iv) RMB'000	Financial assets at FVOCI (iv) RMB'000	Currency translation differences RMB'000	Others RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
At 31 December 2017	1,913,038	729,477	(2,880,680)	931,826	–	14,276	(973)	706,964	3,212,060	3,919,024
Change in accounting policy – HKFRS 9 (note 2.2)	–	–	–	(931,826)	861,850	–	–	(69,976)	211,117	141,141
Change in accounting policy – HKFRS 15 (note 2.2)	–	–	–	–	–	–	–	–	(26,042)	(26,042)
At 1 January 2018	1,913,038	729,477	(2,880,680)	–	861,850	14,276	(973)	636,988	3,397,135	4,034,123
Profit for the year	–	–	–	–	–	–	–	–	761,701	761,701
Changes in fair value of equity investments at fair value through other comprehensive income – gross	–	–	–	–	(207,955)	–	–	(207,955)	–	(207,955)
Changes in fair value of equity investments at fair value through other comprehensive income – tax	–	–	–	–	89,819	–	–	89,819	–	89,819
Remeasurements of post-employment benefit obligations	–	–	–	–	–	–	(2,635)	(2,635)	–	(2,635)
Cash flow hedges	–	–	–	–	–	–	537	537	–	537
Currency translation differences	–	–	–	–	–	11,769	–	11,769	–	11,769
Transfer of fair value changes on disposal of equity investments at fair value through other comprehensive income – gross	–	–	–	–	(354,871)	–	–	(354,871)	354,871	–
Transfer of fair value changes on disposal of equity investments at fair value through other comprehensive income – tax	–	–	–	–	50,514	–	–	50,514	(50,514)	–
Dividends declared (note 31)	–	–	–	–	–	–	–	–	(445,280)	(445,280)
Profit appropriation	–	53,834	–	–	–	–	–	53,834	(53,834)	–
Acquisition of equity interests in from non-controlling equity holders (note 36)	(335,573)	–	–	–	–	–	–	(335,573)	–	(335,573)
At 31 December 2018	1,577,465	783,311	(2,880,680)	–	439,357	26,045	(3,071)	(57,573)	3,964,079	3,906,506

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20 SHARE CAPITAL AND RESERVES (CONTINUED)

(b) Reserves (Continued)

(i) Capital surplus represents premium arising from shareholders' contribution in excess of paid-in capital or from the issue of shares at a price in excess of their par value per share, and the effect for transactions with non-controlling interests on changes in equity attributable to shareholders of the Company.

(ii) Pursuant to the Company Law of the Mainland China and the articles of association of certain group companies, the Company is required to transfer 10% of its net profit, as determined under the Mainland China accounting regulations, to statutory surplus reserve until the fund aggregates to 50% of their share capital; after the transfer of statutory surplus reserves, the Company can appropriate profit, subject to respective shareholders' approval, to discretionary surplus reserve.

The transfer to statutory and discretionary reserves must be made before distribution of dividends to shareholders. These reserves shall only be used to make up previous years' losses, to expand production operations, or to increase the capital of the Company. The Company may transfer the statutory surplus reserve into share capital, provided that the balance of the statutory surplus reserve after such transfer is not less than 25% of the registered capital.

(iii) Merger reserve represents the net effect arising from the application of merger accounting for business combinations resulting from transactions among entities under common control. It includes (1) the paid-in capital of certain subsidiaries, which were transferred to the Group in the Reorganisation and Acquisition, and their retained earnings/(accumulated losses) before acquisitions by Jin Jiang International, which were credited/(debited) to merger reserve and (2) the considerations and other settlements paid by the Group in the Reorganisation and Acquisition to obtain the interests in these subsidiaries, which were debited to merger reserve.

(iv) Available-for-sale financial assets — until 31 December 2017

Reserve on available-for-sale financial assets represents the accumulated changes in fair value, net of tax, of available-for-sale financial assets through equity.

Financial assets at FVOCI

The Group has elected to recognise changes in the fair value of certain investments in equity securities in OCI, as explained in note 2.14. These changes are accumulated within the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

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21 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 (note 37(b))	**3,981,082**	5,361,707
Employee benefit payables (i)	**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 (note 37(b))	**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 (iii)	**77,197**	58,598
Defined benefit plan of GDL (ii)	**73,865**	59,113
Deferred government grants	**44,089**	119,176
Payables related to the disposal of 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 (note 36)	**3,000**	—
Advances from customers (note 2.2)	**—**	1,395,344
Marketing fund (note 2.2)	**—**	63,432
Deferred revenue for customer loyalty programme (note 2.2)	**—**	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

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21 TRADE, OTHER PAYABLES AND ACCRUALS (CONTINUED)

	At 31 December	
	2018 RMB'000	2017 RMB'000
Non-current portion of trade, other payables and accruals:		
Payables for purchases of land use rights	611,600	890,969
Employee benefits payables	595,301	629,697
Deposits from related parties in Finance Company	191,500	140,500
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
Deferred government grants	33,873	102,878
Deferred payment of acquisition of a subsidiary	18,788	9,111
Deposits from lessees and constructors	4,500	650
Marketing fund	—	63,432
Deferred revenue for customer royalty programme	—	54,461
Others	21,029	17,771
	1,645,948	2,067,203

(i) The balance as at 31 December 2018 included the employee benefits payables of RMB601,667,000 (31 December 2017: RMB481,310,000) incurred for early retirement plan, termination benefits, post-employment benefits and employee benefits for the redundant employees during hotel renovations.

The table below outlines the Group's termination benefits, early retirement welfare and long-term employee benefits for the redundant employees during hotel renovations that are included in the consolidated balance sheet and consolidated income statement.

	At 31 December	
	2018 RMB'000	2017 RMB'000
Consolidated balance sheet obligations for:		
— Early retirement welfare, termination benefits and post-employment benefits (a)	534,607	286,560
— Employee benefits for the redundant employees during hotel renovations (b)	67,060	194,750
	601,667	481,310
Less: current portion	(135,706)	(50,920)
Non-current portion	465,961	430,390

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21 TRADE, OTHER PAYABLES AND ACCRUALS (CONTINUED)

(i) (Continued)

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Consolidated income statement charge included employee benefit expenses for:		
Employee benefit expenses for early retirement welfare and redundant employee during hotel renovation	**155,521**	21,730

(a) Early retirement welfare, termination benefits and post-employment benefit plan

In 2014, the Group announced a series of detailed non-cancellable formal plan (the "Early Retirement Plan") to early retire certain redundant employees. In 2015, the Group disposed of 50% equity interests in Galaxy Hotel, and some employees of Galaxy Hotel were also brought into the Early Retirement Plan. Under the Early Retirement Plan, the Group is obliged to make monthly payment of wages, salaries and social welfare to these early retired employees from the date of early retirement to the regulated retirement date. In 2018, Jin Jiang Investment and Jin Jiang Travel announced a series of detailed non-cancellable formal plan ("2018 Early Retirement Plan,Termination Plan and Post-employment Benefit Plan") to the related employees.

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

Since 2014, certain hotels under the Group have stopped or will stop operations in order to implement renovation of the whole hotel properties for certain periods. The Group announced a series of detailed formal plan (the "Redundant Employee Plan for Hotel Renovation") and the Group is obliged to make monthly payment of wages, salaries and social welfare to these redundant employees during the renovation period. The Redundant Employee Plan for Hotel Renovation is non-cancellable.

The movement in the obligations for Early Retirement Plan, Termination Plan and Post-employment Benefit Plan and Redundant Employee Plan for Hotel Renovation over the year is as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
At beginning of the year	**481,310**	504,941
Employee benefit expenses recognised in consolidated income statement (note 26)	**155,521**	21,730
Benefit payments during the year	**(35,164)**	(45,361)
At end of the year	**601,667**	481,310

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21 TRADE, OTHER PAYABLES AND ACCRUALS (CONTINUED)

(i) (Continued)

The above obligations were determined based on actuarial valuations performed by an independent qualified actuarial firm, Towers Perrin Consulting Company Limited (member of the Society of Actuaries and the China Association of Actuaries).

The significant actuarial assumptions were as follows:

	At 31 December	
	2018	2017
Discount rate	**2.25%–4.00%**	2.50%–3.00%
Mortality rate	**Chinese residents ordinary life span**	Chinese residents ordinary life span
Benefit increase rate	**8%**	8%

The sensitivity of the employee benefit obligations to changes in the weighted principal assumptions is:

	Change in assumption	Increase in obligations balance RMB'000	Decrease in obligations balance RMB'000
Discount rate	0.25%	10,460	(9,980)
Benefit increase rate	0.25%	6,040	(5,880)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the employee benefit obligations to significant actuarial assumptions, the calculation method is the same as that used in the calculation of liability recognised in the consolidated financial statements (i.e. present value of the employee benefit obligations calculated with the projected unit credit method at each balance sheet date).

