



Shanghai Jin Jiang Capital Company Limited

Formerly known as "Shanghai Jin Jiang International Hotels (Group) Company Limited"
(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 02006



Interim Report 2019

Global Hotel Deployment



China
Number of hotels: **6,680**

Europe
Number of hotels: **992**

Africa
Number of hotels: **44**

Asia (excluding China)
Number of hotels: **211**

Americas
Number of hotels: **14**

Total
Number of hotels: **7,941**

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

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CORPORATE INFORMATION

THE FIFTH SESSION OF THE BOARD

EXECUTIVE DIRECTORS

Mr. Yu Minliang (*Chairman*)
 Ms. Guo Lijuan (*Vice Chairman*)
 Mr. Chen Liming (*Vice Chairman*)
 Mr. Ma Mingju
 Ms. Zhou Wei
 Mr. Sun Yu

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ji Gang
 Dr. Rui Mingjie
 Mr. Shen Liqiang

THE FIFTH SESSION OF THE SUPERVISORY COMMITTEE SUPERVISORS

Mr. Wang Guoxing
(Chairman of Supervisory Committee)
 Mr. Kuang Ke
 Mr. Chen Yinghao

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
 Mr. Ji Gang

AUDIT AND RISK CONTROL COMMITTEE

Mr. Shen Liqiang (*Chairman*)
 Mr. Ji Gang
 Dr. Rui Mingjie

REMUNERATION AND APPRAISAL COMMITTEE

Mr. Ji Gang (*Chairman*)
 Ms. Guo Lijuan
 Mr. Shen Liqiang

STRATEGIC INVESTMENT COMMITTEE

Mr. Chen Liming (*Chairman*)
 Mr. Ma Mingju
 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

上海錦江資本股份有限公司

ENGLISH NAME OF THE COMPANY

Shanghai Jin Jiang Capital Company Limited

H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
 17M 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:

JINJIANGCAPITAL 錦江資本

Stock code: 02006

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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	92	27,987	6,588	674,785	6,680	702,772
Asia (excluding China)	—	—	211	24,181	211	24,181
Europe	—	—	992	70,490	992	70,490
Americas	—	—	14	3,712	14	3,712
Africa	—	—	44	6,364	44	6,364
Total	92	27,987	7,849	779,532	7,941	807,519

Note:

- As at 30 June 2019, the Group owned or managed 7,941 hotels in operation with a total of 807,519 guest rooms located in 66 countries around the world, including 6,680 hotels in operation with a total of 702,772 guest rooms owned or managed in China.

INFORMATION ON HOTELS OF THE GROUP

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

All hotels (As at 30 June 2019)	Hotels in which the Group held hotel interests and managed by the Group		Hotels in which the Group held hotel interests but managed by third parties		Hotels owned by third parties but managed by the Group		Hotels owned by third parties but operated under franchises granted by the Group		Total number of hotels	
	Total		Total		Total		Total		Total	
	Number of hotels	number of rooms	Number of hotels	number of rooms	Number of hotels	number of rooms	Number of hotels	number of rooms	Number of hotels	number of rooms
Hotel Category										
Full Service Hotels										
– 5-star Luxury Hotels	5	2,250	2	964	59	19,215	–	–	66	22,429
– 4-star Luxury Hotels	10	3,323	2	671	43	9,357	–	–	55	13,351
Sub-total	15	5,573	4	1,635	102	28,572	–	–	121	35,780
Commercial Hotels	2	274	–	–	2	366	–	–	4	640
Total Number of Full Service Hotels	17	5,847	4	1,635	104	28,938	–	–	125	36,420
Select Service Hotels										
– Middle-end hotels	123	22,232	–	–	–	–	5,813	695,078	5,936	717,310
– Budget hotels	896	94,173	–	–	–	–	5,052	405,811	5,948	499,984
Total Number of Select Service Hotels	1,019	116,405	–	–	–	–	10,865	1,100,889	11,884	1,217,294
Total	1,036	122,252	4	1,635	104	28,938	10,865	1,100,889	12,009	1,253,714

INFORMATION ON HOTELS OF THE GROUP

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

In operation (As at 30 June 2019)	Hotels in which the Group held hotel interests and managed by the Group		Hotels in which the Group held hotel interests but managed by third parties		Hotels owned by third parties but managed by the Group		Hotels owned by third parties but operated under franchises granted by the Group		Total number of hotels	
	Total		Total		Total		Total		Total	
	Number of hotels	number of rooms	Number of hotels	number of rooms	Number of hotels	number of rooms	Number of hotels	number of rooms	Number of hotels	number of rooms
Hotel Category										
Full Service Hotels										
– 5-star Luxury Hotels	5	2,250	2	964	37	13,223	–	–	44	16,437
– 4-star Luxury Hotels	10	3,323	2	671	33	7,226	–	–	45	11,220
Sub-total	15	5,573	4	1,635	70	20,449	–	–	89	27,657
Commercial Hotels	2	274	–	–	1	56	–	–	3	330
Total Number of Full Service Hotels	17	5,847	4	1,635	71	20,505	–	–	92	27,987
Select Service Hotels										
– Middle-end hotels	118	21,612	–	–	–	–	2,790	333,667	2,908	355,279
– Budget hotels	879	91,897	–	–	–	–	4,062	332,356	4,941	424,253
Total Number of Select Service Hotels	997	113,509	–	–	–	–	6,852	666,023	7,849	779,532
Total	1,014	119,356	4	1,635	71	20,505	6,852	666,023	7,941	807,519

INFORMATION ON HOTELS OF THE GROUP

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

Under development (As at 30 June 2019)	Hotels in which the Group held hotel interests and managed by the Group		Hotels in which the Group held hotel interests but managed by third parties		Hotels owned by third parties but managed by the Group		Hotels owned by third parties but operated under franchises granted by the Group		Total number of hotels	
	Total		Total		Total		Total		Total	
	Number of hotels	number of rooms	Number of hotels	number of rooms	Number of hotels	number of rooms	Number of hotels	number of rooms	Number of hotels	number of rooms
Hotel Category										
Full Service Hotels										
– 5-star Luxury Hotels	–	–	–	–	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										
– Middle-end hotels	5	620	–	–	–	–	3,023	361,411	3,028	362,031
– Budget hotels	17	2,276	–	–	–	–	990	73,455	1,007	75,731
Total Number of Select Service Hotels	22	2,896	–	–	–	–	4,013	434,866	4,035	437,762
Total	22	2,896	–	–	33	8,433	4,013	434,866	4,068	446,195

OPERATIONAL STATISTICS

	January to June 2019	January to June 2018
Average Occupancy Rate		
Full Service Hotels		
– 5-star Luxury Hotels	71%	74%
– 4-star Luxury Hotels	61%	60%
Select Service Hotels in the PRC	73%	77%
– Middle-end hotels	77%	81%
– Budget hotels	71%	75%
Select Service Hotels outside the PRC	64%	63%
– Middle-end hotels	57%	55%
– Budget hotels	66%	67%
Average Room Rate (RMB/room)		
Full Service Hotels		
– 5-star Luxury Hotels	881	876
– 4-star Luxury Hotels	536	545
Select Service Hotels in the PRC	207	196
– Middle-end hotels	261	260
– Budget hotels	159	159
Select Service Hotels outside the PRC (EUR/room)	57	55
– Middle-end hotels (EUR/room)	65	63
– Budget hotels (EUR/room)	54	53
RevPAR (RMB/room)		
Full Service Hotels		
– 5-star Luxury Hotels	624	649
– 4-star Luxury Hotels	329	329
Select Service Hotels in the PRC	152	151
– Middle-end hotels	200	210
– Budget hotels	112	120
Select Service Hotels outside the PRC (EUR/room)	36	35
– Middle-end hotels (EUR/room)	38	35
– Budget hotels (EUR/room)	35	35

OPERATIONAL STATISTICS

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 Limited.
2. 4-star Luxury Hotels include: Park Hotel, Jian Guo Hotel, Cypress Hotel, Holiday Inn Downtown Shanghai, Golden Tulip Shanghai Rainbow, 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. The middle-end hotels under the Select Service Hotels in the PRC include the operational data of all operating chain hotels under the brands of, among others, “Jin Jiang Metropolo”, “Campanile (康铂)”, “Lavande”, “James Joyce Coffetel”, “Xana”, “Venus Royal”, “Vienna International”, “Vienna Classic”, “Vienna Hotels” and “Vienna 3 Best”. The budget hotels under the Select Service Hotels in the PRC include the operational data of all operating chain hotels under the brands of, among others, “Jin Jiang Inn”, “Jinguang Inn”, “Bestay Hotels Express”, “IU”, “7 Days Inn” and “Pai”.
4. The middle-end hotels under the Select Service Hotels outside the PRC include the operational data of all operating chain hotels under the brands of, among others, “Golden Tulip”. The budget hotels under the Select Service Hotels outside the PRC include the operational data of all operating chain hotels under the brands of, among others, “Premiere Classe”, “Campanile”, “Kyriad” and “Sarovar”.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Jin Jiang International”	Jin Jiang International Holding Company Limited
“Jin Jiang Investment”	Shanghai Jin Jiang International Industrial Investment Company Limited
“Jin Jiang Travel”	Shanghai Jin Jiang International Travel Co., Ltd.
“Jin Ya Catering”	Shanghai Jin Ya Catering Management Co., Ltd.
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Occupancy Rate”	rooms in use divided by Available Rooms for a given period
“Plateno Group”	Keystone Lodging Holdings Limited and its subsidiaries
“Radisson Hotel Group”	Radisson Hotel Group (麗笙酒店集團)
“Reporting Period”	the period from 1 January 2019 to 30 June 2019
“RevPAR”	room revenue per Available Room
“RMB”	Renminbi, the lawful currency of the PRC
“Select Service Hotels”	hotels providing guests with basic professional services which are suitable for mass consumption with emphasis on the core function of accommodation
“Star-rating” or “Star-rated”	number of star(s) conferred by the National Tourism Administration of the PRC to a hotel according to the Star-rating Standard Manual and a Star-rated hotel refers to a hotel with Star-rating conferred as mentioned above
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) 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)
“Tongcheng-Elong”	Tongcheng-Elong Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 00780.HK)
“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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of 2019, uncertainties in the external market environment presented challenges to the hotel industry. Focused on an innovation-driven approach, the Group advanced business integration and structural realignment by stepping up with the in-depth integration of resources and construction of a platform for sharing, with a special emphasis on rebranding, quality upgrade and efficiency enhancement.

For the Reporting Period, the Group recorded revenue of approximately RMB9,953,110,000, representing an increase of approximately 2.0% as compared to the same period of last year. Operating profit of the Group amounted to approximately RMB1,665,833,000, increasing by approximately 26.1% as compared to the same period of last year. Profit attributable to shareholders of the Company amounted to approximately RMB501,794,000, decreasing by approximately 9.8% as compared to the same period of last year.

