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Shanghai Jin Jiang Capital Company Limited*

上海錦江資本股份有限公司

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

(Stock Code: 02006)

2021 FINAL RESULTS ANNOUNCEMENT

The Board is pleased to announce the final results of the Group for the year ended 31 December 2021. These results have been reviewed by the Audit and Risk Control Committee. The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the final results announcement were consistent with the amounts set out in the audited consolidated financial statements of the Group for the year.

During 2021, the Group continued to drive quality and efficiency enhancement as well as innovation and transformation of the industry subject to proper execution of anti-epidemic measures, as it actively addressed the challenge of uncertainties in the global COVID-19 epidemic situation and the external environment in adherence to the general working principle of progress in stability, amidst a changing world scenario and complex international environment marked by "two unprecedented epic developments". The Group endeavoured to cultivate new opportunities out of the crisis and pursue new developments amidst changes, seeking stable development under normalised epidemic prevention and control.

During the Reporting Period, the Group realised sales revenue of approximately RMB15,854,560,000, representing an increase of approximately 11.6% as compared to the same period of last year, which reflected mainly the increase in sales revenue as compared to the same period of last year over a low comparative base for 2020 following unprecedented restrictions for both inbound and outbound business travel and tourism in the first quarter of 2020 after the outbreak of the COVID-19 epidemic. Operating profit of the Group amounted to approximately RMB1,127,817,000, representing a decrease of approximately 31.6% as compared to the same period of last year. Earnings before interests, taxes, depreciation and amortisation (“EBITDA”) of the Group amounted to approximately RMB4,214,323,000, representing a decrease of approximately 11.9% as compared to the same period of last year. Profit attributable to shareholders of the Company amounted to approximately RMB8,293,000, representing a decrease of approximately 97.1% as compared to the same period of last year. The results reflected mainly the ongoing impact of the COVID-19 epidemic and the decrease in gain from disposal of subsidiaries and government subsidies income as compared to the same period of last year. The Board did not recommend the payment of any final dividend for the year ended 31 December 2021.

As at the end of the Reporting Period, the Group held or managed a total of 10,694 hotels in operation with approximately 1,040,000 rooms in aggregate in 62 countries over the world. Among the said hotels, a total of 9,436 self-owned or managed hotels were in operation in China with approximately 940,000 rooms in total. In addition, 4,772 hotels of the Group were under construction over the world with a total of approximately 470,000 rooms. In terms of the number of guest rooms in operation, the Group together with the guest rooms in operation of Radisson Hotel Group of Jin Jiang International Group ranked second in the global hotel group ranking as published by HOTELS Magazine, the official publication of The International Hotel & Restaurant Association, in August 2021.

During the Reporting Period, Mr. Yu Minliang ceased to be an executive Director, chairman of the Board and member and chairman of the nomination committee of the Board owing to age reasons. Mr. Zhao Qi was appointed as an executive Director, the chairman of the Board and the member and chairman of the nomination committee of the Board.

During the Reporting Period, custodian registration with China Securities Depository and Clearing Corporation Limited, Shanghai Branch in respect of the new shares issued under the non-public issuance of Jin Jiang Hotels, a subsidiary of the Company, was completed on 19 March 2021. Net proceeds from the non-public issuance of 112,107,623 ordinary shares (A shares) at an issue price of RMB44.60 per share was approximately RMB4,978,545,000 after deduction of related issue expenses (excluding tax). The aforesaid proceeds have been received in full.

During the Reporting Period, in tandem with the Company's strategic development planning and the direction of industry consolidation, Jin Jiang Online, a subsidiary of the Company, was renamed from "Shanghai Jin Jiang International Industrial Investment Company Limited" to "Shanghai Jin Jiang Online Network Service Company Limited". Through the advancement of corporate transformation and upgrade, it will accelerate the online development of its business and forge a one-stop platform for daily-living services in online and offline integration through connection and coordination of the advantageous resources of the Group's related business chains on the back of intelligentisation, digitalisation and online technologies.

During the Reporting Period, Jin Jiang Hotels, a subsidiary of the Company, entered into the equity transfer agreement with Fortune News International Limited (ultimately wholly-owned by Mr. Zheng Nanyan) and Mr. Zheng Nanyan, pursuant to which Jin Jiang Hotels shall acquire 3.49825% equity interest in Keystone held by Fortune News International Limited for a cash consideration of approximately RMB351,216,000. Following the completion of the transaction, the percentage of Jin Jiang Hotels's shareholdings in Keystone increased from 96.50175% to 100%.

During the Reporting Period, Jin Jiang International Group, the controlling shareholder of the Company as the offeror, proposed to privatise the Company by way of absorption. The transaction involves the payment of cash to the H Shareholders to cancel the shares and withdraw the listing of the H Shares on the Stock Exchange. The offeror will pay a cancellation price of HK\$3.10 per H Share to the H Shareholders in cash, but will not be required to pay consideration for the Domestic Shares as the sole Domestic Shareholder. Upon completion of the merger, the offeror will assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of the Company, and the Company will eventually be deregistered.

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	81	24,328	9,355	918,647	9,436	942,975
Asia (excluding China)	—	—	203	22,268	203	22,268
Europe	—	—	1,003	70,423	1,003	70,423
Americas	—	—	17	3,250	17	3,250
Africa	—	—	35	4,789	35	4,789
Total	<u>81</u>	<u>24,328</u>	<u>10,613</u>	<u>1,019,377</u>	<u>10,694</u>	<u>1,043,705</u>

Note:

- As at 31 December 2021, the Group owned or managed 10,694 hotels in operation with a total of 1,043,705 guest rooms located in 62 countries globally, including 9,436 hotels in operation with a total of 942,975 guest rooms owned or managed in the PRC.