Expected maturity analysis of undiscounted employee benefits:

	At 31 December	
	2018 RMB'000	2017 RMB'000
Within 1 year	**135,706**	50,920
Between 1 year and 2 years	**99,053**	82,300
Between 2 years and 5 years	**179,056**	203,820
Over 5 years	**418,090**	268,970
	831,905	606,010

The retirement termination payment plans pursuant to collective bargaining agreements and/or company-wide agreements provide for the payment of an amount on retirement based on length of service and salary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

21 TRADE, OTHER PAYABLES AND ACCRUALS (CONTINUED)

(ii) The defined benefit plan is determined by GDL on the basis of the geographical location, industry, and salary agreement, length of service and salary levels of employees.

	Present value of obligation Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Beginning balance	**59,113**	49,010
Additions resulting from acquisition through business combination	**125**	2,825
Current service cost (note 26)	**6,428**	4,453
Settle gains	**875**	—
Interest cost	**217**	900
Remeasurement gain/(loss)	**7,987**	(780)
Benefits payments	**(1,181)**	—
Currency translation differences	**301**	2,705
Ending balance	**73,865**	59,113

The actuarial valuations of the present value of the defined benefit obligation were carried out at 31 December 2018 by a qualified actuarial firm. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	At 31 December	
	2018	2017
Discount rates	**1.60%**	1.50%
Long-term rate of inflation	**1.50%**	1.75%
Welfare increase rate	**2.50%–4.00%**	2.50%–4.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

21 TRADE, OTHER PAYABLES AND ACCRUALS (CONTINUED)

(ii) (Continued)

As at 31 December 2018, the sensitivity of the defined benefit obligations to changes in the weighted principal assumptions is:

	Change in assumption	Increase in obligations balance RMB'000	Decrease in obligations balance RMB'000
Discount rate	0.50%	5,593	(5,053)
Long-term rate of inflation	0.50%	140	(150)
Welfare increase rate	0.50%	4,413	(4,836)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognised within the statement of financial position.

(iii) The movement in the provisions for other liabilities and charges over the year is as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Beginning balance	**58,598**	61,392
Additions	**32,904**	590
Payment	**(14,596)**	(6,251)
Currency translation differences	**291**	2,867
Ending balance	**77,197**	58,598

As at 31 December 2018, the balance mainly represented a provision for certain legal claims and disputes brought against GDL and Keystone by third parties. The provision charge is recognised in profit or loss. The balance at 31 December 2018 is not expected to be utilised in 2019. After taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided for as at 31 December 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

21 TRADE, OTHER PAYABLES AND ACCRUALS (CONTINUED)

(iv) Ageing analysis of trade payables 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	**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

(v) The carrying amount of the financial liabilities of trade, other payables and accruals approximates their fair value. The carrying amounts of the Group's trade, other payables and accruals are denominated in the following currencies:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
RMB	**10,330,740**	13,311,301
EUR	**1,784,669**	1,472,321
PLN	**56,294**	39,897
Great Britain Pound ("GBP")	**36,646**	29,144
US$	**27,866**	71,717
Other foreign currencies	**64,633**	36,025
	12,300,848	14,960,405

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

22 BORROWINGS

	At 31 December	
	2018 RMB'000	2017 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 (note 37(b))	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 (note 37(b))	(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 (note 37(b))	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 (note 37(b))	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: EUR770,000,000, equivalent to RMB6,007,771,000), which were guaranteed by Jin Jiang International;

(b) Bank borrowings of PLN35,324,000, 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: RMB8,000,000), which were guaranteed by a non-controlling shareholder of a subsidiary of the Group;

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

22 BORROWINGS (CONTINUED)

(i) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity whichever is the earlier date are as follows:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Within 6 months	**11,591,133**	12,279,205
Between 6 and 12 months	**1,213,355**	3,487,106
Between 1 and 5 years	**7,236,961**	8,017,363
	20,041,449	23,783,674

(ii) 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

(iii) 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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

22 BORROWINGS (CONTINUED)

(iv) The carrying amounts and fair values of non-current bank borrowings are as follows:

	Carrying amounts RMB'000	Fair values RMB'000
At 31 December 2018		
— Bank borrowings	16,727,801	16,321,504
— Finance lease liabilities	179,438	179,438
	16,907,239	16,500,942
At 31 December 2017		
— Bank borrowings	19,789,057	19,586,155
— Finance lease liabilities	165,747	165,747
	19,954,804	19,751,902

The fair values of non-current borrowings are estimated based on discounted cash flow approach using the market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates.

The carrying amounts of current borrowings approximate their fair values.

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

	At 31 December	
	2018 RMB'000	2017 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

22 BORROWINGS (CONTINUED)

(vi) Finance lease liabilities

Finance lease liabilities with carrying amount of RMB195,201,000 (31 December 2017: RMB179,304,000) are effectively secured by the leased asset with carrying amount of RMB238,566,000 (31 December 2017: RMB268,422,000) (note 6).

	At 31 December	
	2018 **RMB'000**	2017 RMB'000
Gross finance lease liabilities — minimum lease payments		
Within 1 year	**18,322**	16,479
Between 1 year and 2 years	**17,352**	15,675
Between 2 years and 5 years	**50,557**	46,661
Over 5 years	**191,062**	168,005
	277,293	246,820
Future finance charges on finance leases	**(82,092)**	(67,516)
Present value of finance lease liabilities	**195,201**	179,304
The present value of finance lease liabilities is as follows:		
Within 1 year	**15,763**	13,557
Between 1 year and 2 years	**15,566**	12,955
Between 2 years and 5 years	**46,574**	39,822
Over 5 years	**117,298**	112,970
	195,201	179,304

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

23 OTHER INCOME AND GAIN

	Year ended 31 December	
	2018	2017
	RMB'000	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 gain on financial assets at FVPL	**143,204**	—
Realised fair value gain 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 interests in Hua Ting Hotel.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

24 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 available-for-sale financial assets	**—**	100
Others	**31,198**	13,448
	148,346	189,975

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

25 EXPENSES BY NATURE

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Employee benefit expenses (note 26)	**6,796,136**	5,946,835
Changes in inventories (note 15)	**4,133,159**	3,977,493
Operating leases — land and buildings	**1,918,526**	1,879,718
Depreciation of property, plant and equipment (note 6)	**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, VAT through a simplified method and other tax surcharges	**268,665**	251,952
Laundry costs	**250,144**	225,636
Amortisation of intangible assets (note 9)	**202,002**	197,267
Transportation expenses	**150,827**	121,112
Amortisation of land use rights (note 8)	**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 (notes 6 and 9)	**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 (note 7)	**11,637**	9,629
Pre-operation expenses	**8,353**	46,156
Provision for impairment of trade receivables, prepayments and other receivables (note 16)	**347**	52,772
(Reversal of)/provision for inventories written-down (note 15)	**(1,489)**	1,984
Others	**599,293**	932,874
	19,202,057	18,176,558

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

26 EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Employee benefit expenses for in-service employees	**6,634,187**	5,920,652
— Wages and salaries	**4,779,790**	4,265,703
— Retirement and housing benefits (a)	**1,194,948**	1,066,426
— Welfare and other expenses	**659,449**	588,523
Employee benefit expenses for Early Retirement Plan, 2018 Early Retirement Plan, Termination Plan and Post-employment Benefit Plan and Redundant Employee Plan for Hotel Renovation (note 21)	**155,521**	21,730
Defined benefit plan of GDL (note 21)	**6,428**	4,453
	6,796,136	5,946,835
Number of employee	**57,490**	54,504

(a) Retirement benefit and housing benefits schemes

The employees of the Group participate in various pension plans organised by the relevant municipal and provincial governments under which the Group is obliged to make monthly defined contributions to these plans based on percentages of the employees' monthly salaries and wages, subject to a certain ceiling. The employees of the Group companies in Mainland China are also entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds.

The Group had no further obligation for post-retirement benefits or housing funds beyond the payments above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

26 EMPLOYEE BENEFIT EXPENSE (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the years 2018 and 2017 do not include any directors of the Company. The emoluments payable to these individuals during the years ended 31 December 2018 and 2017 are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Discretionary bonuses	**8,949**	11,402
Salary and allowances	**9,970**	6,030
Retirement scheme contributions	**498**	270
	19,417	17,702

The emoluments fell within the following bands:

	Year ended 31 December	
	2018	2017
	Number	Number
RMB1,971,450 (equivalent to HK$2,250,000) to RMB2,190,500 (equivalent to HK$2,500,000)	**1**	4
RMB2,190,500 (equivalent to HK$2,500,000) to RMB2,409,550 (equivalent to HK$2,750,000)	**2**	—
RMB2,409,550 (equivalent to HK$2,750,000) to RMB2,628,600 (equivalent to HK$3,000,000)	**1**	—
RMB6,571,500 (equivalent to HK$7,500,000) to RMB8,762,000 (equivalent to HK$10,000,000)	**—**	—
RMB8,762,000 (equivalent to HK$10,000,000) to RMB10,952,500 (equivalent to HK$12,500,000)	**1**	1
	5	5

(c) During the year 2018, no directors, supervisors, senior management or the five highest paid individuals of the Group waived any emoluments and no other emoluments were paid by the Group to any of the directors, supervisors, senior management or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

27 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

28 SHARE OF RESULTS OF JOINT VENTURES AND ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Share of results of joint ventures (note 11)	**9,390**	123,174
Share of results of associates (note 11)	**260,539**	236,596
	269,929	359,770