As at the end of the Reporting Period, the Group owned or managed 7,941 hotels in operation throughout the world, with a Total Number of Rooms of approximately 810,000 in 66 countries, amongst which approximately 6,680 hotels in operation with approximately 700,000 rooms were owned or managed by the Group in the PRC. Moreover, the Group owned 4,068 hotels with approximately 450,000 rooms under construction in other parts of the world. In terms of the number of hotel guest rooms in operation, the Group together with the guest rooms in operation of Radisson Hotel Group under Jin Jiang International rose from 5th to 2nd in the global hotel group ranking as published by HOTELS Magazine, the official publication of The International Hotel & Restaurant Association, in August 2019.

The term of office of the fourth session of the Board and the supervisory committee of the Company (the "Supervisory Committee") ended during the Reporting Period. In accordance with pertinent provisions of the Company Law of the People's Republic of China and the articles of association of the Company ("Articles of Association"), the election of the fifth session of the Board and the Supervisory Committee was completed. In compliance with the fourth amendment pursuant to the "Decision on the Amendment of the Company Law of the People's Republic of China" passed and announced by the sixth meeting of the Standing Committee of the 13th National People's Congress on 26 October 2018 and requirements under "Certain Measures for the Encouragement and Support of Technological Innovation for State-owned Enterprises in Shanghai" announced by the Shanghai Municipal SASAC, as well as taking into account the needs of the Company's operation and management, amendments to certain clauses in the Articles of Association were also made in accordance with the Company Law of the People's Republic of China and the Articles of Association and approved by way of vote at the 2018 annual general meeting of the Company held in June 2019.

In tandem with adjustments to the Company's strategic development planning and positioning and taking into account changes in the direction of industry integration, the Company changed its name from "Shanghai Jin Jiang International Hotels (Group) Company Limited" to "Shanghai Jin Jiang Capital Company Limited" during the Reporting Period. A listed subsidiary of the Group changed its name from "Shanghai Jin Jiang International Hotels Development Company Limited" to "Shanghai Jin Jiang International Hotels Company Limited".

MANAGEMENT DISCUSSION AND ANALYSIS

Full Service Hotels

The business of Full Service Hotels represents one of the major sources of revenue for the Group. During the Reporting Period, operation of Full Service Hotels contributed approximately RMB1,006,596,000 to the Group's revenue, decreasing by approximately 2.2% as compared to the same period of last year and accounting for approximately 10.1% of the Group's turnover, which was mainly attributable to the slowdown in demand for Full Service Hotels from business travelers under the impact of the external environment.

As at the end of the Reporting Period, the Group owned and managed 92 operating Full Service Hotels in the PRC, offering approximately 28,000 guest rooms, among which 71 hotels were owned by third parties and managed by the Group, offering approximately 21,000 guest rooms.

During the Reporting Period, there was a slowdown in demand from individual business visitors in Shanghai, while the supply of hotels continued to grow steadily, resulting in a lower Occupancy Rate for the Group's Full Service Hotels in Shanghai as compared to the corresponding period of last year, but the average room rate remained stable.

Select Service Hotels

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

For the Reporting Period, revenue from Select Service Hotels amounted to approximately RMB7,029,970,000, representing an increase of approximately 3.0% as compared to the same period of last year and accounting for approximately 70.6% of the Group's turnover, as the business segment continued to grow in scale and turnover.

As at the end of the Reporting Period, there were 7,849 Select Service Hotels in operation offering 779,532 Total Number of Rooms. Analysed by the nature of the hotel properties, there were 997 self-managed hotels (accounting for approximately 13%) offering 113,509 guest rooms (accounting for approximately 15%) and 6,852 franchised hotels (accounting for approximately 87%) offering 666,023 guest rooms (accounting for approximately 85%). Analysed by the class of hotel brands, there were 2,908 middle-end hotels (accounting for approximately 37%) offering 355,279 guest rooms (accounting for approximately 46%) and 4,941 budget hotels (accounting for approximately 63%) offering 424,253 guest rooms (accounting for approximately 54%).

During the first half of 2019, there was a net increase of 406 Select Service Hotels. Analysed by the nature of the hotel properties, there was a reduction of 15 self-managed hotels and an addition of 421 franchised hotels. Analysed by the class of hotel brands, there was an increase of 445 middle-end hotels and a reduction of 39 budget hotels.

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 synergy effects.

MANAGEMENT DISCUSSION AND ANALYSIS

Food and Restaurants

During the Reporting Period, the Group developed its food and restaurant operations through several food and restaurant chain companies invested by Jin Jiang Hotels, generating revenue of approximately RMB163,183,000 for the Group, which represented a decrease of approximately 0.7% as compared to the same period of last year and accounting for approximately 1.6% of the Group's turnover.

During the Reporting Period, Jin Jiang Hotels continued to develop the group catering business. It carried out the research and development of processed food with input from the national-grade chefs of the Group and stepped up with effort in sales via online e-commerce platforms.

Passenger Transportation Vehicles and Logistics

During the Reporting Period, the revenue of passenger transportation vehicles and logistics was approximately RMB1,192,073,000, representing an increase of approximately 4.8% as compared to same period of last year and accounting for approximately 12.0% of the Group's turnover.

During the Reporting Period, Jin Jiang Investment completed more than 600 hospitality assignments involving important foreign guests and seized opportunities presented by conferences and exhibitions, sporting tournaments, cruise tourism and the Disneyland market to continuously expand its market. During the first half of 2019, the market for car services for conferences, exhibitions and tournaments enjoyed positive growth trends, completing more than 1,300 transport service assignments with close to 1,800 turnouts of vehicles for events including the East China Fair, 20th anniversary celebrations of China-Singapore Suzhou Industrial Park, 19th International LNG Conference, China Unicom Conference, World Enforcement Conference, Second Meeting of the 13th CPPCC, F1 Race, 2nd National Brand Name Day and Lujiazui Forum, among others.

During the Reporting Period, Jin Jiang Automobile practically monopolised the vehicle transportation services for cruises calling at Shanghai, serving 26 cruises, including Silver Whisper, Westerdam, Sapphire Princess and Queen Mary, with more than 950 turnouts of vehicles, increasing by 41.3% as compared to the corresponding period of last year. There were more than 1,800 orders for long-term charter business limousines. Currently, the Disneyland service is supported by 51 buses, including 40 in-park blue buses for tourists and 11 yellow buses for staff. Jin Jiang Cold invited previous retail tenants to take up the charter warehouse service with proactive efforts, resulting in a 70% year-on-year increase in the area of cold storage and an improvement in the consolidated warehouse utilisation rate from 60% to 85%. JHJ Transportation attained the goals of lowering the procurement costs of air and sea transportation and increasing business revenue, as it fully leveraged on its strengths in networks and platforms through the establishment of the Committee for Global Procurement Operations and enhanced the linear joint operation of various business segments through the centralisation of resources and integration of back offices.

MANAGEMENT DISCUSSION AND ANALYSIS

Travel Agency

During the Reporting Period, operating revenue of the travel agency business amounted to approximately RMB501,283,000, decreasing by approximately 6.3% as compared to the same period of last year and accounting for approximately 5.0% of the Group's turnover.

During the Reporting Period, Jin Jiang Travel made diligent efforts to implement key tasks under the requirements of "driving operational excellence, expediting transformation from quantitative growth in scale to qualitative growth in efficiency, and expediting transformation from emphasis on size to emphasis on strength". Improvements were noted in our generally stable operations, as we worked vigorously to overcome adverse factors such as the growing pressure of a possible economic downturn, recurrent natural disasters and changes in geopolitical developments and continued to drive the effective enhancement of the profitability and management standard of the principal operations in the tourism segment with full force in quest of the main objective of "management excellence and quality and efficiency enhancement".

To address changes in market trends, the Company further optimised the organisational structure of its outbound, domestic and marketing business segments with special reference to product positioning and business processes. The business centre enhanced cooperation with local travel agencies and wholesale agencies, airlines and cruise operators to expand the scale of direct purchases, in order to provide a solid foundation for further lowering product procurement cost and increasing profit margin.

Shanghai Jin Jiang International Exhibition Co., Ltd., a subsidiary of the Company, made the initial attempt in cultural tourism business by hosting a "Cultural Tourism Investment Forum and Business Talk Session" to provide a platform for talks with investors, financiers and operators. The Company's student travel business entered into strategic cooperation with WorldStrides, the largest educational student travel agency in the United States, while forming the "Student Travel Business Alliance" with student travel agencies and partners such as Dunhuang Research Academy and Readers' Cultural Tourism Group (讀者文旅集團) to share resources and facilitate the launch of new products in overseas and domestic student travel.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

The Group's financial information during the Reporting Period as compared to the same period in 2018 is set out as follows:

	Six months ended 30 June 2019		Six months ended 30 June 2018	
	RMB in million	% of turnover	RMB in million	% of turnover
Full Service Hotels	1,006.6	10.1%	1,029.0	10.5%
Select Service Hotels — managed and operated in Mainland China	5,064.6	50.9%	4,847.0	49.6%
Select Service Hotels — managed and operated overseas	1,965.3	19.8%	1,978.3	20.3%
Food and Restaurants	163.2	1.6%	164.4	1.7%
Passenger Transportation Vehicles and Logistics	1,192.1	12.0%	1,138.0	11.7%
Travel Agency	501.3	5.0%	534.8	5.5%
Other Operations	60.0	0.6%	69.4	0.7%
Total	9,953.1	100.0%	9,760.9	100.0%

Full Service Hotels

The following table sets out the percentages of contributions 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 2018:

	Six months ended 30 June 2019		Six months ended 30 June 2018	
	RMB in million	% of turnover	RMB in million	% of turnover
Accommodation revenue	487.7	48.5%	494.9	48.1%
Food and beverage sales	296.9	29.5%	292.9	28.5%
Rendering of ancillary services	43.6	4.3%	46.8	4.5%
Rental revenue	89.8	8.9%	110.8	10.8%
Sales of hotel supplies	2.6	0.3%	2.0	0.2%
Hotel management revenue	86.0	8.5%	81.6	7.9%
Total	1,006.6	100.0%	1,029.0	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS

Accommodation revenue

Accommodation revenue was mainly determined by the number of Available Rooms, Occupancy Rate and ADR of the Group's hotels. Accommodation revenue of the Full Service Hotels for the Reporting Period was approximately RMB487,718,000, decreasing by approximately 1.5% or approximately RMB7,210,000 as compared to the same period last year. The aforesaid change in accommodation revenue was mainly caused by the year-on-year decline in Occupancy Rate, which was attributable to the slowdown in demand from individual business visitors in Shanghai amidst changes in the demand-supply correlation in the market.