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

All hotels (As of 31 December 2021)	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	6	2,796	1	418	43	15,162	—	—	50	18,376
— 4-star Luxury Hotels	10	3,262	—	—	30	6,217	—	—	40	9,479
Sub-total	16	6,058	1	418	73	21,379	—	—	90	27,855
Commercial Hotels	2	274	—	—	1	56	—	—	3	330
Total Number of Full Service Hotels	18	6,332	1	418	74	21,435	—	—	93	28,185
Select Service Hotels										
— Middle-end hotels	124	21,484	—	—	—	—	8,907	974,182	9,031	995,666
— Budget hotels	818	82,679	—	—	—	—	5,524	406,243	6,342	488,922
Total number of Select Service Hotels	942	104,163	—	—	—	—	14,431	1,380,425	15,373	1,484,588
Total	960	110,495	1	418	74	21,435	14,431	1,380,425	15,466	1,512,773

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

In operation (As of 31 December 2021)	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	6	2,796	1	418	35	12,196	—	—	42	15,410
— 4-star Luxury Hotels	10	3,262	—	—	26	5,326	—	—	36	8,588
Sub-total	16	6,058	1	418	61	17,522	—	—	78	23,998
Commercial Hotels	2	274	—	—	1	56	—	—	3	330
Total Number of Full Service Hotels	18	6,332	1	418	62	17,578	—	—	81	24,328
Select Service Hotels										
— Middle-end hotels	122	21,322	—	—	—	—	5,395	593,792	5,517	615,114
— Budget hotels	799	80,668	—	—	—	—	4,297	323,595	5,096	404,263
Total number of Select Service Hotels	921^{Note}	101,990	—	—	—	—	9,692	917,387	10,613	1,019,377
Total	939	108,322	1	418	62	17,578	9,692	917,387	10,694	1,043,705

Note:

Of the 921 Select Service Hotels in which the Group held Hotel Interests and which were managed by the Group, (i) 689 were leased from third parties for operation, (ii) 232 were owned and managed.

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

Under development (As of 31 December 2021)	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	—	—	—	—	8	2,966	—	—	8	2,966
— 4-star Luxury Hotels	—	—	—	—	4	891	—	—	4	891
Sub-total	—	—	—	—	12	3,857	—	—	12	3,857
Commercial Hotels	—	—	—	—	—	—	—	—	—	—
Total Number of Full Service Hotels	—	—	—	—	12	3,857	—	—	12	3,857
Select Service Hotels										
— Middle-end hotels	2	162	—	—	—	—	3,512	380,390	3,514	380,552
— Budget hotels	19	2,011	—	—	—	—	1,227	82,648	1,246	84,659
Total number of Select Service Hotels	21	2,173	—	—	—	—	4,739	463,038	4,760	465,211
Total	<u>21</u>	<u>2,173</u>	<u>—</u>	<u>—</u>	<u>12</u>	<u>3,857</u>	<u>4,739</u>	<u>463,038</u>	<u>4,772</u>	<u>469,068</u>

OPERATIONAL STATISTICS OF HOTELS

	2021	2020
Average Occupancy Rate		
Full Service Hotels		
— 5-star Luxury Hotels	45%	33%
— 4-star Luxury Hotels	57%	43%
Select Service Hotels in the PRC	64%	61%
— Middle-end hotels	68%	66%
— Budget hotels	59%	54%
Select Service Hotels outside the PRC	46%	37%
— Middle-end hotels	42%	34%
— Budget hotels	47%	38%
ADR (RMB/room)		
Full Service Hotels		
— 5-star Luxury Hotels	737	720
— 4-star Luxury Hotels	400	413
Select Service Hotels in the PRC	214	196
— Middle-end hotels	246	233
— Budget hotels	153	141
Select Service Hotels outside the PRC (EUR/room)	54	53
— Middle-end hotels (EUR/room)	63	64
— Budget hotels (EUR/room)	51	50
RevPAR (RMB/room)		
Full Service Hotels		
— 5-star Luxury Hotels	333	241
— 4-star Luxury Hotels	228	178
Select Service Hotels in the PRC	138	119
— Middle-end hotels	167	155
— Budget hotels	90	75
Select Service Hotels outside the PRC (EUR/room)	25	20
— Middle-end hotels (EUR/room)	26	22
— Budget hotels (EUR/room)	24	19

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 Yangtze Hotel.
2. 4-star Luxury Hotels include: Park Hotel, Jian Guo Hotel, Cypress Hotel, Golden Tulip Shanghai Rainbow, Shanghai Hotel, Shanghai Jing An Hotel, Jiangsu Nanjing Hotel, West Capital International Hotel and Kunming Jin Jiang Hotel.
3. Under the Select Service Hotels in the PRC, the middle-end hotels 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 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. Under the Select Service Hotels outside the PRC, the middle-end hotels include the operational data of all operating chain hotels under the brands of, among others, “Golden Tulip”; the budget hotels include the operational data of all operating chain hotels under the brands of, among others, “Premiere Classe”, “Campanile”, “Kyriad” and “Sarovar”.