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

29 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 (note 14)	**(176,816)**	(248,863)
Overseas deferred income tax (note 14)	**(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

29 INCOME TAX EXPENSE (CONTINUED)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of 25% (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 a credit in 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".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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29 INCOME TAX EXPENSE (CONTINUED)

The tax credit/(charge) relating to other comprehensive income is as follow:

	2018			2017		
	Before tax RMB'000	Tax credit/ (charge) RMB'000	After tax RMB'000	Before tax RMB'000	Tax credit/ (charge) RMB'000	After tax RMB'000
Fair value changes on financial assets at FVOCI	(457,623)	189,410	(268,213)	—	—	—
Fair value changes on available-for-sale financial assets	—	—	—	(98,214)	30,509	(67,705)
Transfer of fair value changes on disposal of available-for-sale financial assets	—	—	—	(175,726)	43,932	(131,794)
Remeasurements on the net defined benefit liabilities or assets	(7,987)	2,750	(5,237)	(779)	268	(511)
Cash flow hedges net of tax	1,627	(560)	1,067	1,475	(508)	967
Currency translation differences	(4,904)	—	(4,904)	48,003	—	48,003
Other comprehensive income	(468,887)	191,600	(277,287)	(225,241)	74,201	(151,040)

30 EARNINGS PER SHARE

	Year ended 31 December	
	2018 RMB'000	2017 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

32 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit for the year to cash generated from operations:

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Profit before income tax		**1,820,276**	1,961,957
Adjustments for:			
— depreciation of property, plant and equipment	25	**1,635,464**	1,657,152
— depreciation of investment properties	25	**11,637**	9,629
— amortisation of land use rights	25	**134,773**	65,951
— amortisation of intangible assets	25	**202,002**	197,267
— Impairment loss of property, plant and equipment and intangible assets	25	**56,734**	53,602
— gain on disposal of property, plant and equipment	23	**(42,003)**	(10,060)
— government compensation for expropriation of hotel land use right and properties	23	**(66,806)**	—
— loss on disposal of property, plant and equipment	24	**16,099**	39,469
— net gain on disposal of investment in associates	23, 24	**(7,868)**	(25,175)
— gain on disposal of available-for-sale financial assets	23	**—**	(175,726)
— gain on disposal of investment in a subsidiary	23	**—**	(33,609)
— unrealised fair value (gain)/loss on financial assets at FVPL	23, 24	**(104,952)**	22
— realised fair value gain on financial assets at FVPL	23	**(128,051)**	(11,132)
— provision for impairment of trade receivables, prepayments and other receivables	25	**347**	52,772
— (reversal of)/provision for inventories write-down	25	**(1,489)**	1,984
— impairment for available-for-sale financial assets	24	**—**	100
— impairment of investments in associates	24	**2,259**	—
— interest income from bank deposits	23	**(161,889)**	(149,247)
— interest expenses	27	**618,922**	692,399
— interest income from restricted deposits pledged for borrowings	27	**—**	(115,807)
— net foreign exchange loss on borrowings	27	**4,169**	48,537
— share of results of joint ventures and associates accounted for by the equity method	28	**(269,929)**	(359,770)
— revaluation gain from remeasuring the equity interests previously held in a subsidiary	23	**—**	(83,162)
— dividend income	23	**(150,048)**	(185,060)
Changes in working capital:			
— restricted cash		**(141,701)**	(177,702)
— inventories		**(49,759)**	(13,976)
— trade receivables, prepayments and other receivables		**(148,348)**	(1,801,462)
— trade, other payables and accruals		**652,182**	1,173,627
Cash generated from operations		**3,882,021**	2,812,580

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For the year ended 31 December 2018

32 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Reconciliation of profit for the year to cash generated from operations: (Continued)

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Net book amount (note 6)	**81,922**	140,119
Gain on disposal of property, plant and equipment (note 23)	**42,003**	10,060
Loss on disposal of property, plant and equipment (note 24)	**(16,099)**	(39,469)
Proceeds from disposal of property, plant and equipment	**107,826**	110,710

(b) Principal non-cash transactions

The principal non-cash transactions include:

(i) The purchases of property, plant and equipment, and intangible assets not been settled as at 31 December 2018 and 2017 was disclosed in note 21.

(ii) The finance lease arrangements of the Group is disclosed in note 22(vi).

(c) Net debt reconciliation

The reconciliation of liabilities arising from financing activities is as follows:

	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Finance leases due within 1 year RMB'000	Finance leases due after 1 year RMB'000	Total RMB'000
At 31 December 2017	3,815,313	19,789,057	13,557	165,747	23,783,674
Cash flows					
— Inflow from financing activities	1,498,196	1,499,000	1,112	7,353	3,005,661
— Outflow from financing activities	(4,240,086)	(2,560,050)	(13,444)	—	(6,813,580)
— Non-cash changes — Reclassification	2,045,018	(2,045,018)	14,652	(14,652)	—
— Addition to loans through business combination (note 35)	—	738	—	—	738
Currency translation differences	5	44,075	(113)	20,989	64,956
At 31 December 2018	**3,118,446**	**16,727,802**	**15,764**	**179,437**	**20,041,449**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

33 FINANCIAL GUARANTEE CONTRACTS

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Not later than 1 year	**–**	9,500

The Group provides guarantees for bank borrowings of joint ventures and associates of the Group. Under the terms of the financial guarantee contracts, the Group will make payments to reimburse the lenders upon failure of the guaranteed entities to make payments when due.

The financial guarantee contracts have not been recognised in the consolidated financial statements as the Group considered that the possibility of failure of the guaranteed entities to make payments when the bank borrowings due is remote and the fair value of the guarantees contract was insignificant.

34 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. The rental revenue and the operating lease expenses recognised in the consolidated income statement for the year ended 31 December 2018 are disclosed in notes 5(a) and 25, respectively.

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

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For the year ended 31 December 2018

34 COMMITMENTS (CONTINUED)

(b) Operating lease commitments (Continued)

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 (note 37(c)).

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35 BUSINESS COMBINATION

(a) Parcotel Annemasse ("Annemasse")

On 29 June 2018, GDL entered into agreements (the "Annemasse Acquisition Agreements") to acquire 100% equity interests in Annemasse from its former shareholders. Annemasse is a franchised hotel in France.

On 29 June 2018, such 100% equity interests in Annemasse was transferred to GDL and the total closing consideration was EUR1,750,000 (equivalent to RMB13,666,000). Upon the completion of the transaction, Annemasse became a wholly-owned subsidiary of GDL.

The Group involved an independent qualified valuation firm to evaluate the fair value of the identifiable net assets of Annemasse. As at 29 March 2019, the approval date of these consolidated financial statements, the valuation has not been completed and the fair value of the identifiable net assets and the related goodwill of Annemasse shall be adjusted based on the final valuation result.

Details of purchase consideration are as follows:

	RMB'000
Purchase consideration:	
— Cash paid	13,666

The assets and liabilities as at 29 June 2018 arising from the acquisition are as follows:

	Fair values RMB'000
Property, plant and equipment	34,205
Intangible assets	62
Trade receivables, prepayments and other receivables — non-current portion	71
Trade receivables, prepayments and other receivables — current portion	837
Cash and cash equivalents	991
Trade, other payables and accruals — non current portion	(25,994)
Trade, other payables and accruals — current portion	(9,102)
Total identifiable net assets	1,070
Share of net assets (100%)	1,070
Add: Goodwill	12,596
Total purchase consideration	13,666
Total purchase consideration settled in cash for the year ended 31 December 2018	(13,666)
Cash and cash equivalents in the subsidiary acquired	991
Cash outflow of cash consideration on acquisition	(12,675)
Total transaction cost	2,062

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35 BUSINESS COMBINATION (CONTINUED)

(b) Golden Tulip South East Asia Ltd. ("GT SEA")

GDL originally held 50% equity interests in GT SEA, and accounted it as a joint venture before 30 April 2018. On 30 April 2018, GDL entered into GT SEA Equity Transfer Agreement with an independent third party (the "Transferor"), pursuant to which GDL agreed to further acquire a total 50% equity interests of GT SEA at a consideration of EUR1,181,000 (equivalent to RMB9,223,000) from the Transferor. Upon completion of the transaction on 30 April 2018, GDL obtained control over GT SEA and GT SEA became a wholly-owned subsidiary of GDL.

The Group involved an independent qualified valuation firm to evaluate the fair value of the identifiable net assets of GT SEA. As at 29 March 2019, the approval date of these consolidated financial statements, the valuation has not been completed and the fair value of the identifiable net liabilities and the related goodwill of GT SEA shall be adjusted based on the final valuation result.