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. Food and beverage sales in Full Service Hotels for the Reporting Period amounted to approximately RMB296,939,000, increasing by approximately 1.4% or approximately RMB4,080,000 from the same period of last year. The aforesaid change was mainly attributable to steady improvements in the quality of food and beverage and services of the Full Service Hotels following vigorous development of new products and innovative cuisines under a revised business philosophy in response to the demand for public catering and the impact of the external environment.

Rendering of ancillary services

Revenue from rendering ancillary services was mainly generated from gift shops, entertainment, laundry services and other guest services. For the Reporting Period, revenue from the rendering of ancillary services amounted to approximately RMB43,599,000, decreasing by approximately 6.9% or approximately RMB3,219,000 from the same period of last year.

Rental revenue

Rental revenue was mainly generated from the leasing of shops at the Group's Full Service Hotels for retail, exhibition and other purposes, as well as the outsourced leasing of certain restaurant venues. During the Reporting Period, rental revenue amounted to approximately RMB89,745,000, decreasing year-on-year by approximately 19.0% or approximately RMB21,038,000. The aforesaid change was primarily attributable to reduction in area available for rental following adjustments to venues for rental at certain hotels.

Sales of hotel supplies

Turnover from guest supplies and hotel products increased by approximately RMB541,000 from the same period of last year. Such increase was mainly attributable to adjustments in the business model of Supplies Company for progressive consolidation and transformation.

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. Revenue of hotel management business amounted to approximately RMB86,014,000 for the Reporting Period, increasing by approximately 5.4% or approximately RMB4,386,000 as compared to the same period of last year. The increase was principally due to the addition of property management projects.

MANAGEMENT DISCUSSION AND ANALYSIS

Select Service Hotels — managed and operated in Mainland China

Select Service Hotels business in Mainland China represented mainly turnover from Select Service Hotels managed and operated by the Group in Mainland China. For the Reporting Period, revenue from Select Service Hotels managed and operated in Mainland China amounted to approximately RMB5,064,615,000, representing an increase of approximately 4.5% or approximately RMB217,623,000 as compared to the same period of last year. This growth mainly reflected business expansion of Plateno Group and Vienna Hotels.

Select Service Hotels — managed and operated overseas

Select Service Hotels business managed and operated overseas represented mainly turnover from Select Service Hotels managed and operated by the Group overseas. For the Reporting Period, revenue from Select Service Hotels managed and operated overseas amounted to approximately RMB1,965,355,000, representing a decrease of approximately 0.7% or approximately RMB12,992,000 as compared to the same period of last year, which was mainly attributable to a revenue decrease resulting from the decrease of the exchange rate of EUR compared with that of 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. For the Reporting Period, total sales from the food and restaurants segment amounted to approximately RMB163,183,000, decreasing by approximately 0.7% or approximately RMB1,205,000 as compared to the same period of last year. Revenue of food and restaurants segment was affected by a drop in number of chain restaurants under Jin Ya Catering despite a continuous growth in revenue from the group catering business of Shanghai Jin Jiang International Food Catering Management Co., Ltd..

Passenger Transportation Vehicles and Logistics

Revenue of passenger transportation vehicles and logistics for the Reporting Period amounted to approximately RMB1,192,073,000, representing an increase of approximately 4.8% or approximately RMB54,059,000 as compared to the same period of last year. This reflected mainly the increase in revenue of automobile and related trade business following the inclusion in the consolidated financial statements of Shanghai Jin Jiang Automobile Sales Co., Ltd. from the second half of last year.

Travel Agency

Revenue of travel agency for the Reporting Period amounted to approximately RMB501,283,000, decreasing by approximately 6.3% or approximately RMB33,479,000 as compared to the same period of last year. The decrease mainly reflected the decline in the outbound tour business under the impact of global political and economic conditions.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Operations

In addition, the Group is also engaged in other business, including the provision of financial services through Finance Company and the provision of training services by Jin Jiang International Management College (上海錦江國際管理專修學院). Revenue of other operations for the Reporting Period amounted to approximately RMB60,005,000, representing a decrease of approximately 13.5% as compared to the same period of last year, which was primarily due to a decrease in interest rates on interbank deposits, resulting in a decrease in interest income of Finance Company derived from deposits with banks and other financial institutions.

Cost of Sales

Cost of sales for the Reporting Period amounted to approximately RMB7,252,266,000 (same period in 2018: approximately RMB7,315,735,000), representing a decrease of approximately 0.9% or approximately RMB63,469,000 as compared to the same period of last year. This was mainly attributable to the application of the new standard on leases, under which a portion of the lease-related costs were reclassified as interest expenses, coupled with the increase in costs associated with the increase in revenue from the business growth of Plateno Group and Vienna Hotels.

Gross Profit

As a result of the factors described above, the Group recorded a gross profit of approximately RMB2,700,844,000 for the Reporting Period, representing an increase of approximately RMB255,670,000 or approximately 10.5% as compared to the same period of last year.

Other Income and Gain

Other income and gain for the Reporting Period amounted to approximately RMB649,852,000 (same period in 2018: approximately RMB467,997,000), increasing by approximately 38.9% as compared to the same period of last year. The increase was principally due to the fair value gain of RMB183,321,000 of shares in Tongcheng-Elong held by Plateno Group.

Selling and Marketing Expenses

Selling and marketing expenses comprised primarily labor costs, travel agent commissions and advertising fees, which amounted to approximately RMB664,015,000 for the Reporting Period (same period in 2018: approximately RMB642,382,000), representing an increase of approximately 3.4% as compared to the same period of last year. The increase was mainly attributable to the increase in selling and marketing expenses as a result of expansion of business scale of Select Service Hotels.

Administrative Expenses

Administrative expenses for the Reporting Period amounted to approximately RMB956,799,000 (same period in 2018: approximately RMB909,962,000), representing an increase of approximately 5.1% as compared to the same period of last year, which mainly reflected the increase in administrative expenses resulting from expansion of business scale of Select Service Hotels.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Expenses and Losses

Other expenses and losses consisted primarily of bank charges, losses from the disposal of property, plant and equipment and other losses. Other expenses and losses for the Reporting Period amounted to approximately RMB64,049,000 (same period in 2018: approximately RMB39,563,000), increasing by approximately RMB24,486,000 as compared to the same period of last year. This reflected mainly the increase in losses from litigation and damages incurred by Select Service Hotels.

Finance Costs

Finance costs comprised interest expenses in respect of the Group's bank borrowings. Finance costs for the Reporting Period amounted to approximately RMB489,833,000 (same period in 2018: approximately RMB324,706,000), representing an increase of approximately 50.9% as compared to the same period of last year. The increase in finance costs reflected mainly the increase in interest expenses on leases following the application of the new standard on leases with effect from 1 January 2019.

Share of Results of Joint Ventures and Associates

Operating results of joint ventures and associates mainly were the results of joint ventures including Beijing Kunlun Hotel, Jin Jiang Tomson Hotel and JHJ Transportation, and of associates including Shanghai Kentucky Fried Chicken Company Limited, Shanghai Pudong International Airport Transport Terminal Co. Ltd., Jiangsu Nanjing Long Distance Passenger Transport and China Oriental International Travel & Transport Co., Ltd. Share of results of joint ventures and associates for the Reporting Period decreased to approximately RMB145,795,000 from approximately RMB179,969,000 for the same period in 2018. Such year-on-year decrease was attributable mainly to the better operating results of associates in 2018 resulting from the recognition of the remaining gains due to disposal of IHHC's hotel-related business while there is no such transaction for the current period.

Taxation

The effective tax rate for the Reporting Period was approximately 22.6% (same period in 2018: approximately 16.1%). The effective tax rate increased mainly because, as determined in the same period in 2018, the effective income tax rate for GDL will decrease from 28.92% to 25.83% since 2020, and the Group assessed the impact on the deferred tax assets and liabilities that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted. The amounts affected by the re-assessment on the deferred tax was RMB56,685,000, cutting down the income tax expenses, while there is no such items for the current period.

Net Profit

As a result of the factors described above, net profit for the Reporting Period attributable to shareholders of the Company decreased by approximately RMB54,817,000 or approximately 9.8% to approximately RMB501,794,000 from approximately RMB556,611,000 for the same period in 2018. This was mainly attributable to the combined effect of the decrease in one-off gains and the application of the new Hong Kong Financial Reporting Standards ("HKFRS") on leases.

MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings and Pledge of Assets

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings — secured	10,418,679	10,650,536
Bank borrowings — unsecured	1,932,184	3,698,633
Borrowings from related parties	4,408,500	4,423,650
Finance lease liabilities	—	195,201
	16,759,363	18,968,020
Less: current portion of long-term secured bank borrowings	(824,057)	(523,855)
current portion of long-term unsecured bank borrowings	(629,013)	(1,221,163)
current portion of long-term borrowings from related parties	(100,000)	(300,000)
current portion of long-term finance lease liabilities	—	(15,763)
	15,206,293	16,907,239
Borrowings included in current liabilities:		
Bank borrowings — secured	5,000	5,000
Bank borrowings — unsecured	1,541,472	1,038,429
Borrowings from related parties	30,000	30,000
Current portion of long-term secured bank borrowings	824,057	523,855
Current portion of long-term unsecured bank borrowings	629,013	1,221,163
Current portion of long-term borrowings from related parties	100,000	300,000
Current portion of long-term finance lease liabilities	—	15,763
	3,129,542	3,134,210

As at 30 June 2019, the secured bank borrowings included:

- (a) Bank borrowings of EUR767,000,000, equivalent to RMB5,995,639,000 (31 December 2018: EUR768,000,000, equivalent to RMB6,026,726,000), which were guaranteed by Jin Jiang International;
- (b) Bank borrowings of Polish Zloty (“PLN”) 34,828,000, equivalent to RMB64,040,000 (31 December 2018: PLN35,324,000, equivalent to RMB64,810,000), pledged by the property, plant and equipment of certain subsidiaries of GDL located in Poland;

MANAGEMENT DISCUSSION AND ANALYSIS

- (c) Bank borrowings of RMB5,000,000 (31 December 2018: RMB5,000,000), which were guaranteed by a non-controlling shareholder of a subsidiary of the Group; and
- (d) Bank borrowings of RMB4,359,000,000 (31 December 2018: RMB4,559,000,000), which were pledged by the equity interests in a subsidiary of the Group.

TREASURY MANAGEMENT AND INTEREST RATE RISK MANAGEMENT

Cash and cash equivalents as at 30 June 2019 and 31 December 2018 amounted to approximately RMB11,543,265,000 and RMB11,442,949,000, 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, 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 mainly included: 14,582,000 shares in Agricultural Bank of China (601288.SH), 437,245 shares in Shenwan Hongyuan (000166.SZ), 1,191,472 shares in Bank of Shanghai (601229.SH), 116,813 shares in VCANBIO (600645.SH), 80,780,012 shares in Bank of Communications (601328.SH), 57,740,000 shares in Guotai Jun'an (601211.SH), 48,110,700 shares in Bank of China (601988.SH) and 1,055,900 shares in Bank of Beijing (601169.SH).