FINANCIAL HIGHLIGHTS

	2021	2020 (Restated)	2019 (Restated)	2018	2017
Items of Consolidated Income					
Statement (RMB million)					
Revenue	15,855	14,202	20,977	20,631	19,759
Profit attributable to shareholders of the Company	8	291	676	762	761
Earnings per share on profit attributable to shareholders of the Company (RMB cents)	<u>0.15</u>	<u>5.23</u>	<u>12.14</u>	<u>13.68</u>	<u>13.67</u>
Items of Consolidated Balance Sheet					
(RMB million)					
Total assets	65,070	61,738	63,439	57,184	62,998
Total liabilities	41,218	41,895	43,804	37,138	42,194
Total equity	23,852	19,843	19,635	20,046	20,804
Total equity attributable to the shareholders of the Company	<u>12,950</u>	<u>9,491</u>	<u>9,229</u>	<u>9,473</u>	<u>9,485</u>
Items of Consolidated Statement of Cash Flows (RMB million)					
Net cash generated from/(used in) from operating activities	<u>4,180</u>	<u>(304)</u>	<u>3,963</u>	<u>1,180</u>	<u>6,597</u>
Non-HKFRS Financial Information					
Proposed dividend (RMB million)	—	57	345	445	445
Proposed dividend per share (RMB cents)	—	1.02	6.20	8.00	8.00
EBITDA (RMB million)	4,214	4,782	6,269	4,427	4,468
Total equity per share (RMB)	4.29	3.57	3.53	3.60	3.74
Total equity per share attributable to the shareholders of the Company (RMB)	2.33	1.71	1.66	1.70	1.70
Gearing ratio	40.4%	46.3%	45.6%	35.0%	37.8%
Additions to non-current assets (other than financial instruments and deferred tax assets) (RMB million)	<u>2,014</u>	<u>3,472</u>	<u>1,727</u>	<u>1,423</u>	<u>3,647</u>

SELECTED CONSOLIDATED FINANCIAL INFORMATION PREPARED IN ACCORDANCE WITH HKFRS

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

		Year ended 31 December	
	<i>Note</i>	2021	2020
		RMB'000	RMB'000
			(Restated)*
Revenue	3	15,854,560	14,202,264
Cost of sales	4	<u>(11,695,544)</u>	<u>(11,459,332)</u>
Gross profit		4,159,016	2,742,932
Other income and gain	10	968,453	2,875,028
Selling and marketing expenses	4	(1,117,999)	(1,071,995)
Administrative expenses	4	(2,705,616)	(2,606,173)
Net impairment losses on financial assets		(22,933)	(66,437)
Other expenses and losses	11	<u>(153,104)</u>	<u>(225,117)</u>
Operating profit		1,127,817	1,648,238
Finance costs — net	12	(771,300)	(924,474)
Share of results of joint ventures and associates accounted for using the equity method		<u>128,602</u>	<u>132,232</u>
Profit before income tax		485,119	855,996
Income tax expense	5	<u>(195,530)</u>	<u>(401,967)</u>
Profit for the year		<u>289,589</u>	<u>454,029</u>
Attributable to:			
Shareholders of the Company		8,293	290,873
Non-controlling interests		<u>281,296</u>	<u>163,156</u>
		<u>289,589</u>	<u>454,029</u>
Earnings per share for profit attributable to shareholders of the Company during the year (expressed in RMB cents per share)			
— basic and diluted	6	<u>0.15</u>	<u>5.23</u>
Dividends	7	<u>—</u>	<u>56,773</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
		(Restated)*
Profit for the year	289,589	454,029
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss</i>		
Cash flow hedges	–	680
Currency translation differences	(28,064)	(75,760)
<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	29,133	(186,076)
Changes in fair value of equity investments at fair value through other comprehensive income — tax	(7,283)	39,481
Remeasurements of post-employment benefit obligations	8,239	(3,816)
Total other comprehensive income/(loss) for the year	2,025	(225,491)
Total comprehensive income for the year	291,614	228,538
Attributable to:		
Shareholders of the Company	9,588	159,982
Non-controlling interests	282,026	68,556
	291,614	228,538

CONSOLIDATED BALANCE SHEET

At 31 December 2021

	At 31 December 2021	At 31 December 2020
Note	<i>RMB'000</i>	<i>RMB'000</i> (Restated)*
ASSETS		
Non-current assets		
Property, plant and equipment	9,348,766	10,239,256
Right-of-use assets	10,358,825	11,614,589
Investment properties	401,560	433,059
Intangible assets	17,832,965	18,681,963
Investments accounted for using the equity method	2,385,327	2,159,242
Financial assets at fair value through other comprehensive income	1,668,891	1,642,529
Financial assets at fair value through profit or loss	556,265	598,980
Deferred income tax assets	553,350	611,499
Trade receivables, prepayments and other receivables	8 698,991	736,045
Bank deposits with maturities over 12 months	2,900,000	—
	<u>46,704,940</u>	<u>46,717,162</u>
Current assets		
Inventories	253,667	281,217
Trade receivables, prepayments and other receivables	8 4,593,846	3,825,578
Financial assets at fair value through profit or loss	667,861	560,742
Restricted cash	530,120	582,418
Bank deposits with maturities over 3 months	750,000	801,000
Cash and cash equivalents	11,550,912	8,134,711
	<u>18,346,406</u>	<u>14,185,666</u>
Assets classified as held for sale	<u>18,727</u>	<u>835,375</u>
	<u>18,365,133</u>	<u>15,021,041</u>
Total assets	<u><u>65,070,073</u></u>	<u><u>61,738,203</u></u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

At 31 December 2021

	At 31 December 2021	At 31 December 2020
Note	<i>RMB'000</i>	<i>RMB'000</i> (Restated)*
EQUITY		
Capital and reserves attributable to shareholders of the Company		
Share capital	5,566,000	5,566,000
Reserves	7,384,359	3,924,942
	<u>12,950,359</u>	<u>9,490,942</u>
Non-controlling interests	10,901,294	10,352,441
Total equity	<u>23,851,653</u>	<u>19,843,383</u>
LIABILITIES		
Non-current liabilities		
Borrowings	10,270,121	14,961,856
Lease liabilities	8,278,712	9,472,036
Deferred income tax liabilities	1,808,262	2,020,610
Trade and other payables and accruals	1,200,454	1,201,847
Contract liabilities	109,344	120,334
	<u>21,666,893</u>	<u>27,776,683</u>
Current liabilities		
Borrowings	6,504,151	2,540,844
Lease liabilities	1,241,894	1,593,539
Income tax payable	214,424	460,600
Trade and other payables and accruals	10,598,943	8,367,850
Contract liabilities	992,115	1,155,304
	<u>19,551,527</u>	<u>14,118,137</u>
Total liabilities	<u>41,218,420</u>	<u>41,894,820</u>
Total equity and liabilities	<u><u>65,070,073</u></u>	<u><u>61,738,203</u></u>