Details of purchase consideration are as follows:

	RMB'000
Purchase consideration:	
— Cash to be paid	9,223

The assets and liabilities as at 30 April 2018 arising from the acquisition are as follows:

	Fair values RMB'000
Property, plant and equipment	168
Financial assets at fair value through profit or loss	387
Trade receivables, prepayments and other receivables — non-current portion	390
Trade receivables, prepayments and other receivables — current portion	8,439
Cash and cash equivalents	925
Trade, other payables and accruals — non-current portion	(274)
Trade, other payables and accruals — current portion	(23,256)
Total identifiable net liabilities	(13,221)
Share of net liabilities (100%)	(13,221)
Less: Revaluation gain from remeasuring the 50% equity interests previously held	(9,223)
Add: Goodwill	31,667
Total purchase consideration	9,223
Total purchase consideration settled in cash for the year ended 31 December 2018	—
Cash and cash equivalents in the subsidiary acquired	925
Cash inflow of cash consideration on acquisition	925
Total transaction cost	1,617

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35 BUSINESS COMBINATION (CONTINUED)

(c) LA HOTELS and Tempting Places

On 31 December 2018, GDL entered into agreements (the "LA HOTELS acquisition agreement" and "Tempting Places acquisition agreement") to acquire 100% equity interests in LA HOTELS and Tempting Places from their former shareholders, respectively.

On 31 December 2018, such 100% equity interests in LA HOTELS and Tempting Places were transferred to GDL and the total closing consideration was EUR3,515,000 (equivalent to RMB27,452,000). Upon the completion of the transaction, LA HOTELS and Tempting Places became a wholly-owned subsidiaries of GDL.

The Group involved an independent qualified valuation firm to evaluate the fair value of the identifiable net assets of LA HOTELS and Tempting Places. As at 29 March 2019, the approval date of these consolidated financial statements, the valuation has not been completed and the fair value of the identifiable net liabilities and the related goodwill of LA HOTELS and Tempting Places shall be adjusted based on the final valuation result.

Details of purchase consideration are as follows:

	RMB'000
Purchase consideration:	
— Cash paid	27,452

The assets and liabilities as at 31 December 2018 arising from the acquisition are as follows:

	Fair values RMB'000
Property, plant and equipment	12,236
Intangible assets	19,330
Trade receivables, prepayments and other receivables — non-current portion	3,202
Trade receivables, prepayments and other receivables — current portion	8,002
Cash and cash equivalents	1,303
Borrowings — non current portion	(738)
Trade, other payables and accruals — non current portion	(38,825)
Trade, other payables and accruals — current portion	(7,861)
Total identifiable net liabilities	(3,351)
Share of net liabilities (100%)	(3,351)
Add: Goodwill	30,803
Total purchase consideration	27,452
Total purchase consideration settled in cash for the year ended 31 December 2018	(27,452)
Cash and cash equivalents in the subsidiary acquired	1,303
Cash outflow of cash consideration on acquisition	(26,149)
Total transaction cost	2,109

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35 BUSINESS COMBINATION (CONTINUED)

(d) Shanghai Jin Jiang Auto Trading Service Company Ltd. ("Jin Jiang Auto Trading Service")

On 31 July 2018, Jin Jiang Leasing Company Ltd. ("Jin Jiang Leasing", a subsidiary of Jin Jiang Investment) entered into a concerted action agreement ("Concerted Action Agreement") with Shanghai Jin Jiang Passenger Transport Company Ltd. ("Jin Jiang Passenger Transport"), another shareholder of Jin Jiang Auto Trading Service. The Group has 30% equity interest in Jin Jiang Passenger Transport and accounts it as an associate, and Jin Jiang Passenger Transport holds 60% equity interest in Jin Jiang Auto Trading Service.

In accordance with the Concerted Action Agreement, Jin Jiang Passenger Transport will conduct consistent actions with Jin Jiang Leasing when the exercise of the shareholders' voting rights. Before the Concerted Action Agreement, Jin Jiang Leasing has 30% equity interest in Jin Jiang Auto Trading Service and the Group accounted it as an associate. After the Concerted Action Agreement, Jin Jiang Leasing has the control over Jin Jiang Auto Trading Service with no consideration, and Jin Jiang Auto Trading Service became a subsidiary of Jin Jiang Investment.

As at 29 March 2019, the approval date of these consolidated financial statements, the valuation has not been completed and the fair value of the identifiable net assets and the related goodwill of Jin Jiang Auto Trading Service shall be adjusted based on the final valuation result.

Details of purchase consideration are as follows:

	RMB'000
Total purchase consideration	—

The assets and liabilities as at 31 July 2018 arising from the acquisition are as follows:

	Fair values RMB'000
Property, plant and equipment	2,993
Intangible assets	775
Inventories	48,326
Trade receivables, prepayments and other receivables — current portion	15,657
Cash and cash equivalents	13,088
Restricted cash	42,388
Trade, other payables and accruals — current portion	(112,380)
Total identifiable net assets	10,847
Share of net liabilities (100%)	10,847
Less: Non-controlling interests (70%)	(7,593)
Share of net assets (30%)	3,254
Less: 30% equity interest previously held	(3,254)
Total purchase consideration	—
Total purchase consideration settled in cash for the year ended 31 December 2018	—
Cash and cash equivalents in the subsidiary acquired	13,088
Cash inflow of cash consideration on acquisition	13,088

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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36 ACQUISITION OF NON-CONTROLLING INTERESTS IN A SUBSIDIARY

On 12 January 2018, Jin Jiang Hotels Development, a subsidiary of the Company in which the Company holds 50.32% equity interest, acquired a further 12.0001% equity interest of Keystone from its non-controlling interests at a consideration of RMB1,204,778,000. And then Jin Jiang Hotels Development has 93.0035% equity interest of Keystone.

The carrying amount of the 12.0001% non-controlling equity in Keystone on the date of acquisition was RMB537,900,000, which was recognised by Jin Jin Hotels Development as a decrease in non-controlling interests. Considering the 49.68% of non-controlling interests in Jin Jin Hotels Development, the Group recognised a decrease in non-controlling equity holders of RMB869,205,000 and a decrease in equity attributable to the shareholders of the Company of RMB335,573,000.

Details of purchase consideration are as follows:

	RMB'000
Purchase consideration:	
— Cash paid	1,201,778
— Cash to be paid (note 21)	3,000
	1,204,778

The effect of changes on the equity attributable to the shareholders of the Company and non-controlling equity holders as at 12 January 2018 is summarised as follows:

	At 12 January 2018 RMB'000
Carrying amount of non-controlling interests acquired by Jin Jiang Hotels Development	537,900
Consideration paid to non-controlling interests	(1,204,778)
Excess of consideration paid	(666,878)
Multiply: percentage of equity interest in Jin Jiang Hotels Development	50.32%
Effect of changes on the equity attributable to the shareholders of the Company	(335,573)
Carrying amount of non-controlling interests acquired by Jin Jiang Hotels Development	(537,900)
Excess of consideration paid recognised in non-controlling interests	(331,305)
Effect of changes on non-controlling equity interests	(869,205)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

37 SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group is controlled by Jin Jiang International (incorporated in Mainland China), which owns 75% of the Company's share. The remaining 25% of the shares are widely held. The ultimate parent and controlling party of the Group is Jin Jiang International.

(a) Related party transactions

Other than the disposal of 5% equity interest in Hua Ting Hotel to Jin Jiang International Investment and Management (note 23), the Group had the following significant related party transactions during the year ended 31 December 2018:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Transactions with Jin Jiang International		
— Deposits (repaid)/received	(1,662,462)	1,434,863
— Interest income received	10,598	10,523
— Provision of other services	285	145
— Provision of hotel services	5	143
— Provision of food and beverage service	1	45
	(1,651,573)	1,445,719
— Borrowing granted	350,000	200,000
— Interest expenses paid	10,114	1,597
— Rental expenses paid	9,671	8,148
— Receipt of food and beverage service	169	203
— Receipt of other services	160	2,178
	370,114	212,126
Transactions with subsidiaries of Jin Jiang International		
— Deposits received	342,899	6,676,860
— Provision of other services	81,358	55,152
— Provision of hotel services	32,583	31,420
— Sales of membership package	31,427	—
— Provision of tourism services	3,786	2,734
— Rental income received	3,090	3,193
— Sales of hotel supplies	2,131	2,407
— Hotel franchise fees	1,188	1,168
	498,462	6,772,934

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

37 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related party transactions (Continued)

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
— Borrowing (collected)/granted	(350,000)	350,000
— Interest expenses paid	110,851	52,595
— Rental expenses paid	40,890	30,555
— Purchase of membership package	31,531	—
— Receipt of other services	28,672	15,172
— Receipt of tourism services	21,456	12,509
— Purchase of food and beverage	791	1,019
	(115,809)	461,850
Transactions with associates of Jin Jiang International		
— Receipt of travelling services	8,294	16,540
Transactions with joint ventures of the Group		
— Deposits (repaid)/received	(30,884)	114,057
— Interest income received	18,228	14,538
— Sales of hotel supplies	937	772
— Provision of other services	501	895
— Management fees received	—	3,077
	(11,218)	133,339
— Interest expenses paid	8,707	8,861
— Borrowing (collected)/granted	(4,500)	169,500
— Purchase of goods	1,833	2,462
— Receipt of other services	57	59
	6,097	180,882

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

37 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related party transactions (Continued)