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss held by the Group mainly included: 68,330,660 shares in Tongcheng-Elong (00780.HK) held through Ocean BT L.P. and 60,390,877 shares in Bank of Beijing (601169.SH).

HUMAN RESOURCES

During the Reporting Period, the Group made adjustments to its human resources structure and optimised its position establishment and staff allocation to further enhance its market orientation.

CORPORATE STRATEGIES AND OUTLOOK FOR FUTURE DEVELOPMENT

The uncertainties in the global politics and economy, 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, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 talents 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 opportunities presented by the reform of state-owned assets and state-owned enterprises to enhance its development towards a market-oriented corporation. The Group will expedite the reforms of its institutional system and explore the innovation and transformation of operation models compatible with the age of 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 modern tourism service industry chain and a sharing economy platform centered on hotel operations. The Group will enhance asset liquidity and structural adjustments to further increase the overall asset return and enterprise value.

INTERIM DIVIDEND

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

OTHER INFORMATION

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

As at 30 June 2019, none of the Directors, chief executive or Supervisors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) (including interests and short positions which he or she is taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules (which shall be deemed to apply to the Supervisors to the same extent as it applies to the Directors).

INTERESTS IN SHARES OR UNDERLYING SHARES OR DEBENTURES OF ASSOCIATED CORPORATIONS

As at 30 June 2019, Director Mr. Yu Minliang held the following number of shares in Jin Jiang Hotels:

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

Save as disclosed above, as at 30 June 2019, none of the Directors, chief executive or Supervisors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors, chief executive or Supervisors of the Company were taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code (which shall be deemed to apply to the Supervisors to the same extent as it applies to the Directors).

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

As at 30 June 2019, so far as the Directors are aware, the following persons (other than a Director, chief executive or Supervisor of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the Company's register pursuant to section 336 of the SFO:

Name of shareholder	Class of shares	Number of shares/ underlying shares held	Capacity	Percentage in the relevant class of share capital	Percentage in total share capital
Jin Jiang International	Domestic shares	4,174,500,000 (long position)	Beneficial owner	100%	75%
Matthews International Capital Management, LLC	H shares	166,774,000 (long position)	Investment manager	11.98%	3.00%

Save as disclosed above and so far as the Directors are aware, as at 30 June 2019, no other person had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the Company's register pursuant to section 336 of the SFO.

AUDIT AND RISK CONTROL COMMITTEE

The Company has established the Audit and Risk Control Committee, the principal duty of which is to examine and supervise the financial reporting procedures, risk management and internal control of the Company. The Audit and Risk Control Committee comprises three independent non-executive Directors, namely, Mr. Shen Liqiang (chairman), Mr. Ji Gang and Dr. Rui Mingjie.

The Audit and Risk Control Committee held meetings on 11 January 2019, 22 March 2019 and 23 August 2019 respectively. The consolidated financial statements for the year ended 31 December 2018 and the unaudited condensed consolidated interim financial statements as at 30 June 2019 of the Group were respectively reviewed at such meetings. The Audit and Risk Control Committee has reviewed the unaudited condensed consolidated interim financial statements of the Group as at 30 June 2019 and agreed with the accounting treatment adopted by the Company.

OTHER INFORMATION

CHANGE IN DIRECTORS AND SENIOR MANAGEMENT

On 30 January 2019, Mr. Ma Mingju was appointed as an executive Director of the fourth session of the Board. For details, please refer to the announcement of the Company dated 30 January 2019.

ELECTION OF A NEW SESSION OF THE BOARD

The fourth session of the Board comprises 11 Directors, including five executive Directors (Mr. Yu Minliang, Ms. Guo Lijuan, Mr. Chen Liming, Mr. Zhang Qian and Mr. Ma Mingju) and six independent non-executive Directors (Mr. Ji Gang, Dr. Rui Mingjie, Dr. Tu Qiqu, Dr. Xu Jianxin, Mr. Xie Hongbing and Dr. He Jianmin). The term of office of the fourth session of the Board concluded on the date on which the 2018 annual general meeting was convened.

The Directors of the fifth session of the Board were appointed at the 2018 annual general meeting. The fifth session of the Board comprises nine Directors, including six executive Directors (Mr. Yu Minliang, Ms. Guo Lijuan, Mr. Chen Liming, Mr. Ma Mingju, Ms. Zhou Wei and Mr. Sun Yu) and three independent non-executive Directors (Mr. Ji Gang, Dr. Rui Mingjie and Mr. Shen Liqiang).

For details, please refer to the announcement of the Company dated 28 June 2019.

ELECTION OF A NEW SESSION OF THE SUPERVISORY COMMITTEE

The fourth session of the Supervisory Committee comprises five Supervisors, including one shareholder representative Supervisor (Mr. Wang Guoxing), two employee representative Supervisors (Mr. Chen Yinghao and Mr. He Yichi) and two independent Supervisors (Mr. Zhou Qiquan and Ms. Zhou Yi).

The Supervisors of the fifth session of the Supervisory Committee were appointed at the 2018 annual general meeting. The fifth session of the Supervisory Committee comprises three Supervisors, including two shareholder representative Supervisors (Mr. Wang Guoxing and Mr. Kuang Ke) and one employee representative Supervisor (Mr. Chen Yinghao).

For details, please refer to the announcement of the Company dated 28 June 2019.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

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

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

By Order of the Board

Yu Minliang

Chairman

30 August 2019

UNAUDITED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2019

	Note	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	11,275,223	11,985,729
Right-of-use assets	4	12,070,749	—
Investment properties	8	893,607	330,397
Land use rights	8	—	3,161,582
Intangible assets	8	18,498,173	18,823,038
Investments accounted for using the equity method		1,728,286	1,845,156
Financial assets at fair value through other comprehensive income		1,836,847	1,398,011
Financial assets at fair value through profit or loss		1,461,544	1,188,514
Deferred income tax assets		411,057	816,888
Trade receivables, prepayments and other receivables	9	176,833	188,919
Bank deposits with maturities over 12 months		1,000	—
		48,353,319	39,738,234
Current assets			
Financial assets at fair value through profit or loss		672,421	786,683
Inventories		257,823	308,727
Trade receivables, prepayments and other receivables	9	3,765,984	4,059,326
Restricted cash		469,880	604,476
Bank deposits with maturities over 3 months		286,474	243,669
Cash and cash equivalents		11,543,265	11,442,949
		16,995,847	17,445,830
Total assets		65,349,166	57,184,064

UNAUDITED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

As at 30 June 2019

	Note	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital		5,566,000	5,566,000
Reserves		3,449,894	3,906,506
		9,015,894	9,472,506
Non-controlling interests		9,982,995	10,573,828
Total equity		18,998,889	20,046,334
LIABILITIES			
Non-current liabilities			
Borrowings	11	15,206,293	16,907,239
Lease liabilities	4	10,327,785	—
Deferred income tax liabilities		2,093,568	2,710,864
Trade, other payables and accruals	10	934,941	1,645,948
Contract liabilities		221,574	205,773
		28,784,161	21,469,824
Current liabilities			
Borrowings	11	3,129,542	3,134,210
Lease liabilities	4	1,582,499	—
Derivative financial instruments		1,983	2,781
Income tax payable		287,359	369,287
Dividend payable to shareholders of the Company	16	445,280	—
Trade, other payables and accruals	10	10,742,317	10,654,900
Contract liabilities		1,377,136	1,506,728
		17,566,116	15,667,906
Total liabilities		46,350,277	37,137,730
Total equity and liabilities		65,349,166	57,184,064

The notes on pages 34 to 68 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2019

	Note	Six months ended 30 June	
		2019 RMB'000	2018 RMB'000
Revenue	7(a)	9,953,110	9,760,909
Cost of sales	13	(7,252,266)	(7,315,735)
Gross profit		2,700,844	2,445,174
Other income and gain	12	649,852	467,997
Selling and marketing expenses	13	(664,015)	(642,382)
Administrative expenses	13	(956,799)	(909,962)
Other expenses and losses		(64,049)	(39,563)
Operating profit		1,665,833	1,321,264
Finance costs		(489,833)	(324,706)
Share of results of joint ventures and associates accounted for using the equity method		145,795	179,969
Profit before income tax		1,321,795	1,176,527
Income tax expense	14	(298,284)	(188,879)
Profit for the period		1,023,511	987,648
Attributable to:			
Shareholders of the Company		501,794	556,611
Non-controlling interests		521,717	431,037
		1,023,511	987,648
Earnings per share for profit attributable to shareholders of the Company for the period (expressed in RMB cents per share)			
— basic and diluted	15	9.02	10.00

The notes on pages 34 to 68 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Profit for the period	1,023,511	987,648
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss</i>		
Cash flow hedges	529	459
Currency translation differences	1,551	(40,757)
<i>Item that will not be reclassified to profit or loss</i>		
Changes in fair value of equity investments at fair value through other comprehensive income — gross	191,527	(307,083)
Changes in fair value of equity investments at fair value through other comprehensive income — tax	(47,882)	116,648
Remeasurements of post-employment benefit obligations	(5,054)	—
Total other comprehensive income for the period	140,671	(230,733)
Total comprehensive income for the period	1,164,182	756,915
Attributable to:		
Shareholders of the Company	560,463	460,402
Non-controlling interests	603,719	296,513
	1,164,182	756,915

The notes on pages 34 to 68 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to shareholders of the Company				Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000		
Balance at 31 December 2018	5,566,000	(57,573)	3,964,079	9,472,506	10,573,828	20,046,334
Change in accounting policy – HKFRS 16 (note 4)	–	–	(481,525)	(481,525)	(534,534)	(1,016,059)
Balance at 1 January 2019	5,566,000	(57,573)	3,482,554	8,990,981	10,039,294	19,030,275
Comprehensive income:						
Profit for the period	–	–	501,794	501,794	521,717	1,023,511
Other comprehensive income:						
Changes in fair value of equity investments at fair value through other comprehensive income – gross	–	79,642	–	79,642	111,885	191,527
Changes in fair value of equity investments at fair value through other comprehensive income – tax	–	(19,911)	–	(19,911)	(27,971)	(47,882)
Remeasurements of post-employment benefit obligations	–	(2,543)	–	(2,543)	(2,511)	(5,054)
Cash flow hedges	–	266	–	266	263	529
Currency translation differences	–	1,215	–	1,215	336	1,551
Total other comprehensive income	–	58,669	–	58,669	82,002	140,671
Total comprehensive income	–	58,669	501,794	560,463	603,719	1,164,182
Transaction with owners:						
Dividends to non-controlling interests	–	–	–	–	(399,072)	(399,072)
Dividends declared (note 16)	–	–	(445,280)	(445,280)	–	(445,280)
Acquisition of equity interests in a subsidiary from non-controlling interests (note 18)	–	(90,270)	–	(90,270)	(260,946)	(351,216)
Total transactions with owners	–	(90,270)	(445,280)	(535,550)	(660,018)	(1,195,568)
Balance at 30 June 2019	5,566,000	(89,174)	3,539,068	9,015,894	9,982,995	18,998,889