* In 2021, Jin Jiang Online acquired 100% equity interests in Yijiyou, which is regarded as a common control combination and accounted for in accordance with Accounting Guideline No. 5 —“Merger Accounting for Common Control Combination” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). Comparative figures as at 31 December 2020 and for the year ended then were restated in accordance with the above accounting treatment.

NOTES TO THE SELECTED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1 GENERAL INFORMATION

The Company was established on 16 June 1995 and its holding company is Jin Jiang International Group, which is owned as to 71% by Shanghai SASAC, 19% by Shanghai Land (Group) Co., Ltd. which is wholly-owned by Shanghai SASAC and 10% by Shanghai Municipal Finance Bureau.

During the years 2003 to 2006, the Group entered into several group reorganisation transactions with Jin Jiang International Group, its subsidiaries other than the Group and other state-owned enterprises under the administration and control of Shanghai SASAC, through which the Group obtained the equity interests in certain subsidiaries, joint ventures and associates which were engaged in hotels and related business and transferred to Jin Jiang International Group 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 Group as part of the consideration to acquire Jin Jiang Online and Jin Jiang Travel.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since December 2006. The share capital of the Company is RMB5,566,000,000.

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

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

These consolidated financial statements were approved for issue by the Board on 29 March 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by HKICPA. The consolidated financial statements have been prepared under the historical cost convention, except that certain financial assets and liabilities are measured at fair value.

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

(a) *New and amended standards adopted by the Group*

A number of new standards, amendments and interpretation to existing standards became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

	Effective for annual periods beginning on or after
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 1 January 2021

(b) New standards and amendments to standards not yet adopted

The following new standards and amendments to standards, accounting guidance and interpretations have been issued but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements to HKFRS Standards 2018– 2020	Annual Improvements to IFRS Standards 2018–2020	1 January 2022
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practise Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
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 the new standards and amendments to standards, accounting guidance and interpretations.

3 SEGMENT INFORMATION

The administrative committee of the Group has been identified as the chief operating decision-maker. The administrative 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 administrative committee assesses the performance according to seven main business segments as follows:

- (1) Full Service Hotels: ownership, operation and management of full service hotels;
- (2) Select Service Hotels — managed and operated in Mainland China: operation of self-owned select service hotels and provision of management and franchising to other parties to operate select service hotels, primarily in the PRC and under the brandnames of Jin Jiang GDL Asia, Plateno Group, or Vienna Hotels;
- (3) Select Service Hotels — managed and operated overseas: operation of self-owned select service hotels and provision of management and franchising to other parties to operate select service hotels, mostly in Europe and under the brandnames of GDL;
- (4) Food and Restaurants: operation of fast food or upscale restaurants, moon cake production and related investments, not including the food and beverage operation in Full Service Hotels and Select Service Hotels;
- (5) Passenger Transportation Vehicles and Logistics: vehicle operating, trading of automobiles, refrigerated logistics, freight forwarding and related services;
- (6) Travel Agency: provision of travel agency and related services;
- (7) Other Operations: intra-group financial services, training and education, and corporate function.

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

(a) Segment revenue

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
		(Restated)
Full Service Hotels	1,373,172	1,175,982
— Accommodation revenue	554,856	479,338
— Food and beverage sales	447,099	362,279
— Rendering of ancillary services	91,210	60,623
— Rental revenue	167,782	156,249
— Sales of hotel supplies	4,620	5,511
— Hotel management	107,605	111,982
Select Service Hotels — managed and operated in Mainland China	8,896,375	7,832,937
— Accommodation revenue	3,520,398	3,334,613
— Food and beverage sales	256,750	228,662
— Rendering of ancillary services	340,671	174,161
— Rental revenue	97,974	87,132
— Sales of hotel supplies	441,032	530,183
— Hotel management and franchise	3,853,619	3,205,763
— Revenue under customer loyalty programme	385,931	272,423
Select Service Hotels — managed and operated overseas	2,289,533	1,837,058
— Accommodation revenue	1,384,748	1,088,851
— Catering and sale of products	387,447	317,004
— Hotel management and franchise	497,086	417,074
— Others	20,252	14,129
Food and Restaurants	358,365	341,809
Passenger Transportation Vehicles and Logistics	2,509,272	2,578,991
— Vehicle operating	894,077	839,858
— Trading of automobile	1,319,072	1,472,438
— Refrigerated logistics	261,970	234,894
— Others	34,153	31,801
Travel Agency	292,572	302,214
— Travel agency	248,976	263,774
— Others	43,596	38,440
Other Operations	135,271	133,273
	<u>15,854,560</u>	<u>14,202,264</u>

The majority of the Group's sales are retail sales and no revenues from transactions with a single external customer account for 10% or more of the Group's revenue for the years ended 31 December 2021 and 2020.