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Transactions with associates of the Group		
— Deposits (repaid)/received	**(7,677)**	5,980
— Rental income received	**3,508**	5,575
— Interest income received	**2,778**	2,824
— Management fees received	**2,551**	2,648
— Sales of property, plant and equipment	**505**	3,075
— Sales of hotel supplies	**157**	213
	1,822	20,315
— Purchase of vehicles and related parts	**22,127**	24,259
— Rental expense paid	**770**	790
— Borrowing collected	**(100)**	—
— Interest expenses paid	**3**	153
— Receipt of travelling services	**—**	34
	22,800	25,236

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37 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Amounts due from/due to related parties

	At 31 December	
	2018 RMB'000	2017 RMB'000
Loan to related parties by Finance Company (note 16)		
— Jin Jiang International (i)	**650,000**	300,000
— Joint ventures of the Group (ii)	**425,000**	429,500
— Associates of the Group (iii)	**54,900**	55,000
— Subsidiaries, joint ventures and associates of Jin Jiang International (iv)	**—**	350,000
	1,129,900	1,134,500
Loan to related parties by the Group other than Finance Company (note 16)		
— Joint ventures of the Group (v)	**30,500**	25,500
— Associates of the Group (vi)	**3,900**	—
	34,400	25,500
Other amounts due from related parties (note 16)		
— Subsidiaries, joint ventures and associates of Jin Jiang International	**275,418**	109,842
— Joint ventures of the Group	**48,097**	48,052
— Associates of the Group	**43,918**	85,955
— Jin Jiang International	**993**	1,413
	368,426	245,262
Deposits from related parties in Finance Company (note 21)		
— Subsidiaries, jointly ventures and associates of Jin Jiang International (vii)	**(3,683,595)**	(3,359,526)
— Joint ventures of the Group (viii)	**(260,323)**	(294,877)
— Jin Jiang International (ix)	**(31,201)**	(1,693,663)
— Associates of the Group (x)	**(5,963)**	(13,641)
	(3,981,082)	(5,361,707)
Other amounts due to related parties (note 21)		
— Joint ventures of the Group	**(69,968)**	(114,645)
— Subsidiaries, joint ventures and associates of Jin Jiang International	**(44,118)**	(62,991)
— Associates of the Group	**(18,533)**	(43,219)
— Jin Jiang International	**(14,515)**	(11,839)
	(147,134)	(232,694)
Borrowings from related parties (note 22)		
— A subsidiary of Jin Jiang International (xi)	**(4,453,650)**	(4,431,150)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

37 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Amounts due from/due to related parties (Continued)

(i) The balance includes unsecured loans to Jin Jiang International of RMB650,000,000 as 31 December 2018 (31 December 2017: RMB300,000,000) with effective interest rate of 3.92% (31 December 2017: 3.48%) per annum.

(ii) The balance includes secured loans to a joint venture of RMB410,000,000 as at 31 December 2018 (31 December 2017: RMB420,000,000) with effective interest rate of 4.21% (31 December 2017: 4.21%) per annum which were guaranteed by its properties, and an unsecured loan to a joint venture of RMB15,000,000 as at 31 December 2018 (31 December 2017: nil) with effective interest rate of 3.92% (31 December 2017: nil) per annum. An unsecured loan to a joint venture of RMB9,500,000 as at 31 December 2017 with effective interest rate of 3.92% per annum was repaid in Year 2018.

(iii) The balance includes secured loans to an associate of the Group of RMB54,900,000 as at 31 December 2018 (31 December 2017: RMB55,000,000) with effective interest rate of 4.75% (31 December 2017: 4.75%) per annum which were guaranteed by their properties.

(iv) The unsecured loans to subsidiaries, joint ventures and associates of Jin Jiang International of RMB350,000,000 as at 31 December 2017 with effective interest rate of 3.92% per annum were repaid in Year 2018.

(v) The balance includes unsecured loans to joint ventures of RMB30,500,000 as at 31 December 2018 (31 December 2017: RMB25,500,000) with effective interest rate of 4.36% (31 December 2017: 4.35%) per annum.

(vi) The balance includes unsecured loans to associates of the Group of RMB3,900,000 as at 31 December 2018 (31 December 2017: nil) with effective interest rate of 4.35% (31 December 2017: nil) per annum.

(vii) The balance includes deposits from subsidiaries, joint ventures and associates of Jin Jiang International of RMB3,683,595,000 as at 31 December 2018 (31 December 2017: RMB3,359,526,000) with effective interest rate of 0.61% (31 December 2017: 0.65%) per annum.

(viii) The balance includes deposits from joint ventures of RMB260,323,000 as at 31 December 2018 (31 December 2017:RMB294,877,000) with effective interest rate of 3.33% (31 December 2017: 3.31%) per annum.

(ix) The balance includes deposits from Jin Jiang International of RMB31,201,000 as at 31 December 2018 (31 December 2017: RMB1,693,663,000) with effective interest rate of 0.39% (31 December 2017: 0.39%) per annum.

(x) The balance includes deposits from associates of the Group of RMB5,963,000 as at 31 December 2018 (31 December 2017: RMB13,641,000) with effective interest rate of 1.19% (31 December 2017: 1.62%) per annum.

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37 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Amounts due from/due to related parties (Continued)

(xi) The balance includes an unsecured borrowing from a subsidiary of Jin Jiang International of RMB530,000,000 as at 31 December 2018 (31 December 2017: RMB530,000,000) with effective interest rate of 3.50% (31 December 2017: 3.50%) per annum, and a subsidiary of Jin Jiang International of EUR500,000,000, equivalent to RMB3,923,650,000 as at 31 December 2018 (31 December 2017: EUR500,000,000, equivalent to RMB3,901,150,000) with effective interest rate of 1.17% (31 December 2017: 1.05%).

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

(c) Loan commitments and financial guarantees

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Loan commitments (note 34)		
— Joint ventures of the Group	**75,000**	35,500
— Associates of the Group	**100**	26,000
— Jin Jiang International	**—**	350,000
	75,100	411,500
Financial guarantees provided to related parties (note 33)		
— Joint ventures of the Group	**—**	9,500

(d) Key management compensation

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Salary and other allowances	**1,899**	1,644
Discretionary bonus	**669**	743
Retirement scheme contributions	**633**	537
	3,201	2,924

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37 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Key management compensation (Continued)

The emoluments fell within following bands:

	Year ended 31 December	
	2018 Number	2017 Number
Nil to RMB417,955 (equivalent to HK$500,000)	2	4
RMB417,955 (equivalent to HK$500,000) to RMB835,910 (equivalent to HK$1,000,000)	4	4
	6	8

(e) Balances and transactions with stated-owned enterprises in China other than Jin Jiang International and its subsidiaries, joint ventures and associates ("Other State-owned Enterprises")

As at 31 December 2018, majority of the Group's bank balances and borrowings are with state-owned banks. The Group also has transactions with Other State-owned Enterprises in China including but not limited to sales of products, purchases of raw material, utilities and services. The Directors of the Company are of the opinion that these transactions are conducted in the ordinary business of the Group.

38 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and supervisors' emoluments

	For the year ended 31 December	
	2018 RMB'000	2017 RMB'000
Directors and supervisors		
— Basic salaries, housing allowances, other allowances	1,976	2,462
— Contributions to retirement plans	280	400
	2,256	2,862

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38 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and supervisors' emoluments (Continued)

The emoluments of every director and supervisor for the year ended 31 December 2018, on a named basis, are set out as below:

(i) For the year ended 31 December 2018:

	Directors'/ Supervisors' fee RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Estimated money value of other benefits (note (4)) RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Directors							
Mr. Yu Minliang	–	–	–	–	–	–	–
Ms. Guo Lijuan	–	–	–	–	–	–	–
Mr. Chen Liming	–	–	–	–	–	–	–
Mr. Zhang Qian	–	–	–	–	–	–	–
Mr. Han Min (note (1))	–	214	16	9	29	43	311
Mr. Ji Gang	120	–	–	–	–	–	120
Dr. Rui Mingjie	120	–	–	–	–	–	120
Dr. Tu Qiyu	–	–	–	–	–	–	–
Dr. Xu Jianxin	120	–	–	–	–	–	120
Mr. Xie Hongbing	120	–	–	–	–	–	120
Dr. He Jianmin	120	–	–	–	–	–	120
	600	214	16	9	29	43	911
Supervisors							
Mr. Wang Guoxing	–	–	–	–	–	–	–
Mr. Ma Mingju (note (2))	–	–	–	–	–	–	–
Mr. Zhou Qiquan	36	–	–	–	–	–	36
Ms. Zhou Yi	36	–	–	–	–	–	36
Mr. Chen Yinghao	–	265	94	29	59	113	560
Mr. He Yichi	–	508	52	29	–	124	713
	72	773	146	58	59	237	1,345
	672	987	162	67	88	280	2,256

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For the year ended 31 December 2018

38 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and supervisors' emoluments (Continued)

(ii) For the year ended 31 December 2017:

	Directors'/ Supervisors' fee RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Estimated money value of other benefits (note (4)) RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Directors							
Mr. Yu Minliang	–	–	–	–	–	–	–
Ms. Guo Lijuan	–	–	–	–	–	–	–
Mr. Chen Liming	–	–	–	–	–	–	–
Mr. Zhang Qian	–	–	–	–	–	–	–
Mr. Han Min	–	311	118	27	83	123	662
Mr. Kang Ming (note (3))	–	154	83	15	27	64	343
Mr. Ji Gang	120	–	–	–	–	–	120
Dr. Rui Mingjie	120	–	–	–	–	–	120
Dr. Tu Qiyu	–	–	–	–	–	–	–
Dr. Xu Jianxin	120	–	–	–	–	–	120
Mr. Xie Hongbing	120	–	–	–	–	–	120
Dr. He Jianmin	120	–	–	–	–	–	120
	600	465	201	42	110	187	1,605
Supervisors							
Mr. Wang Guoxing	–	–	–	–	–	–	–
Mr. Ma Mingju	–	–	–	–	–	–	–
Mr. Zhou Qiquan	36	–	–	–	–	–	36
Ms. Zhou Yi	36	–	–	–	–	–	36
Mr. Chen Yinghao	–	264	51	27	47	98	487
Mr. He Yichi	–	509	47	27	–	115	698
	72	773	98	54	47	213	1,257
	672	1,238	299	96	157	400	2,862

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

38 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and supervisors' emoluments (Continued)

Notes:

(1) The Director retired on 27 April 2018.