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2019

	Attributable to shareholders of the Company				Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000		
Balance at 31 December 2017	5,566,000	706,964	3,212,060	9,485,024	11,318,523	20,803,547
Change in accounting policy – HKFRS 9	–	717	128,968	129,685	123,137	252,822
Balance at 1 January 2018	5,566,000	707,681	3,341,028	9,614,709	11,441,660	21,056,369
Comprehensive income:						
Profit for the period	–	–	556,611	556,611	431,037	987,648
Other comprehensive income:						
Changes in fair value of equity investments at fair value through other comprehensive income – gross	–	(135,712)	–	(135,712)	(171,371)	(307,083)
Changes in fair value of equity investments at fair value through other comprehensive income – tax	–	54,019	–	54,019	62,629	116,648
Cash flow hedges	–	231	–	231	228	459
Currency translation differences	–	(14,747)	–	(14,747)	(26,010)	(40,757)
Total other comprehensive income	–	(96,209)	–	(96,209)	(134,524)	(230,733)
Total comprehensive income	–	(96,209)	556,611	460,402	296,513	756,915
Transfer of fair value changes on disposal of equity investments at fair value through other comprehensive income – gross	–	(73,705)	73,705	–	–	–
Transfer of fair value changes on disposal of equity investments at fair value through other comprehensive income – tax	–	8,692	(8,692)	–	–	–
Transaction with shareholders:						
Dividends to non-controlling interests	–	–	–	–	(373,639)	(373,639)
Dividends declared (note 16)	–	–	(445,280)	(445,280)	–	(445,280)
Acquisition of equity interests in a subsidiary from non-controlling interests	–	(335,573)	–	(335,573)	(869,205)	(1,204,778)
Total transactions with shareholders	–	(335,573)	(445,280)	(780,853)	(1,242,844)	(2,023,697)
Balance at 30 June 2018	5,566,000	210,886	3,517,372	9,294,258	10,495,329	19,789,587

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Cash flows from operating activities:		
Cash generated from operations	2,085,198	1,077,532
Net increase in deposits from customers (*)	1,354,345	472,867
Net decrease in loans to customers (*)	685,050	440,500
Interest paid	(234,349)	(336,134)
Income tax expense	(425,016)	(407,116)
Net cash generated from operating activities	3,465,228	1,247,649
Cash flows from investing activities:		
Proceeds from disposal of property, plant and equipment	134,939	68,001
Proceeds from disposal of financial assets at fair value through other comprehensive income	—	162,837
Proceeds from disposal of financial assets at fair value through profit or loss	523,126	252,159
Proceeds from disposal of associates	—	2,262
Proceeds from disposal of intangible assets	19	980
Purchase of property, plant and equipment	(512,385)	(254,455)
Purchase of intangible assets	(82,394)	(21,525)
Purchase of land use rights	—	(347,008)
Purchase of financial assets at fair value through profit or loss	(416,334)	(191,444)
Purchase of financial assets at fair value through other comprehensive income	(247,310)	—
Payment of bank deposits with maturities over 3 months	(557,474)	(560,407)
Receipt from bank deposits with maturities over 3 months	513,669	4,560,632
Interest received	48,256	511,384
Dividends received	127,492	339,772
Loans repayment received from related parties	400	342
Net cash outflow for business combination	—	(12,366)
Net cash (used in)/generated from investing activities	(467,996)	4,511,164

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2019

	Note	Six months ended 30 June	
		2019 RMB'000	2018 RMB'000
Cash flows from financing activities:			
Proceeds from borrowings	11	1,994,306	476,647
Repayments of borrowings	11	(3,467,247)	(3,740,422)
Principal elements of lease payments		(830,575)	—
Dividends paid to non-controlling interests		(275,708)	(204,679)
Acquisition of equity interests from non-controlling interests		(318,606)	(1,094,278)
Net cash used in financing activities		(2,897,830)	(4,562,732)
Increase in cash and cash equivalents		99,402	1,196,081
Cash and cash equivalents at beginning of the period		11,442,949	12,098,112
Exchange gains/(losses) on cash and cash equivalents		914	(22,352)
Cash and cash equivalents at end of the period		11,543,265	13,271,841

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

The notes on pages 34 to 68 are an integral part of these unaudited condensed consolidated interim financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1 GENERAL INFORMATION

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

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

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

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

The address of the Company’s registered office is Room 316–318, No. 24, Yang Xin Road East, Shanghai, the People’s Republic of China (the “PRC”).

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

These unaudited condensed consolidated interim financial statements were approved for issue by the board (the “Board”) of directors (the “Directors”) of the Company on 30 August 2019.

2 BASIS OF PRESENTATION

These unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2019 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The unaudited condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2018, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by HKICPA.

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

For the six months ended 30 June 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those annual financial statements except for the adoption of new and amended standards as set out below.

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

(a) New and amended standards adopted by the Group

A number of new standards, amendments and interpretation to existing standards became applicable for the current reporting period and the Group had to change its accounting policies accordingly as a result of adopting HKFRS 16 Leases. The impact of the adoption of HKFRS 16 and the new accounting policies are disclosed in Note 4 below. The other new standards, amendments and interpretation did not give rise to any significant impact on the Group's financial statements.

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
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

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

For the six months ended 30 June 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (b) The following new standards and amendments have been issued but are not effective for the financial year beginning on 1 January 2019 and have not been early adopted by the Group

		Effective for annual periods beginning on or after
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	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

The Group is assessing the full impact of above new standards and amendments.

4 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2019, where they are different to those applied in prior periods.

The Group has adopted HKFRS 16 from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing standards are therefore recognised in the opening balance sheet on 1 January 2019.

(a) Adjustments recognised on adoption of HKFRS 16 Leases

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

For leases previously classified as finance leases the Group recognised the carrying amount of the financial lease assets of RMB238,566,000 and financial lease liabilities of RMB195,201,000 immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application.

The Group previously recognised favourable lease contracts in intangible assets applying HKFRS 3 Business combinations relating to favourable terms of operating leases acquired as part of business combinations. The Group recognised the carrying amount of the intangible assets — favourable lease contracts of RMB289,689,000 as the carrying amount of the right-of-use assets at the date of initial application.

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

For the six months ended 30 June 2019

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)**(a) Adjustments recognised on adoption of HKFRS 16 Leases (continued)**

Payments for land use rights were previously recorded in prepayments for land use rights assets and amortisation was charged to the consolidated income statement on a straight line basis over the period of the land use rights. The Group recognised the carrying amount of the land use rights RMB3,161,582,000 as the carrying amount of the right-of-use assets at the date of initial application.

The Group recognised the carrying amount of right-of-use assets of RMB595,105,000 as investment properties that meet the definition of investment property as at 1 January 2019.

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	12,907,942
Add:	
Adjustments as a result of a different treatment of extension	1,158,926
Less:	
Short-term leases and low-value leases to be recognised on a straight-line basis as expenses	(174,893)
	13,891,975
Discounted using the lessee's incremental borrowing rate at the date of initial application	11,228,844
Add:	
Finance lease liabilities recognised as at 31 December 2018 (note 11)	195,201
Payables for purchases of land-use rights as at 31 December 2018 (note 10)	917,400
Lease liabilities recognised as at 1 January 2019	12,341,445

The associated right-of-use assets were measured lease by lease either on a retrospective basis as if the new rules had always been applied or at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no material onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

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

For the six months ended 30 June 2019

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Adjustments recognised on adoption of HKFRS 16 Leases (continued)

Movements in right-of-use assets are analysed as follows:

	RMB'000
Right-of-use assets recognised as at 1 January 2019	12,581,112
Additions	166,570
Depreciation and amortisation (note 13)	(665,091)
Exchange differences	(11,842)
Net book amount as at 30 June 2019	12,070,749

The recognised right-of-use assets relate to the following types of assets:

	As at 30 June 2019 RMB'000	As at 1 January 2019 RMB'000
Freehold land	224,763	170,936
Land use rights	3,094,815	3,161,582
Buildings	8,421,034	8,898,420
Equipment and others	330,137	350,174
Total right-of-use assets	12,070,749	12,581,112
Lease liabilities — current portion	1,582,499	1,449,831
Lease liabilities — non-current portion	10,327,785	10,891,614
Total lease liabilities	11,910,284	12,341,445

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

For the six months ended 30 June 2019

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Adjustments recognised on adoption of HKFRS 16 Leases (continued)

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

		RMB'000
		Debit/(Credit)
Property, plant and equipment	Decrease	(238,566)
Right-of-use assets	Increase	12,581,112
Investment properties	Increase	595,105
Land use rights	Decrease	(3,161,582)
Intangible assets	Decrease	(289,689)
Investments accounted for using the equity method	Decrease	(4,927)
Deferred income tax assets	Increase	113,845
Trade receivables, prepayments and other receivables – current portion	Decrease	(115,106)
Borrowing – non-current portion	Decrease	179,438
Borrowing – current portion	Decrease	15,763
Lease liabilities – non-current portion	Increase	(10,891,614)
Lease liabilities – current portion	Increase	(1,449,831)
Trade, other payables and accruals – non-current portion	Decrease	627,139
Trade, other payables and accruals – current portion	Decrease	918,721
Deferred tax liabilities	Decrease	104,133

The net impact on retained earnings and non-controlling interests on 1 January 2019 was a decrease of RMB481,525,000 and a decrease of RMB534,534,000, respectively. The impact on the Group's profit for the six months ended 30 June 2019 was a decrease of RMB3,616,000.

Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 Determining whether an Arrangement contains a Lease.

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

For the six months ended 30 June 2019

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 16 Leases – Accounting policies applied from 1 January 2019

The Group leases various buildings, offices, equipment and others. Rental contracts are typically made for fixed periods but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss 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 right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments) and variable lease payments that are based on an index or a rate.

The lease payments are discounted using incremental borrowing rate of the Group which the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability; and
- any lease payments made at or before the commencement date.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office equipment.

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

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

For the six months ended 30 June 2019

5 ESTIMATES

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

In preparing the unaudited condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

6 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

The unaudited condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2018.