(b) Other segment information

The segment results for the year ended 31 December 2021 are as follows:

	Full Service Hotels RMB'000	Select Service Hotels — managed and operated in Mainland China RMB'000	Select Service Hotels — managed and operated overseas RMB'000	Food and Restaurants RMB'000	Passenger Transportation Vehicles and Logistics RMB'000	Travel Agency RMB'000	Other Operations RMB'000	The Group RMB'000
External sales	1,373,172	8,896,375	2,289,533	358,365	2,509,272	292,572	135,271	15,854,560
Inter-segment sales	2,024	137,059	20,039	13,702	10,418	2,523	127,214	312,979
Total gross segment sales	<u>1,375,196</u>	<u>9,033,434</u>	<u>2,309,572</u>	<u>372,067</u>	<u>2,519,690</u>	<u>295,095</u>	<u>262,485</u>	<u>16,167,539</u>
Revenue from contracts with customers:								
— Recognised at a point of time	451,719	697,782	387,447	337,555	1,164,914	2,086	—	3,041,503
— Recognised over time	753,671	8,100,619	1,902,086	20,810	1,312,773	253,479	135,271	12,478,709
	<u>1,205,390</u>	<u>8,798,401</u>	<u>2,289,533</u>	<u>358,365</u>	<u>2,477,687</u>	<u>255,565</u>	<u>135,271</u>	<u>15,520,212</u>
Revenue from other sources:								
— Rental revenue	167,782	97,974	—	—	31,585	37,007	—	334,348
(Loss)/profit for the year	<u>(158,219)</u>	<u>729,429</u>	<u>(453,922)</u>	<u>185,450</u>	<u>132,045</u>	<u>(1,112)</u>	<u>(144,082)</u>	<u>289,589</u>
	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 10)	40,720	177,050	339,303	109,938	139,118	42,412	119,912	968,453
Including: interest income from bank deposits (note 10)	2,604	31,608	1,674	105	17,614	2,087	88,045	143,737
Depreciation of property, plant and equipment (note 4)	(193,097)	(679,531)	(294,753)	(7,141)	(192,639)	(2,313)	(8,998)	(1,378,472)
Impairment of property, plant and equipment (note 4)	—	—	(2,074)	—	—	—	—	(2,074)
Depreciation and amortisation of right-of-use assets (note 4)	(77,761)	(1,074,736)	(230,167)	(9,170)	(10,715)	(164)	(2,342)	(1,405,055)
Depreciation of investment properties (note 4)	(5,793)	(18,287)	—	—	(2,153)	(5,266)	—	(31,499)
Amortisation of intangible assets (note 4)	(2,102)	(58,852)	(78,011)	—	—	(1,228)	(2,685)	(142,878)
Reversal of/(provision) for impairment of trade receivables, prepayments and other receivables	457	(7,507)	(2,401)	—	(2,545)	(1,035)	(9,902)	(22,933)
Finance costs — net (note 12)	(168,763)	(308,619)	(204,712)	(765)	(11,071)	(3,675)	(73,695)	(771,300)
Share of results of joint ventures and associates accounted for using the equity method	(78,011)	(4,260)	5,748	116,195	91,781	184	(3,035)	128,602
Income tax expense (note 5)	166,447	(405,845)	(1,598)	98,127	(33,087)	(1,309)	(18,265)	(195,530)
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>504,148</u>	<u>753,974</u>	<u>436,649</u>	<u>2,525</u>	<u>308,332</u>	<u>2,829</u>	<u>5,051</u>	<u>2,013,508</u>

The restated segment results for the year ended 31 December 2020 are as follows:

	Full Service Hotels RMB'000	Select Service Hotels — managed and operated in Mainland China RMB'000	Select Service Hotels — managed and operated overseas RMB'000	Food and Restaurants RMB'000	Passenger Transportation Vehicles and Logistics RMB'000	Travel Agency RMB'000	Other Operations RMB'000	The Group RMB'000
External sales	1,175,982	7,832,937	1,837,058	341,809	2,578,991	302,214	133,273	14,202,264
Inter-segment sales	2,054	50,224	13,630	15,393	4,047	566	84,807	170,721
Total gross segment sales	<u>1,178,036</u>	<u>7,883,161</u>	<u>1,850,688</u>	<u>357,202</u>	<u>2,583,038</u>	<u>302,780</u>	<u>218,080</u>	<u>14,372,985</u>
Revenue from contracts with customers:								
— Recognised at a point of time	367,790	758,845	317,004	316,167	1,371,794	1,338	—	3,132,938
— Recognised over time	651,943	6,986,960	1,520,054	25,642	1,177,283	280,205	133,273	10,775,360
	<u>1,019,733</u>	<u>7,745,805</u>	<u>1,837,058</u>	<u>341,809</u>	<u>2,549,077</u>	<u>281,543</u>	<u>133,273</u>	<u>13,908,298</u>
Revenue from other sources:								
— Rental revenue	156,249	87,132	—	—	29,914	20,671	—	293,966
Profit/(loss) for the year	<u>283,546</u>	<u>774,727</u>	<u>(892,168)</u>	<u>251,782</u>	<u>228,423</u>	<u>7,204</u>	<u>(199,485)</u>	<u>454,029</u>
Other income and gain (note 10)	1,259,032	821,534	73,420	153,314	448,817	48,340	70,571	2,875,028
Including: interest income from bank deposits (note 10)	9,455	17,313	1,430	44	17,468	4,326	1,046	51,082
Depreciation of property, plant and equipment (note 4)	(185,807)	(749,399)	(314,645)	(7,801)	(211,536)	(3,221)	(4,005)	(1,476,414)
Impairment of property, plant and equipment (note 4)	—	—	(70,463)	—	(621)	—	—	(71,084)
Depreciation and amortisation of right-of-use assets (note 4)	(72,705)	(1,022,597)	(234,805)	(4,576)	(8,303)	(2,746)	(4,189)	(1,349,921)
Depreciation of investment properties (note 4)	(5,794)	(18,287)	—	—	(2,168)	(5,266)	—	(31,515)
Amortisation of intangible assets (note 4)	(5,729)	(98,506)	(37,627)	(101)	(236)	(742)	(446)	(143,387)
Impairment of intangible assets (note 4)	—	—	—	—	(12,107)	—	—	(12,107)
Reversal of/(provision) for impairment of trade receivables, prepayments and other receivables	1,525	(1,393)	(44,457)	—	(141)	59	(22,030)	(66,437)
Finance costs — net (note 12)	(185,742)	(361,303)	(211,689)	(1,082)	(4,585)	(3,932)	(156,141)	(924,474)
Share of results of joint ventures and associates accounted for using the equity method	(64,982)	(7,470)	(5,184)	120,597	98,743	177	(9,649)	132,232
Income tax expense (note 5)	(251,294)	(287,264)	250,673	(3,751)	(97,513)	(2,305)	(10,513)	(401,967)
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>1,320,741</u>	<u>970,676</u>	<u>916,228</u>	<u>30,847</u>	<u>224,860</u>	<u>3,429</u>	<u>5,443</u>	<u>3,472,224</u>