(2) The Supervisor resigned on 16 November 2018, and has been nominated as an executive director of the Company on 30 January 2019.

(3) The Director resigned on 28 July 2017.

(4) Other benefits include medical and life insurance premium.

(5) The Company does not have a chief executive who is not a director of the Company (2017: same).

(6) For the years ended 31 December 2018 and 2017, no directors of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	At 31 December	
	2018	2017
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	**471,223**	481,789
Investment properties	**23,574**	24,965
Land use rights	**252,683**	265,327
Intangible assets	**114**	224
Investments in subsidiaries	**12,324,454**	12,324,454
Investments in joint venture and associates	**963,330**	963,330
Financial assets at fair value through other comprehensive income	**15,600**	—
Financial assets at fair value through profit or loss	**15,700**	—
Trade receivables, prepayments and other receivables	**33,000**	33,888
Available-for-sale financial assets	**—**	47,112
	14,099,678	14,141,089
Current assets		
Financial assets at fair value through profit or loss	**42**	22
Inventories	**1,971**	2,447
Trade receivables, prepayments and other receivables	**835,961**	678,125
Cash and cash equivalents	**361,281**	744,738
	1,199,255	1,425,332
Total assets	**15,298,933**	15,566,421

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

	At 31 December	
	2018 RMB'000	2017 RMB'000
EQUITY		
Capital and reserves attributable to shareholders of the Company		
Share capital	5,566,000	5,566,000
Reserves (note (a))	4,856,050	4,743,810
Total equity	10,422,050	10,309,810
LIABILITIES		
Non-current liabilities		
Borrowings	1,989,000	999,950
Deferred income tax liabilities	565,287	590,864
	2,554,287	1,590,814
Current liabilities		
Borrowings	1,530,000	3,380,000
Trade, other payables and accruals	792,596	285,797
	2,322,596	3,665,797
Total liabilities	4,876,883	5,256,611
Total equity and liabilities	15,298,933	15,566,421

The balance sheet of the Company was approved by the Board on 29 March 2019 and was signed on its behalf by:

Yu Minliang
Chairman and Executive Director

Ma Mingju
Executive President and Executive Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (a)

Reserve movement of the Company

	Other reserves						
	Capital surplus RMB'000	Statutory surplus reserve RMB'000	Available-for sale financial assets RMB'000	Financial assets at FVOCI RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2017	1,554,645	451,061	58,413	—	2,064,119	2,773,314	4,837,433
Profit for the year	—	—	—	—	—	351,657	351,657
Dividends declared (note 31)	—	—	—	—	—	(445,280)	(445,280)
Profit appropriation	—	32,207	—	—	32,207	(32,207)	—
Balance at 31 December 2017	1,554,645	483,268	58,413	—	2,096,326	2,647,484	4,743,810
Balance at 31 December 2017	1,554,645	483,268	58,413	—	2,096,326	2,647,484	4,743,810
Change in accounting policy — HKFRS 9	—	—	(58,413)	943	(57,470)	60,620	3,150
Balance at 1 January 2018	1,554,645	483,268	—	943	2,038,856	2,708,104	4,746,960
Profit for the year	—	—	—	—	—	554,370	554,370
Dividends declared (note 31)	—	—	—	—	—	(445,280)	(445,280)
Profit appropriation	—	53,834	—	—	53,834	(53,834)	—
Balance at 31 December 2018	1,554,645	537,102	—	943	2,092,690	2,763,360	4,856,050

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For the year ended 31 December 2018

40 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

As at 31 December 2018, the Company had direct and indirect interests in the following principal subsidiaries, joint ventures and associates:

Company name	Country and date of incorporation	Issued/ registered and paid in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operation	Type of legal entity
		'000	2018	2017	2018	2017		
(a) Subsidiaries								
Jin Jiang Hotel Company Limited 上海錦江飯店有限公司	Mainland China, 30 May 1982	RMB206,920	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Park Hotel Company Limited 上海錦江國際飯店有限公司	Mainland China, 21 December 1979	RMB91,583	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Cypress Hotel Company Limited 上海龍柏飯店有限公司	Mainland China, 28 January 1984	RMB84,182	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Pacific Hotel Company Limited 上海錦江金門大酒店有限公司	Mainland China, 21 December 1979	RMB40,649	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Marvel Hotel 上海商悦青年會大酒店有限公司	Mainland China, 23 October 1984	RMB40,000	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Rainbow Hotel Company Limited 上海虹橋賓館有限公司	Mainland China, 9 February 1988	RMB21,951	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Hua Ting Guest House Company Limited 上海南華亭酒店有限公司	Mainland China, 15 July 2002	RMB26,099	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Hotel Company Limited 上海市上海賓館有限公司	Mainland China, 23 August 1991	RMB88,000	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jing An Hotel Company Limited 上海靜安賓館有限公司	Mainland China, 31 December 2010	RMB46,886	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Jinsha Hotel Company Limited 上海金沙江大酒店|有限公司	Mainland China, 22 January 2003	RMB68,000	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company

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For the year ended 31 December 2018

40 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/ registered and paid in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operation	Type of legal entity
		'000	2018	2017	2018	2017		
(a) Subsidiaries (Continued)								
Shanghai Magnolia Hotel Company Limited 上海白玉蘭賓館有限公司	Mainland China, 25 March 1998	RMB59,166	100.0%	100.0%	–	–	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Da Hua Hotel Company Limited 上海錦江達華賓館有限公司	Mainland China, 18 February 1982	RMB31,704	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai New Asia Plaza Great Wall Hotel Company Limited 上海新亞廣場長城酒店有限公司	Mainland China, 26 April 1994	RMB120,000	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Peace Hotel Company Limited 上海和平飯店有限公司	Mainland China, 11 November 1998	RMB345,460	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Linqing Hotel Company Limited 上海臨青賓館有限公司	Mainland China, 18 November 1999	RMB16,600	100.0%	100.0%	–	–	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Kunming Jin Jiang Hotel Company Limited 昆明錦江大酒店有限公司	Mainland China, 7 December 1985	US$8,000	100.0%	100.0%	–	–	Hotel ownership and operations, Kunming, Mainland China	Limited liability company
Finance Company 錦江國際集團財務有限責任公司	Mainland China, 16 October 1997	RMB500,000	100.0%	100.0%	–	–	Provision of intra-group treasury and financing services, Shanghai, Mainland China	Limited liability company
Jin Jiang Inn Company Limited 錦江之星旅館有限公司	Mainland China, 17 May 1996	RMB179,712	100.0%	100.0%	–	–	Budget hotel ownership, operations and franchising, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang International Hotel Investment Company Limited 上海錦江國際旅館投資有限公司	Mainland China, 20 December 2004	RMB1,225,000	100.0%	100.0%	–	–	Budget hotel ownership, operations and franchising, Shanghai, Mainland China	Limited liability company

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For the year ended 31 December 2018

40 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/ registered and paid in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operation	Type of legal entity
		'000	2018	2017	2018	2017		
(a) Subsidiaries (Continued)								
Wuhan Jin Jiang International Hotel Company Limited 武漢錦江國際大酒店有限公司	Mainland China, 22 November 2004	RMB220,000	100.0%	100.0%	–	–	Hotel ownership and operations, Wuhan, Mainland China	Limited liability company
Shanghai Jin Jiang International Hotels Development Company Limited 上海錦江國際酒店發展股份有限公司	Mainland China, 9 June 1993	RMB957,936	50.3%	50.3%	49.7%	49.7%	Hotel and restaurant ownership and operations, Shanghai, Mainland China	Joint stock limited company
Shanghai New Asia Food Company Limited 上海新亞食品有限公司	Mainland China, 1 November 1996	RMB11,415	100.0%	100.0%	–	–	Food manufacturing, Shanghai, Mainland China	Limited liability company
Jin Jiang International Hotel Management Company Limited 錦江國際酒店管理有限公司	Mainland China, 1 December 1992	RMB200,000	100.0%	100.0%	–	–	Star-rated hotel management, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang International Catering Investment Company Limited 上海錦江國際餐飲投資管理有限公司	Mainland China, 1 December 1992	RMB149,930	100.0%	100.0%	–	–	Investment in and operation of restaurants, Shanghai, Mainland China	Limited liability company
Shanghai Jin Ya Hotel Company Limited 上海錦亞旅館有限公司	Mainland China, 1 December 1992	RMB18,000	100.0%	100.0%	–	–	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Tianjin Jin Jiang Inn Company Limited 天津錦江之星旅館有限公司	Mainland China, 1 July 2003	RMB40,000	100.0%	100.0%	–	–	Budget hotel ownership and operations, Tianjin, Mainland China	Limited liability company
Qingdao Jin Jiang Inn Company Limited 青島錦江之星旅館有限公司	Mainland China, 21 March 2005	RMB20,000	100.0%	100.0%	–	–	Budget hotel ownership and operations, Qingdao, Mainland China	Limited liability company