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

(b) Liquidity risk

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at 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 30 June 2019				
Borrowings	3,129,542	1,104,500	14,101,793	—
Lease liabilities	2,463,020	1,916,431	4,069,519	6,391,913
Contractual interest payable on borrowings	379,968	291,117	218,668	—
Trade, other payables and accruals (excluding non-financial liabilities)	8,907,930	341,189	—	—
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 on borrowings	445,613	311,666	303,854	—
Trade, other payables and accruals (excluding non-financial liabilities)	8,710,229	1,016,774	—	—

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

For the six months ended 30 June 2019

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

As at 30 June 2019, the Group's current liabilities exceeded its current assets by RMB570,269,000. Having considered the Group's available bank financing and its ability to replace current borrowings with non-current borrowings, the Directors believe that the Group has adequate resources to continue operation for the foreseeable future.

(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); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 30 June 2019				
Financial assets at fair value through other comprehensive income				
– Equity securities	1,811,047	–	25,800	1,836,847
Financial assets at fair value through profit or loss				
– Equity securities	1,247,856	–	463,667	1,711,523
– Debt securities	201,437	221,005	–	422,442
Total assets	3,260,340	221,005	489,467	3,970,812
Derivative financial instruments				
– Interest rate swaps	–	(1,983)	–	(1,983)
Total liabilities	–	(1,983)	–	(1,983)

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

For the six months ended 30 June 2019

6 FINANCIAL RISK MANAGEMENT (CONTINUED)**(c) Fair value estimation (continued)**

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2018				
Financial assets at fair value through other comprehensive income				
– Equity securities	1,372,277	–	25,734	1,398,011
Financial assets at fair value through profit or loss				
– Equity securities	1,273,828	–	427,383	1,701,211
– Debt securities	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)

Fair value measurements using quoted prices (Level 1)

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

Valuation techniques used to derive fair value (Level 2)

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

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

For the six months ended 30 June 2019

6 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 financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. Under this methodology, fair value is determined by discounting the projected cash flow of the investee companies to present worth based on profit and cash flows forecast and other relevant information provided by the investee companies.

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

Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The use of 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; and
- The fair value of the remaining financial instruments is determined using discounted cash flow analysis.

All of the resulting fair value estimates are included in level 2 except for unlisted equity securities and financial liabilities due to put option.

In preparing the condensed consolidated interim financial statements, the significant judgements made by management in applying the valuation method for the financial instruments carried at fair value and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

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

For the six months ended 30 June 2019

7 SEGMENT INFORMATION

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

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

- (1) Full Service Hotels: ownership, operation and management of full service hotels;
- (2) Select Service Hotels – managed and operated in Mainland China: operation of self-owned select service hotels and provision of management and franchising to other parties to operate select service hotels, primarily in the PRC and under the brand names of Jin Jiang GDL Asia Co., Ltd. (“Jin Jiang GDL Asia”), Keystone Lodging Holdings Limited (“Keystone”) and its subsidiaries (“Plateno Group”), or Vienna Hotels Group Co., Ltd. (“Vienna Hotels”);
- (3) Select Service Hotels – managed and operated overseas: operation of self-owned select service hotels and provision of management and franchising to other parties to operate select service hotels, mostly in Europe and under the brand names of Groupe du Louvre (“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; and
- (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 period.

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

For the six months ended 30 June 2019

7 SEGMENT INFORMATION (CONTINUED)

(a) Segment revenue

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Full Service Hotels	1,006,596	1,029,056
– Accommodation revenue	487,718	494,928
– Food and beverage sales	296,939	292,859
– Rendering of ancillary services	43,599	46,818
– Rental revenue	89,745	110,783
– Sales of hotel supplies	2,581	2,040
– Hotel management	86,014	81,628
Select Service Hotels – managed and operated in Mainland China	5,064,615	4,846,992
– Accommodation revenue	2,435,002	2,576,795
– Food and beverage sales	141,210	154,003
– Rendering of ancillary services	110,491	467,741
– Rental revenue	80,337	67,408
– Sales of hotel supplies	648,463	221,966
– Hotel management and franchise	1,485,408	1,190,990
– Revenue under customer loyalty programme	163,704	168,089
Select Service Hotels – managed and operated overseas	1,965,355	1,978,347
– Accommodation revenue	1,170,266	1,087,430
– Catering and sale of products	421,483	411,693
– Hotel management and franchise	369,819	473,561
– Others	3,787	5,663
Food and Restaurants	163,183	164,388
Passenger Transportation Vehicles and Logistics	1,192,073	1,138,014
– Vehicle operating	509,765	537,230
– Trading of automobile	579,850	507,258
– Refrigerated logistics	66,771	70,298
– Others	35,687	23,228
Travel Agency	501,283	534,762
– Travel agency	478,202	514,552
– Others	23,081	20,210
Other Operations	60,005	69,350
	9,953,110	9,760,909

The majority of the Group's sales are retail sales and no revenues from transactions with a single external customer account for 10% or more of the Group's revenue for the six months ended 30 June 2019 (the six months ended 30 June 2018: nil).

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

For the six months ended 30 June 2019

7 SEGMENT INFORMATION (CONTINUED)**(b) Other segment information**

The segment results for the six months ended 30 June 2019 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 revenue (note 7(a))	1,006,596	5,064,615	1,965,355	163,183	1,192,073	501,283	60,005	9,953,110
Inter-segment revenue	4,439	190	6,289	6,820	1,865	–	37,327	56,930
Total gross segment revenue	1,011,035	5,064,805	1,971,644	170,003	1,193,938	501,283	97,332	10,010,040
Revenue from contracts with customers:								
– Recognised at a point of time	299,520	789,673	421,483	163,183	579,850	–	–	2,253,709
– Recognised over time	617,331	4,194,605	1,543,872	–	593,466	488,756	60,005	7,498,035
	916,851	4,984,278	1,965,355	163,183	1,173,316	488,756	60,005	9,751,744
Revenue from other resources:								
– Rental revenue	89,745	80,337	–	–	18,757	12,527	–	201,366
Profit for the period	109,356	529,482	57,432	154,187	194,580	56,642	(78,168)	1,023,511

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

For the six months ended 30 June 2019

7 SEGMENT INFORMATION (CONTINUED)

(b) Other segment information (continued)

The segment results for the six months ended 30 June 2019 are as follows: (continued)

	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
Other income and gain (note 12)	52,203	286,962	8,510	106,170	84,340	52,882	58,785	649,852
Including: interest income from bank deposits (note 12)	18,192	24,325	1,154	55	7,131	2,481	545	53,883
Depreciation of property, plant and equipment (note 13)	(92,830)	(412,101)	(146,681)	(5,182)	(107,353)	(1,903)	(719)	(766,769)
Impairment of property, plant and equipment (note 13)	–	(19,331)	–	–	–	–	–	(19,331)
Depreciation of investment properties (note 13)	(716)	(27,479)	–	–	(1,066)	(2,634)	–	(31,895)
Depreciation and Amortisation of right-of-use assets (note 13)	(29,293)	(513,894)	(108,763)	(2,843)	(4,138)	(3,486)	(2,674)	(665,091)
Amortisation of intangible assets (note 13)	(1,471)	(65,632)	(6,995)	(470)	–	(16)	(650)	(75,234)
Finance costs	(88,303)	(210,017)	(92,492)	(257)	(1,214)	(148)	(97,402)	(489,833)
Share of results of joint ventures and associates accounted for using the equity method	(13,600)	(2,806)	5,970	64,581	91,771	(53)	(68)	145,795
Income tax expense (note 14)	(20,646)	(204,437)	(20,072)	(6,907)	(29,921)	(5,615)	(10,686)	(298,284)
Additions to non-current assets (other than financial instruments and deferred tax assets)	30,845	368,668	184,407	239	51,440	2,183	414	638,196

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

For the six months ended 30 June 2019

7 SEGMENT INFORMATION (CONTINUED)**(b) Other segment information (continued)**

The segment results for the six months ended 30 June 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 revenue (note 7(a))	1,029,056	4,846,992	1,978,347	164,388	1,138,014	534,762	69,350	9,760,909
Inter-segment revenue	4,063	207	3,814	3,770	434	14	33,502	45,804
Total gross segment revenue	1,033,119	4,847,199	1,982,161	168,158	1,138,448	534,776	102,852	9,806,713
Revenue from contracts with customers:								
— Recognised at a point of time	294,899	375,969	411,693	164,388	507,258	—	—	1,754,207
— Recognised over time	623,374	4,403,615	1,566,654	—	607,726	524,586	69,350	7,795,305
	918,273	4,779,584	1,978,347	164,388	1,114,984	524,586	69,350	9,549,512
Revenue from other resources:								
— Rental revenue	110,783	67,408	—	—	23,030	10,176	—	211,397
Profit for the period	265,940	368,076	116,083	130,273	192,224	27,720	(112,668)	987,648

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

For the six months ended 30 June 2019

7 SEGMENT INFORMATION (CONTINUED)

(b) Other segment information (continued)

The segment results for the six months ended 30 June 2018 are as follows: (continued)

	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
Other income and gain (note 12)	25,249	129,569	32,880	77,415	84,596	33,197	85,091	467,997
Including: interest income from bank deposits (note 12)	5,158	24,420	430	29	8,348	2,038	63,897	104,320
Depreciation of property, plant and equipment (note 13)	(89,106)	(405,015)	(170,160)	(5,220)	(116,364)	(2,418)	(787)	(789,070)
Impairment of property, plant and equipment (note 13)	—	(25,010)	—	—	—	—	—	(25,010)
Depreciation of investment properties (note 13)	(2,487)	—	—	—	(1,066)	(2,622)	—	(6,175)
Amortisation of land use rights (note 13)	(7,845)	(21,381)	—	—	(652)	—	(117)	(29,995)
Amortisation of intangible assets (note 13)	(1,142)	(75,844)	(19,374)	(719)	—	(16)	(1,192)	(98,287)
Finance costs	(70,017)	(29,325)	(69,961)	(103)	(1,807)	—	(153,493)	(324,706)
Share of results of joint ventures and associates accounted for using the equity method	37,901	(3,389)	6,037	66,836	76,259	87	(3,762)	179,969
Income tax expense (note 14)	10,390	(177,527)	13,728	(1,074)	(20,618)	(1,342)	(12,436)	(188,879)
Additions to non- current assets (other than financial instruments and deferred tax assets)	74,091	304,104	174,777	2,214	89,524	3,264	754	648,728

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

For the six months ended 30 June 2019

7 SEGMENT INFORMATION (CONTINUED)

(b) Other segment information (continued)

The segment assets and liabilities as at 30 June 2019 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	5,061,717	28,215,740	15,708,609	512,347	3,958,176	1,386,716	8,777,575	63,620,880
Investments accounted for using the equity method	615,180	26,722	66,762	187,972	753,874	3,638	74,138	1,728,286
Total assets	5,676,897	28,242,462	15,775,371	700,319	4,712,050	1,390,354	8,851,713	65,349,166
Segment liabilities	2,447,141	13,804,360	14,269,866	232,913	1,042,400	570,660	13,982,937	46,350,277

The segment assets and liabilities 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