The segment assets and liabilities as at 31 December 2021 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	5,341,445	24,287,555	14,489,638	615,561	3,771,358	997,071	13,182,118	62,684,746
Investments accounted for using the equity method	1,065,833	85,164	48,126	241,364	828,426	3,416	112,998	2,385,327
Total assets	<u>6,407,278</u>	<u>24,372,719</u>	<u>14,537,764</u>	<u>856,925</u>	<u>4,599,784</u>	<u>1,000,487</u>	<u>13,295,116</u>	<u>65,070,073</u>
Segment liabilities	<u>1,950,650</u>	<u>11,523,260</u>	<u>14,321,822</u>	<u>208,279</u>	<u>959,258</u>	<u>278,511</u>	<u>11,976,640</u>	<u>41,218,420</u>

The restated segment assets and liabilities as at 31 December 2020 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	5,985,308	25,970,789	15,976,341	596,802	3,882,075	959,199	6,208,447	59,578,961
Investments accounted for using the equity method	915,092	89,424	48,027	245,281	791,550	3,232	66,636	2,159,242
Total assets	<u>6,900,400</u>	<u>26,060,213</u>	<u>16,024,368</u>	<u>842,083</u>	<u>4,673,625</u>	<u>962,431</u>	<u>6,275,083</u>	<u>61,738,203</u>
Segment liabilities	<u>2,390,799</u>	<u>12,770,056</u>	<u>15,406,637</u>	<u>282,776</u>	<u>1,187,184</u>	<u>279,932</u>	<u>9,577,436</u>	<u>41,894,820</u>

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

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
		(Restated)
Mainland China	13,564,067	12,352,448
Overseas	<u>2,290,493</u>	<u>1,849,816</u>
Total	<u>15,854,560</u>	<u>14,202,264</u>

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

	At 31 December	
	2021	2020
	RMB'000	RMB'000
The total of non-current assets other than financial instruments and deferred income tax assets		
— Mainland China	28,045,183	31,488,753
— Overseas	12,343,412	11,687,195
	40,388,595	43,175,948

4 EXPENSES BY NATURE

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
		(Restated)
Employee benefit expense	5,673,102	5,690,963
Changes in inventories	2,910,981	2,813,828
Depreciation and amortisation of right-of-use assets	1,405,055	1,349,921
Depreciation of property, plant and equipment	1,378,472	1,476,414
Utility cost and consumables	649,241	592,645
Repairs and maintenance	499,719	457,155
Commissions paid to agencies	338,477	300,129
Consulting fee	325,013	317,412
Advertising costs	322,710	337,574
Operating leases and property services	212,500	209,541
Property tax, value-added tax (“VAT”) through a simplified method and other tax surcharges	205,366	192,672
Laundry costs	175,538	144,979
Amortisation of intangible assets	142,878	143,387
Transportation expenses	82,895	80,728
Telecommunication expenses	70,255	62,686
Depreciation of investment property	31,499	31,515
Auditors’ remuneration	31,121	32,679
— Audit service	29,153	30,711
— Non-audit service	1,968	1,968
Impairment loss of property, plant and equipment	2,074	71,084
Impairment loss of intangible assets	—	12,107
COVID-19-related rent concessions	—	(79,338)
Others	1,062,263	899,419
	15,519,159	15,137,500

5 INCOME TAX EXPENSE

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax:		
Mainland China current corporate income tax (“CIT”)	374,053	562,536
Overseas current corporate income tax	9,232	16,372
Deferred tax:		
Mainland China deferred income tax	(73,126)	66,247
Overseas deferred income tax	(114,629)	(243,188)
	<u>195,530</u>	<u>401,967</u>

Other than the subsidiaries registered in Tibet with preferential income tax rate of 15%, provision for Mainland China CIT is calculated based on the statutory income tax rate of 25% on the assessable income of the Group’s subsidiaries operating in Mainland China for the year ended 31 December 2021 (2020: 25%) in accordance with the Corporate Income Tax Law of PRC and its Detail Implementation Regulations.

The Group’s subsidiaries registered in Hong Kong are subject to a rate of 16.5% (2020: 16.5%) on the estimated assessable profits for the year ended 31 December 2021. For the year ended 31 December 2021, the Group’s subsidiaries incorporated in Hong Kong did not have assessable profit and therefore have not provided for any Hong Kong profits tax.