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40 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/ registered and paid in capital '000	Ownership interest held by the Group 2018	Ownership interest held by the Group 2017	Ownership interest held by non-controlling interests 2018	Ownership interest held by non-controlling interests 2017	Principal activities and place of operation	Type of legal entity
(a) Subsidiaries (Continued)								
Beijing Jin Jiang Inn Investment and Management Company Limited 北京錦江之星旅館投資管理有限公司	Mainland China, 22 July 2003	RMB28,000	100.0%	100.0%	–	–	Budget hotel ownership and operations, Beijing, Mainland China	Limited liability company
Xi'an Jin Jiang Inn Company Limited 西安錦江之星旅館有限公司	Mainland China, 24 June 2005	RMB20,000	100.0%	100.0%	–	–	Budget hotel ownership and operations, Xi'an, Mainland China	Limited liability company
Zhengzhou Jin Jiang Inn Company Limited 鄭州錦江之星旅館有限公司	Mainland China, 5 July 2005	RMB20,000	100.0%	100.0%	–	–	Budget hotel ownership and operations, Zhengzhou, Mainland China	Limited liability company
Shanghai Di Shui Hu Jin Jiang Inn Company Limited 上海滴水湖錦江之星旅館有限公司	Mainland China, 22 September 2005	RMB20,000	100.0%	100.0%	–	–	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Min Hotel Company Limited 上海錦閔旅館有限公司	Mainland China, 5 July 2005	RMB40,000	100.0%	100.0%	–	–	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai YuJin Hotel Management Company Limited 上海豫錦酒店管理有限公司	Mainland China, 30 October 2008	RMB20,000	60.0%	60.0%	40.0%	40.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Tianjin Hedong District Jin Jiang Inn Company Limited 天津河東區錦江之星旅館有限公司	Mainland China, 15 January 2008	RMB21,000	100.0%	100.0%	–	–	Budget hotel ownership and operations, Tianjin, Mainland China	Limited liability company
Shenyang Songhua River Street Jin Jiang Inn Company Limited 瀋陽松花江街錦江之星旅館有限公司	Mainland China, 21 February 2008	RMB20,000	100.0%	100.0%	–	–	Budget hotel ownership and operations, Shenyang, Mainland China	Limited liability company

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40 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/ registered and paid in capital '000	Ownership interest held by the Group 2018	Ownership interest held by the Group 2017	Ownership interest held by non-controlling interests 2018	Ownership interest held by non-controlling interests 2017	Principal activities and place of operation	Type of legal entity
(a) Subsidiaries (Continued)								
Shanghai Jin Jiang International Hotels Group (HK) Company Limited 上海錦江國際酒店集團(香港)有限公司	Hong Kong, 14 February 2000	RMB70,736	100.0%	100.0%	–	–	Hotel reservation, Hong Kong	Limited liability company
Jian Guo Hotel Company Limited 上海建國賓館有限公司	Mainland China, 30 October 1986	RMB80,000	65.0%	65.0%	35.0%	35.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Sofitel Hyland Shanghai Company Limited 上海海侖賓館有限公司	Mainland China, 22 November 1985	RMB62,626	66.7%	66.7%	33.3%	33.3%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
West Capital International Hotel Company Limited 西安西京國際飯店有限公司	Mainland China, 17 May 2005	RMB80,000	100.0%	100.0%	–	–	Hotel ownership and operations, Xi'an, Mainland China	Limited liability company
Shanghai Jin Ya Catering Company Limited 上海錦亞餐飲有限公司	Mainland China, 12 December 1997	RMB68,670	100.0%	100.0%	–	–	Fast food operations, Shanghai, Mainland China	Limited liability company
Capital Gathering LLC 上海錦江酒店集團(美國)有限公司	USA, 15 May 2009	US$39,600	100.0%	100.0%	–	–	Investment operations, Wilmington, USA	Limited liability company
ShanXi Jinguang Inn Company Limited 山西金廣快捷酒店管理有限公司	China Mainland, 15 August,2006	RMB68,333	100.0%	100.0%	–	–	Budget hotel ownership and operations, Shanxi, Mainland China	Limited liability company
Jing An Bakery Holding Co., Ltd 靜安麵包房控股有限公司	British Virgin Islands Britain, 21 April 2009	RMB41,692	60.0%	60.0%	40.0%	40.0%	Investment operation, Hong Kong, China	Limited liability company
Shanghai Jin Jiang International Travel Co., Ltd 上海錦江國際旅遊股份有限公司	Mainland China, 24 September 1994	RMB132,556	50.2%	50.2%	49.8%	49.8%	Travel agency, Shanghai, Mainland China	Joint stock limited company
Shanghai Jin Jiang International Industrial Investment Co., Ltd (i) 上海錦江國際實業投資股份有限公司	Mainland China, 24 February 1993	RMB551,610	39.26%	39.26%	60.74%	60.74%	Passenger transportation vehicle and logistics, Shanghai, Mainland China	Joint stock limited company

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40 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/ registered and paid in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operation	Type of legal entity
		'000	2018	2017	2018	2017		
(a) Subsidiaries (Continued)								
Shanghai Jing An Bakery Company Limited 上海靜安麵包房有限公司	Mainland China, 1 January 1993	US$1,000	**65.9%**	65.9%	**34.1%**	34.1%	Fast food operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang International Cold Logistics Development Co., Ltd. 上海錦江國際低溫物流發展有限公司	Mainland China, 28 August 2006	RMB83,338	**100.0%**	100.0%	**–**	–	Provision of logistics management and relevant business services, Shanghai, Mainland China	Limited liability company
Shanghai Shanghai Food Co., Ltd. 上海尚海食品有限公司	Mainland China, 20 February 2010	RMB25,000	**100.0%**	100.0%	**–**	–	Trading of food, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Auto Service Co., Ltd. 上海錦江汽車服務有限公司	Mainland China, 3 May 1993	RMB338,480	**95.0%**	95.0%	**5.0%**	5.0%	Provision of vehicle rental services, Shanghai, Mainland China	Limited liability company
Shanghai CITS International Travel Services Co., Ltd. 上海國旅國際旅行社有限公司	Mainland China, 29 December 1993	RMB20,000	**100.0%**	100.0%	**–**	–	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Tourism Co., Ltd. 上海錦江旅遊有限公司	Mainland China, 25 August 1993	RMB24,990	**100.0%**	100.0%	**–**	–	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Travel Agency Co., Ltd. 上海旅行社有限公司	Mainland China, 2 September 1992	RMB2,000	**100.0%**	100.0%	**–**	–	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Jin Cai Association Co., Ltd. 上海錦璨會務有限公司	Mainland China, 1 November 2013	RMB10,000	**100.0%**	100.0%	**–**	–	Investment operation, Shanghai, Mainland China	Limited liability company
Shanghai Ji Gan Industrial Investment Co., Ltd. 上海佶甘實業投資有限公司	Mainland China, 26 November 2013	RMB1,000	**100.0%**	100.0%	**–**	–	Investment operation, Shanghai, Mainland China	Limited liability company
Shenzhen Overseas Chinese Town City Inn Co., Ltd. 深圳市都之華酒店管理有限公司	Mainland China, 23 April 1993	RMB131,400	**100.0%**	100.0%	**–**	–	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang JTB International Exhibition Co., Ltd. ("Jin Jiang JTB") (ii) 上海錦江國際JTB會展有限公司	Mainland China, 11 April 2005	US$1,000	**50.0%**	50.0%	**50.0%**	50.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company

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For the year ended 31 December 2018