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

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

For the six months ended 30 June 2019

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

	Property, plant and equipment RMB'000	Investment properties RMB'000	Land use rights RMB'000	Intangible assets RMB'000
Cost				
At 31 December 2018	22,810,052	586,530	3,832,891	19,594,466
Change of accounting policies – HKFRS 16 (note 4)	(967,229)	951,473	(3,832,891)	(508,628)
At 1 January 2019	21,842,823	1,538,003	–	19,085,838
Additions	389,232	–	–	82,394
Disposals	(252,716)	–	–	(1,738)
Exchange differences	(15,069)	–	–	(43,789)
At 30 June 2019	21,964,270	1,538,003	–	19,122,705
At 1 January 2018	22,272,170	484,953	3,832,891	19,379,596
Additions	546,110	–	–	21,525
Additions resulting from acquisition through business combination	33,983	–	–	47,110
Transferred to investment properties	(101,575)	101,575	–	–
Disposals	(276,527)	–	–	(1,244)
Exchange differences	(211,535)	–	–	(154,101)
At 30 June 2018	22,262,626	586,528	3,832,891	19,292,886

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

For the six months ended 30 June 2019

8 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, LAND USE RIGHTS AND INTANGIBLE ASSETS (CONTINUED)

	Property, plant and equipment RMB'000	Investment properties RMB'000	Land use rights RMB'000	Intangible assets RMB'000
Accumulated depreciation and amortisation				
At 31 December 2018	(10,664,211)	(256,133)	(671,309)	(727,515)
Change of accounting policies — HKFRS 16 (note 4)	728,663	(356,368)	671,309	218,939
At 1 January 2019	(9,935,548)	(612,501)	—	(508,576)
Depreciation and amortisation charge for the period (note 13)	(766,769)	(31,895)	—	(75,234)
Disposals	176,091	—	—	1,719
Exchange differences	16,622	—	—	1,472
At 30 June 2019	(10,509,604)	(644,396)	—	(580,619)
At 1 January 2018	(9,603,379)	(194,758)	(536,536)	(522,736)
Depreciation and amortisation charge for the period (note 13)	(789,070)	(6,175)	(29,995)	(98,287)
Transferred to investment properties	48,984	(48,984)	—	—
Disposals	246,028	—	—	264
Exchange differences	98,505	—	—	7,107
At 30 June 2018	(9,998,932)	(249,917)	(566,531)	(613,652)

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

For the six months ended 30 June 2019

8 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, LAND USE RIGHTS AND INTANGIBLE ASSETS (CONTINUED)

	Property, plant and equipment RMB'000	Investment properties RMB'000	Land use rights RMB'000	Intangible assets RMB'000
Impairment				
At 31 December 2018	(160,112)	—	—	(43,913)
Change of accounting policy — HKFRS 16 (note 4)	—	—	—	—
At 1 January 2019	(160,112)	—	—	(43,913)
Impairment charge for the period (note 13)	(19,331)	—	—	—
At 30 June 2019	(179,443)	—	—	(43,913)
At 1 January 2018	(127,741)	—	—	(23,368)
Impairment charge for the period (note 13)	(25,010)	—	—	—
Disposals	3,652	—	—	—
Exchange differences	28	—	—	—
At 30 June 2018	(149,071)	—	—	(23,368)
Net book amount				
At 30 June 2019	11,275,223	893,607	—	18,498,173
At 30 June 2018	12,114,623	336,611	3,266,360	18,655,866

Bank borrowings of Polish Zloty ("PLN") 34,828,000, equivalent to RMB64,040,000 (31 December 2018: PLN35,324,000, equivalent to RMB64,810,000), which were pledged by certain property, plant and equipment of certain subsidiaries of GDL located in Poland with a net book amount of RMB176,141,000 (31 December 2018: RMB182,008,000).

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

For the six months ended 30 June 2019

9 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Trade receivables	1,550,242	1,337,959
Less: provision for impairment of trade receivables	(191,359)	(176,872)
Trade receivables – net	1,358,883	1,161,087
Other receivables		
– Loans to related parties by Finance Company (note 19(b))	444,850	1,129,900
– Other amounts due from related parties (note 19(b))	390,896	368,426
– Deposits	318,777	321,782
– Dividend receivables	185,771	18,998
– Accrued rental revenue	46,342	45,044
– Loans to related parties by the Group other than Finance Company (note 19(b))	34,000	34,400
– Interest receivables	15,017	9,390
– Others	75,708	65,831
Less: provision for impairment of other receivables	(54,990)	(83,874)
	1,456,371	1,909,897
Prepayments		
– Prepayments to suppliers	801,718	834,797
– Value-added tax (“VAT”) recoverable, other prepaid tax and recoverable tax	325,845	342,464
	1,127,563	1,177,261
Prepayments and other receivables – net	2,583,934	3,087,158
	3,942,817	4,248,245
Less: non-current portion of trade receivables, prepayments and other receivables	(176,833)	(188,919)
	3,765,984	4,059,326

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

For the six months ended 30 June 2019

9 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Less than 3 months	1,228,548	960,007
3 months to 1 year	179,302	245,965
Over 1 year	142,392	131,987
	1,550,242	1,337,959

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

10 TRADE, OTHER PAYABLES AND ACCRUALS

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Trade payables	1,110,984	1,808,309
Deposits from related parties in Finance Company (note 19(b))	5,335,426	3,981,082
Employee benefits payables	1,876,135	2,145,941
Advances on behalf of the franchisees	730,901	835,100
Deposits from lessees and constructors	478,143	459,132
Payables for purchases of property, plant and equipment and intangible assets	431,500	554,655
Other tax payables	354,901	306,618
Accrued expenses	324,640	350,375
Dividend payable to non-controlling interests	145,822	22,458
Other amounts due to related parties (note 19(b))	145,531	147,134
Financial liabilities due to put options granted to holders of non-controlling interests	98,649	92,160
Notes payable	88,810	119,000
Defined benefit plan of GDL	85,734	73,865
Provisions for other liabilities and charges	78,371	77,197
Interest payable	55,110	36,422
Payables related to the disposal of Shanghai Galaxy Hotel Co., Ltd. ("Galaxy Hotel")	36,962	36,962
Payables for acquisition of the non-controlling interests of Keystone (note 18)	35,610	3,000
Deferred government grants	32,998	44,089
Deferred payment of acquisition of subsidiaries	17,942	18,788
Payables for purchases of land use rights	—	917,400
Others	213,089	271,161
	11,677,258	12,300,848
Less: non-current portion of trade, other payables and accruals	(934,941)	(1,645,948)
	10,742,317	10,654,900

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

For the six months ended 30 June 2019

10 TRADE, OTHER PAYABLES AND ACCRUALS (CONTINUED)

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Less than 3 months	985,505	1,652,888
3 months to 1 year	77,823	104,055
Over 1 year	47,656	51,366
	1,110,984	1,808,309

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

11 BORROWINGS

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings — secured	10,418,679	10,650,536
Bank borrowings — unsecured	1,932,184	3,698,633
Borrowings from related parties (note 19(b))	4,408,500	4,423,650
Finance lease liabilities	—	195,201
	16,759,363	18,968,020
Less: current portion of long-term secured bank borrowings	(824,057)	(523,855)
current portion of long-term unsecured bank borrowings	(629,013)	(1,221,163)
current portion of long-term borrowings from related parties (note 19(b))	(100,000)	(300,000)
current portion of long-term finance lease liabilities	—	(15,763)
	15,206,293	16,907,239
Borrowings included in current liabilities:		
Bank borrowings — secured	5,000	5,000
Bank borrowings — unsecured	1,541,472	1,038,429
Borrowings from related parties (note 19(b))	30,000	30,000
Current portion of long-term secured bank borrowings	824,057	523,855
Current portion of long-term unsecured bank borrowings	629,013	1,221,163
Current portion of long-term borrowings from related parties (note 19(b))	100,000	300,000
Current portion of long-term finance lease liabilities	—	15,763
	3,129,542	3,134,210

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

For the six months ended 30 June 2019

11 BORROWINGS (CONTINUED)

As at 30 June 2019, the secured bank borrowings included:

- (a) Bank borrowings of EUR767,000,000, equivalent to RMB5,995,639,000 (31 December 2018: EUR768,000,000, equivalent to RMB6,026,726,000), which were guaranteed by Jin Jiang International;
- (b) Bank borrowings of PLN34,828,000, equivalent to RMB64,040,000 (31 December 2018: PLN35,324,000, equivalent to RMB64,810,000), pledged by the property, plant and equipment of certain subsidiaries of GDL located in Poland;
- (c) Bank borrowings of RMB5,000,000 (31 December 2018: RMB5,000,000), which were guaranteed by a non-controlling shareholder of a subsidiary of the Group;
- (d) Bank borrowings of RMB4,359,000,000 (31 December 2018: RMB4,559,000,000), which were pledged by the equity interests in a subsidiary of the Group.

Movements in borrowings are analysed as follows:

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
At beginning of the period	20,041,449	23,783,674
Change in accounting policies — HKFRS 16 (note 4)	(195,201)	—
Bank borrowings additions resulting from business combination	—	25,015
Proceeds from borrowings	1,994,306	476,647
Repayments of borrowings	(3,467,247)	(3,731,368)
Payments of finance leases	—	(9,054)
Exchange differences	(37,472)	(91,245)
At end of the period	18,335,835	20,453,669

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

For the six months ended 30 June 2019

12 OTHER INCOME AND GAIN

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Unrealised fair value gains on financial assets at fair value through profit or loss	245,954	12,805
Dividend income	154,583	145,429
– Unlisted equity investments	85,067	82,968
– Listed equity investments	69,516	62,461
Government grants income (a)	70,397	52,578
Interest income from bank deposits	53,883	104,320
Government compensation for expropriation of hotel land use right and properties	34,344	76,054
Gain on disposal of property, plant and equipment	26,160	33,117
Gain on disposal of investment in a joint venture	23,790	–
Realised fair value gain on financial assets at fair value through profit or loss	19,730	1,493
Revaluation gain from remeasuring the equity interests previously held	–	9,095
Others	21,011	33,106
	649,852	467,997

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

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

For the six months ended 30 June 2019

13 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Employee benefit expenses	3,148,493	3,119,307
Changes in inventories	1,861,850	1,747,140
Depreciation of property, plant and equipment (note 8)	766,769	789,070
Depreciation and amortisation of right-of-use assets (note 4)	665,091	—
Utility cost and consumables	399,083	434,415
Commissions paid to travel and other agencies	243,768	229,398
Advertising costs	202,826	181,797
Property tax, VAT through a simplified method and other tax surcharges	154,403	162,713
Service costs and consulting fee	137,403	166,067
Operating leases and properties services	134,949	939,674
Amortisation of intangible assets (note 8)	75,234	98,287
Transportation expenses	70,301	56,708
Telecommunication expenses	45,349	32,204
Depreciation of investment properties (note 8)	31,895	6,175
Impairment of property, plant and equipment (note 8)	19,331	25,010
Auditors' remuneration	16,514	16,430
Entertainment expenses	9,572	7,388
Amortisation of land use rights (note 8)	—	29,995
Others	890,249	826,301
	8,873,080	8,868,079

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

For the six months ended 30 June 2019

14 INCOME TAX EXPENSE

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Current tax:		
Mainland China current corporate income tax ("CIT")	301,672	227,282
Overseas current corporate income tax	41,416	6,321
Deferred tax:		
Mainland China deferred income tax	(23,460)	3,485
Overseas deferred income tax	(21,344)	(48,209)
	298,284	188,879

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 Group companies operating in Mainland China for the six months ended 30 June 2019 (the six months ended 30 June 2018: 25%) as determined in accordance with the Corporate Income Tax Law of PRC and the Detail Implementation Regulations.