GDL mainly operates in France and is subject to income tax at 27.3% (2020: 28.92%) for the year ended 31 December 2021.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% (2020: 25%) in the Mainland China as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000 (Restated)
Profit before income tax	<u>485,119</u>	<u>855,996</u>
Tax calculated at a tax rate of 25% (2020: 25%)	121,280	213,999
Effect of different taxation rates	(22,875)	(17,630)
Income not subject to tax	(29,596)	(44,707)
Expenses not deductible for tax purposes	52,203	15,678
Tax exemption for meeting the criteria of special taxation treatment for restructuring (i)	(195,158)	—
Tax losses and tax credit for which no deferred income tax assets were recognised	296,777	253,689
Utilisation of tax losses and tax credit for which deferred income tax assets were not recognised previously	(7,967)	(17,761)
Effect of exclusion of share of profit tax of joint ventures and associates	(34,695)	(33,401)
Effect of delay in the realisation of tax losses and temporary differences due to COVID-19 when lower income tax rates will be enacted (ii)	9,185	47,655
Others	<u>6,376</u>	<u>(15,555)</u>
	<u>195,530</u>	<u>401,967</u>

- (i) The Company completed the disposal of equity interest in Sofitel Hyland in November 2020, January 2021 and November 2021 separately. Upon the disposal of all its equity interests in Sofitel Hyland in November 2021, the Company has been entitled to certain tax exemption after meeting the criteria for special taxation treatment for restructuring in accordance with Notice Regarding Several Questions about Corporate Income Tax Treatments for Corporate Restructuring (Caishui [2009] No. 59) and Public Notice Issued by the State Taxation Administration Clarifying Certain Matters Related to the Corporate Income Tax Collection and Administration of Corporate Restructuring (Public Notice [2015] No. 48).
- (ii) According to the French Fiscal Law promulgated in 2018, the effective income tax rate for GDL decreased to 27.3% in 2021 and will gradually decrease to 25.8% in 2022. In 2021, management of the Group assessed the impact on the deferred tax assets and liabilities that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted and concluded that the tax losses to be utilised will be later than the previous assessment, which led to a decrease in the amount of deferred income tax assets on tax losses recognized and therefore an increase in deferred income tax expense by RMB9,185,000 for the year ended 31 December 2021.

6 EARNINGS PER SHARE

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Profit attributable to shareholders of the Company	<u>8,293</u>	<u>290,873</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>5,566,000</u>	<u>5,566,000</u>
Basic earnings per share (<i>RMB cents</i>)	<u>0.15</u>	<u>5.23</u>

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

7 DIVIDENDS

A final dividend in respect of the year ended 31 December 2020 of RMB1.02 cents per share, totalling RMB56,773,000 was paid in 2021.

On 29 March 2022, the Board did not recommend the payment of any final dividend in respect of the year ended 31 December 2021.

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Proposed final dividend of RMB0 cents (2020: RMB1.02 cents) per share	<u>–</u>	<u>56,773</u>

8 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Trade receivables	1,491,997	1,451,073
Less: provision for impairment of trade receivables	<u>(247,388)</u>	<u>(252,626)</u>
Trade receivables — net	<u>1,244,609</u>	<u>1,198,447</u>
Other receivables		
— Loans to related parties by Finance Company	868,570	870,200
— Other amounts due from related parties	701,725	230,722
— Lease receivable	496,711	545,870
— Deposits	314,252	348,054
— Receivables related to the compensation for the requisition of properties	255,016	255,016
— COVID-19 government subsidies	200,708	—
— Loans to related parties by the Group other than Finance Company	132,957	135,825
— Accrued rental revenue	19,508	40,877
— Interest receivables	11,589	5,757
— Receivable related to disposal of operating vehicles	—	25,756
— Others	192,150	61,909
Less: provision for impairment of other receivables	<u>(82,511)</u>	<u>(87,981)</u>
	<u>3,110,675</u>	<u>2,432,005</u>
Prepayments		
— Prepayments to suppliers	483,710	542,596
— Other prepaid and recoverable tax	233,905	188,664
— VAT recoverable	219,938	199,911
	<u>937,553</u>	<u>931,171</u>
Prepayments and other receivables — net	<u>4,048,228</u>	<u>3,363,176</u>
	<u>5,292,837</u>	<u>4,561,623</u>
Less: non-current portion of trade receivables, prepayments and other receivables	<u>(698,991)</u>	<u>(736,045)</u>
	<u>4,593,846</u>	<u>3,825,578</u>
Non-current portion of trade receivables, prepayments and other receivables	<u>698,991</u>	<u>736,045</u>

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

	At 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 6 months	1,240,034	1,181,956
6 months to 1 year	74,437	55,883
Over 1 year	177,526	213,234
	<u>1,491,997</u>	<u>1,451,073</u>

The carrying amount of the financial assets of trade receivables, prepayments and other receivables approximates their fair value due to their short-term nature.

9 TRADE AND OTHER PAYABLES AND ACCRUALS

	At 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Trade payables	796,815	930,761
Deposits from related parties in Finance Company	5,610,318	3,033,522
Employee benefit payables	2,007,730	2,132,695
Advances on behalf of the franchises	710,924	718,197
Deposits from lessees and constructors	573,858	499,942
Payables for purchases of property, plant and equipment, and intangible assets	376,263	385,542
Other tax payable	327,874	337,936
Accrued expenses	264,726	247,969
Other amounts due to related parties	217,307	197,472
Dividend payable to non-controlling interests	192,778	263,055
Notes payables (i)	79,050	116,350
Deferred government grants	78,674	83,503
Defined benefit plan of GDL	77,736	99,640
Financial liabilities due to put options granted to holders of non-controlling interests	68,666	33,116
Provisions for other liabilities and charges	59,084	48,348
Payables related to the disposal of Shanghai Galaxy Hotel Company Limited	36,962	36,962
Interest payable	35,148	43,129
Payables for acquisition of the non-controlling interests of Keystone	31,372	4,450
Deferred payment of acquisition of subsidiaries	12,527	13,911
Others	241,585	343,197
	<u>11,799,397</u>	<u>9,569,697</u>
Less: non-current portion of trade and other payables and accruals	<u>(1,200,454)</u>	<u>(1,201,847)</u>
Current portion of trade and other payables and accruals	<u>10,598,943</u>	<u>8,367,850</u>
Non-current portion of trade and other payables and accruals	<u>1,200,454</u>	<u>1,201,847</u>

- (i) As at 31 December 2021, notes payables were pledged by certain inventories with the carrying amount of RMB30,000,000 (31 December 2020: RMB30,000,000) and secured by the bank deposits with carrying amount of RMB61,607,000 (31 December 2020: RMB90,066,000).