40 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/ registered and paid in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operation	Type of legal entity
		'000	2018	2017	2018	2017		
(a) Subsidiaries (Continued)								
Shanghai Jin Yan Enterprise Investment Management Co., Ltd. 上海錦琰企業投資管理有限公司	Mainland China, 30 November 2012	RMB78,150	100.0%	100.0%	–	–	Investment operation, Shanghai, Mainland China	Limited liability company
Groupe du Louvre 盧浮集團	France, 27 July 2005	EUR262,037	100%	100%	–	–	Hotel and restaurant ownership and operations, France	Limited liability company
Keystone Lodging Holdings Limited 鉑濤集團	Mainland China, 17 July 2013	RMB73,434	93.0035%	80.0034%	6.9965%	19.9966%	Hotel ownership and operations, Guangzhou, Mainland China	Limited liability company
Vienna Hotels Group Co., Ltd 維也納酒店有限公司	Mainland China, 12 April 2014	RMB116,392	80.0%	80.0%	20.0%	20.0%	Hotel ownership and operations, Shenzhen, Mainland China	Limited liability company
Shenzhen Bai Sui Cun Restaurant Chain Co., Ltd 深圳市百歲村餐飲連鎖有限公司	Mainland China, 6 March 2008	RMB1,000	80.0%	80.0%	20.0%	20.0%	Fast food operations, Shenzhen, Mainland China	Limited liability company
Shanghai Xintiantian Cold Logistics Co., Ltd 上海新天天低溫物流有限公司	Mainland China, 31 July 2003	RMB66,179	65.0%	65.0%	35.0%	35.0%	Provision of logistics management and relevant business services, Shanghai, Mainland China	Limited liability company
Yangtze Hotel 上海揚子江大酒店有限公司	Mainland China, 4 February 1985	RMB451,812	66.67%	66.67%	33.33%	33.33%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Automobile Sales Co., Ltd. 上海錦江汽車銷售服務有限公司	Mainland China, 14 January 2004	RMB5,000	30.0%	–	70.0%	–	Trading of automobile and related parts, Shanghai, Mainland China	Limited liability company

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40 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/ registered and paid in capital '000	% of ownership interest 2018	% of ownership interest 2017	Principal activities and place of operation	Type of legal entity
(b) Joint ventures (iii)						
Shanghai Galaxy Hotel Company Limited 上海銀河賓館有限公司	Mainland China, 22 August 1990	RMB19,885	50.0%	50.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Beijing Kunlun Hotel Company Limited 北京崑崙飯店有限公司	Mainland China, 24 May 1988	US$34,167	47.5%	47.5%	Hotel ownership and operations, Beijing, Mainland China	Limited liability company
Shanghai Jin Jiang Tomson Hotel Company Limited 上海錦江湯臣大酒店有限公司	Mainland China, 10 July 1993	US$24,340	50.0%	50.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Thayer Jin Jiang Interactive Co., Ltd. 上海錦江德爾互動有限公司	Mainland China, 31 October 2005	US$3,000	50.0%	50.0%	Software development and related services, Shanghai, Mainland China	Limited liability company
Shanghai Tower Jin Jiang Hotel Asset Management Co., Ltd 上海中心大廈錦江酒店資產管理有限公司	Mainland China, 16 May 2011	RMB60,000	50.0%	50.0%	Hotel management, Shanghai, Mainland China	Limited liability company
JHJ International Transportation Co., Ltd. 錦海捷亞國際貨運有限公司	Mainland China, 6 December 1992	US$10,000	50.0%	50.0%	Transportation and logistics, Shanghai, Mainland China	Limited liability company
Shanghai Dazhong New Asia Co., Ltd. 上海大众新亞出租汽车有限公司	Mainland China, 27 April 2000	RMB30,000	49.5%	49.5%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Jiayou Automobile Services Co., Ltd. 上海錦江佳友汽車服務有限公司	Mainland China, 08 September 1993	RMB24,700	50.0%	50.0%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Vehicle Driver Training Centre 上海市機動車駕駛員培訓中心	Mainland China, 25 August 1989	RMB4,340	33.33%	33.33%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Zhendong Automobile Services Co., Ltd. 上海振東汽車服務有限公司	Mainland China, 25 June 1991	US$7,900	50.0%	50.0%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Jinmao Jin Jiang Automobile Services Co., Ltd. 上海金茂錦江汽車服務有限公司	Mainland China, 11 January 1996	RMB22,000	50.0%	50.0%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Wubei Parking Garage Co., Ltd 上海烏北停車庫有限公司	Mainland China, 20 July 2016	RMB3,000	50.0%	50.0%	Parking Service, Shanghai, Mainland China	Limited liability company
INCA Hotel Holdings Company LLC	Delaware, USA, 2 May, 2016	USD28,238	50.0%	50.0%	Hotel investment, USA	Limited liability company

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40 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/ registered and paid in capital '000	% of ownership interest 2018	% of ownership interest 2017	Principal activities and place of operation	Type of legal entity
(c) Associates (iii)						
Wuxi Jin Jiang Grand Hotel Company Limited 無錫錦江大酒店有限公司	Mainland China, 16 December 1994	RMB67,570	25.0%	25.0%	Hotel ownership and operations, Wuxi, Mainland China	Limited liability company
Shanghai Kentucky Fried Chicken Company Limited 上海肯德基有限公司	Mainland China, 5 May 1989	US$27,010	42.0%	42.0%	Fast food operations, Shanghai, Mainland China	Limited liability company
Shanghai New Asia Fulihua Catering Company Limited 上海新亞富麗華餐飲股份有限公司	Mainland China, 25 June 1992	RMB35,000	42.0%	42.0%	Restaurant operations, Shanghai, Mainland China	Limited liability company
Shanghai Yoshinoya Company Limited 上海吉野家快餐有限公司	Mainland China, 3 June 2002	US$12,300	42.8%	42.8%	Fast food operations, Shanghai, Mainland China	Limited liability company
Jiangsu Jin Jiang Nanjing Hotel Company Limited 江蘇錦江南京飯店有限公司	Mainland China, 12 October 1982	RMB34,640	40.0%	40.0%	Hotel ownership and operations, Nanjing, Mainland China	Limited liability company
Nanjing Long Distance Passenger Transport Group Co., Ltd. 江蘇南京長途汽車客運集團有限公司	Mainland China, 4 June 1991	RMB110,000	23.0%	23.0%	Transportation services, Nanjing, Mainland China	Limited liability company
Shanghai Pudong International Airport Cargo Terminal Co., Ltd 上海浦東國際機場貨運站有限公司	Mainland China, 8 October 1999	RMB311,610	20.0%	20.0%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Yongda Fengdu Automobile Distribution and Services Co., Ltd. 上海永達風度汽車銷售服務有限公司	Mainland China, 21 January 2002	RMB15,000	40.0%	40.0%	Trading of automobile and related parts, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Passenger Transport Co., Ltd. 上海錦江客運有限公司	Mainland China, 24 February 2003	RMB10,000	30.0%	30.0%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Automobile Sales Co., Ltd. 上海錦江汽車銷售服務有限公司	Mainland China, 14 January 2004	RMB5,000	–	30.0%	Trading of automobile and related parts, Shanghai, Mainland China	Limited liability company
China Oriental International Travel & Transport Co., Ltd. 上海東方航空國際旅遊運輸有限公司	Mainland China, 16 August 1990	RMB8,000	49.0%	49.0%	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Waihang International Travel Service Co., Ltd. 上海外航國際旅行社有限公司	Mainland China, 25 May 1993	RMB3,500	30.0%	30.0%	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Oneday Travel Service Co., Ltd. 上海一日旅行社有限公司	Mainland China, 4 May 1999	RMB3,500	22.9%	22.9%	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Juxing Real Estate Management Co., Ltd. 上海聚星物業管理有限公司	Mainland China, 10 January 2000	RMB1,000	24.7%	24.7%	Property management, Shanghai, Mainland China	Limited liability company
Shanghai Qi Cheng Network Technology Co., Ltd. 上海齊程網絡科技有限公司	Mainland China, 16 February 2017	RMB1,000,000	20.0%	20.0%	Network Technology and E-Commerce, Shanghai, Mainland China	Limited liability company

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40 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

(i) Although the Company holds less than half of the equity interests in Jin Jiang Investment and therefore has less than half of its voting rights, the Director concludes that the Company has de facto control over Jin Jiang Investment and accounts for a subsidiary after taking into consideration, among the things: (a) the dispersed shareholder structure excluding those interests directly and indirectly held by the Company; (b) the ability to demonstrate effective control during the shareholders' meetings and board meetings; and (c) the extent of involvement of directors of Jin Jiang Investment nominated by the Company in its operational and financial policy setting and decision making.

(ii) Although Jin Jiang Travel holds 50% equity interests in Jin Jiang JTB, it is concluded that Jin Jiang Travel has control over the Jin Jiang JTB and accounts it as a subsidiary, after taking into consideration that a majority (2 out of 3) of the board of Jin Jiang JTB can be appointed by the Company and Jin Jiang Travel is exposed to or has rights to variable returns from its involvement with Jin Jiang JTB and has the ability to affect those returns through its power over Jin Jiang JTB.

(iii) All investments in joint ventures and associates are accounted for by equity method in the consolidated financial statements of the Group. All the principal joint ventures and associates provide products and services in connection with Hotel Related Businesses, Passenger Transportation Vehicle and Logistics Businesses or Travel Agency Businesses, and are the strategic partnership for the Group.

41 EVENTS OCCURRING AFTER THE REPORTING PERIOD

(i) Please refer to Note 31 for the final dividend recommended by the Directors to be paid in 2019.

(ii) Equity transaction with non-controlling interest

On 14 January 2019, the Group acquired a further 3.49825% equity interests of Keystone, a subsidiary of the Group, from its non-controlling interests at a consideration of RMB351,216,000.