Hong Kong profits tax has been provided at the rate of taxation prevailing in which the Group operates on the estimated assessable profits for the period.

GDL is mainly operated in France and subject to income tax at 32.02% for the six months ended 30 June 2019 (the six months ended 30 June 2018: 34.43%).

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 to 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 RMB56,685,000 was recognised as a gain in the "income tax expense" for the six months ended 30 June 2018 (the six months ended 30 June 2019: nil).

15 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
Profit attributable to shareholders of the Company (RMB'000)	501,794	556,611
Weighted average number of ordinary shares in issue (thousands)	5,566,000	5,566,000
Basic earnings per share (RMB cents)	9.02	10.00

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

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

For the six months ended 30 June 2019

16 DIVIDENDS

The final dividend for the year 2018 of RMB8.0 cents (2017 final dividend: RMB8.0 cents) per share, totalling RMB445,280,000 (2017 final dividend: RMB445,280,000) will be paid subsequently in the second half of 2019. The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018 interim dividend: nil).

17 COMMITMENTS

(a) Capital commitments

Capital expenditure at 30 June 2019 contracted but not yet incurred is as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Acquisition of property, plant and equipment	105,703	88,750

(b) Operating lease commitments

The Group leases out space in hotels under non-cancellable operating lease agreements. The rental revenue recognised in the unaudited condensed consolidated interim income statement during the six months ended 30 June 2019 is disclosed in note 7(a).

Leases with different lessees 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 of properties are based on the higher of minimum guaranteed rentals or revenue level based rentals, the minimum guaranteed rentals have been used to arrive at the commitments below.

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Not later than 1 year	166,597	174,766
Later than 1 year and not later than 5 years	414,093	425,134
Later than 5 years	234,057	265,446
	814,747	865,346

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

For the six months ended 30 June 2019

18 ACQUISITION OF NON-CONTROLLING INTERESTS IN A SUBSIDIARY

In January 2019, Shanghai Jin Jiang International Hotels Company Limited (“Jin Jiang Hotels”, formerly known as “Shanghai Jin Jiang International Hotels Development Company Limited”), a subsidiary of the Company in which the Company holds 50.32% equity interest, acquired a further 3.49825% equity interest of Keystone from its non-controlling interests at a consideration of RMB351,216,000. And then Jin Jiang Hotels has 96.50175% equity interest of Keystone.

The carrying amount of the 3.49825% non-controlling equity in Keystone on the date of acquisition was RMB171,824,000, which was recognised by Jin Jiang Hotels as a decrease in non-controlling interests. Considering the 49.68% of non-controlling interests in Jin Jiang Hotels, the Group recognised a decrease in non-controlling equity holders of RMB260,946,000 and a decrease in equity attributable to the shareholders of the Company of RMB90,270,000.

Details of purchase consideration are as follows:

	RMB'000
Purchase consideration:	
– Cash paid	315,606
– Cash to be paid (note 10)	35,610
	351,216

The effect of changes on the equity attributable to the shareholders of the Company and non-controlling equity holders on the date of the acquisition is summarised as follows:

	RMB'000
Carrying amount of non-controlling interests acquired by Jin Jiang Hotels	171,824
Consideration paid to non-controlling interests	(351,216)
Excess of consideration paid	(179,392)
Multiply: percentage of equity interest in Jin Jiang Hotels	50.32%
Effect of changes on the equity attributable to the shareholders of the Company	(90,270)
Carrying amount of non-controlling interests acquired by Jin Jiang Hotels	(171,824)
Excess of consideration paid recognised in non-controlling interests	(89,122)
Effect of changes on non-controlling equity interests	(260,946)

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

For the six months ended 30 June 2019

19 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related party transactions

The Group had the following significant related party transactions during six months ended 30 June 2019:

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Transactions with Jin Jiang International and its subsidiaries, joint ventures and associates		
— Deposits received	1,383,584	475,500
— Provision of tourism services	24,516	23,890
— Provision of hotel services	19,662	16,524
— Provision of other services	18,268	21,026
— Provision of membership package	17,846	18,361
— Interest income received	2,831	5,128
— Rental income received	1,424	1,660
— Sales of hotel supplies	503	616
— Provision of food and beverage services	11	12
	1,468,645	562,717
— Borrowing (collected)/granted	(650,000)	741,668
— Interest expense paid	29,019	37,262
— Rental expenses paid	20,173	28,352
— Compensation of demolition	14,902	—
— Receipt of other services	10,017	8,821
— Purchase of food and beverage	385	3,695
— Receipt of food and beverage services	96	88
— Receipt of IT services	30	25
	(575,378)	819,911

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

For the six months ended 30 June 2019

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

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Transactions with joint ventures and associates of the Group		
— Deposits received	29,240	2,633
— Interest income received	3,767	8,678
— Management fee received	890	1,420
— Rental income received	588	2,788
— Sales of hotel supplies	567	324
	35,052	15,843
— Borrowing (collected)/granted	(35,450)	11,500
— Purchase of food and beverage	177	1,361
— Receipt of other services	13	48
— Purchase of property, plant and equipment	—	981
— Interest expense paid	—	1
	(35,260)	13,891

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

For the six months ended 30 June 2019

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Loans to related parties by Finance Company (note 9)		
– Joint ventures of the Group (i)	390,000	425,000
– Associates of the Group (ii)	54,850	54,900
– Jin Jiang International (iii)	–	650,000
	444,850	1,129,900
Loans to related parties by the Group other than Finance Company (note 9)		
– Joint ventures of the Group (iv)	31,000	30,500
– Associates of the Group (v)	3,000	3,900
	34,000	34,400
Other amounts due from related parties (note 9)		
– Associates of the Group	174,704	43,918
– Subsidiaries, joint ventures and associates of Jin Jiang International	118,596	275,418
– Joint ventures of the Group	82,329	48,097
– Jin Jiang International	15,267	993
	390,896	368,426
Deposits from related parties in Finance Company (note 10)		
– Subsidiaries, joint ventures and associates of Jin Jiang International (vi)	(4,241,435)	(3,683,595)
– Jin Jiang International (vii)	(856,944)	(31,201)
– Joint ventures of the Group (viii)	(230,863)	(260,323)
– Associates of the Group (ix)	(6,184)	(5,963)
	(5,335,426)	(3,981,082)

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

For the six months ended 30 June 2019

19 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Amount due from/to related parties (continued)

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Other amounts due to related parties (note 10)		
– Joint ventures of the Group	(84,327)	(69,968)
– Subsidiaries, joint ventures and associates of Jin Jiang International	(44,902)	(44,118)
– Associates of the Group	(11,199)	(18,533)
– Jin Jiang International	(5,103)	(14,515)
	(145,531)	(147,134)
Borrowings from related parties (note 11)		
– Subsidiaries of Jin Jiang International (x)	(4,438,500)	(4,453,650)

- (i) The balance includes secured loans to a joint venture of the Group of RMB390,000,000 as at 30 June 2019 (31 December 2018: RMB410,000,000) with effective interest rate of 4.21% (31 December 2018: 4.21%) per annum which were guaranteed by its properties. An unsecured loan to a joint venture of the Group of RMB15,000,000 as at 31 December 2018 with effective interest rate of 3.92% per annum was repaid in year 2019.
- (ii) The balance includes secured loans to an associate of the Group of RMB54,850,000 as at 30 June 2019 (31 December 2018: RMB54,900,000) with effective interest rate of 4.75% (31 December 2018: 4.75%) per annum which were guaranteed by its properties.
- (iii) An unsecured loan to Jin Jiang International of RMB650,000,000 as at 31 December 2018 with effective interest rate of 3.92% per annum was repaid in year 2019.
- (iv) The balance includes unsecured loans to joint ventures of RMB31,000,000 as at 30 June 2019 (31 December 2018: RMB30,500,000) with effective interest rate of 4.29% (31 December 2018: 4.36%) per annum.
- (v) The balance includes unsecured loans to an associate of the Group of RMB3,000,000 as at 30 June 2019 (31 December 2018: 3,900,000) with effective interest rate of 4.23% (31 December 2018: 4.23%) per annum.
- (vi) The balance includes deposits from subsidiaries, joint ventures and associates of Jin Jiang International of RMB4,241,435,000 as at 30 June 2019 (31 December 2018: RMB3,683,595,000) with effective interest rate of 0.52% (31 December 2018: 0.61%) per annum.
- (vii) The balance includes deposits from Jin Jiang International of RMB856,944,000 as at 30 June 2019 (31 December 2018: RMB31,201,000) with effective interest rate of 0.39% (31 December 2018: 0.39%) per annum.

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

For the six months ended 30 June 2019

19 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Amount due from/to related parties (continued)

- (viii) The balance includes deposits from joint ventures of RMB230,863,000 as at 30 June 2019 (31 December 2018: RMB260,323,000) with effective interest rate of 3.78% (31 December 2018: 3.33%) per annum.
- (ix) The balance includes deposits from associates of the Group of RMB6,184,000 as at 30 June 2019 (31 December 2018: RMB5,963,000) with effective interest rate of 1.17% (31 December 2018: 1.19%) per annum.
- (x) The balance includes unsecured borrowings from subsidiaries of Jin Jiang International of RMB530,000,000 as at 30 June 2019 (31 December 2018: RMB530,000,000) with effective interest rate of 3.50% (31 December 2018: 3.50%) per annum; and a subsidiary of Jin Jiang International of EUR500,000,000 equivalent to RMB3,908,500,000 as at 30 June 2019 (31 December 2018: EUR500,000,000, equivalent to RMB3,923,650,000) with effective interest rate of 1.17% (31 December 2018: 1.17%).

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

(c) Loan commitments and financial guarantees

Loan commitments

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
– Jin Jiang International	150,000	–
– Joint ventures of the Group	30,000	75,000
– Associates of the Group	150	100
	180,150	75,100

(d) Key management compensation

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Salary and other allowances	811	800
Retirement scheme contributions	316	289
	1,127	1,089