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

	At 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 3 months	675,404	820,580
3 months to 1 year	85,530	76,316
Over 1 year	35,881	33,865
	<u>796,815</u>	<u>930,761</u>

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

10 OTHER INCOME AND GAIN

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Government grant income (i)	479,479	537,197
Dividend income	189,075	178,499
— Unlisted equity investments	99,976	99,439
— Listed equity investments	89,099	79,060
Interest income from bank deposits	143,737	51,082
Gain on disposal of property, plant and equipment and right-of-use assets	85,009	376,823
Realised fair value gain on financial assets at fair value through profit or loss (“FVPL”)	18,702	29,348
Unrealised fair value gain on financial assets at FVPL	10,638	55,987
Gain on disposal of subsidiaries	1,540	1,485,196
Gain on disposal of investment in associates	—	21,324
Others	40,273	139,572
	<u>968,453</u>	<u>2,875,028</u>

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

11 OTHER EXPENSES AND LOSSES

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Unrealised fair value losses on financial assets at FVPL	35,041	60,071
Bank charges	29,515	46,135
Loss on disposal of property, plant and equipment	11,367	40,503
Foreign exchange loss — net	7,076	39,770
Others	70,105	38,638
	<u>153,104</u>	<u>225,117</u>

12 FINANCE COSTS — NET

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Finance cost:		
Interest expenses	773,407	913,999
— Bank borrowings	294,542	406,264
— Lease liabilities	397,695	444,461
— Borrowings from related parties	81,170	63,274
Net foreign exchange (gain)/loss on borrowings	<u>(2,107)</u>	<u>10,475</u>
Finance costs — net	<u>771,300</u>	<u>924,474</u>

13 COMMITMENTS

(a) Capital commitments

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

	At 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Acquisition of property, plant and equipment	<u>3,504</u>	<u>54,900</u>

(b) Operating lease commitments

The Group leases out space in hotels under non-cancellable operating lease agreements.

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 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Not later than 1 year	215,777	130,083
Later than 1 year and not later than 5 years	537,271	340,161
Later than 5 years	<u>132,712</u>	<u>141,016</u>
	<u>885,760</u>	<u>611,260</u>

(c) Loan commitments

As at 31 December 2021, loan commitments of RMB12,425,000 (31 December 2020: RMB88,644,000) represent undrawn loan facilities offered by Finance Company and granted to related parties.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Full Service Hotels

The operation and management of Full Service Hotels represents one of the major sources of revenue for the Group. During the Reporting Period, operation of Full Service Hotels contributed approximately RMB1,373,172,000 to the Group's revenue, increasing by approximately 16.8%, year-on-year. The aforementioned increase was mainly due to the fact that COVID-19 epidemic had been brought under control to a certain extent, and the average Occupancy Rate of the Full Service Hotels increased compared with a low base for year 2020, although the overall demand for hotel accommodation was still significantly affected.

As at the end of the Reporting Period, the Group owned or managed 81 Full Service Hotels which were in operation across the world, offering approximately 24,000 guest rooms, among which 62 hotels with approximately 18,000 guest rooms were owned by third parties but managed by the Group.

During the Reporting Period, the Full Service Hotels under the Company continued to enhance their effort in online direct-marketing, promoting sales of hotel rooms, dining and other related products via Internet platforms such as live online streaming and WeChat Mall with the offer of promotional products such as “concessionary family suites”, “time-share holiday rooms”, “assuring dining” and “assuring lunch boxes”, as we sought to increase hotel revenue through activities such as holiday promotion, special-theme marketing and the “5.5 Shopping Festival”.

During the Reporting Period, while the hotel industry and domestic tourism market reported a considerable measure of recovery amidst the fluctuating COVID-19 epidemic situation, resulting in the increase in RevPAR for Available Rooms of the Group's high Star-rating Full Service Hotels in Shanghai by approximately 37%, reflecting an increase of approximately 3% in ADR and an increase of approximately 34% in average Occupancy Rate, year-on-year, the operating level had yet to return to its normal level prior to the COVID-19 epidemic outbreak.

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

	2021			2020		
	Group's Full Service Hotels in Shanghai			Group's Full Service Hotels in Shanghai		
	Average Occupancy	ADR	RevPAR	Average Occupancy	ADR	RevPAR
Rate (%)	(RMB)	(RMB)	Rate (%)	(RMB)	(RMB)	
5-star	48%	771	372	36%	738	266
4-star	66%	416	274	48%	439	211

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

1. 5-star hotels: Jin Jiang Hotel, Peace Hotel, Jin Jiang Tower, Jin Jiang Tomson Hotel and Yangtze Hotel.
2. 4-star hotels: Park Hotel, Jian Guo Hotel, Cypress Hotel, Shanghai Hotel and Shanghai Jing An Hotel.

Select Service Hotels

The business of Select Service Hotels represents another principal business of the Group, mainly covering Select Service Hotels operated by Jin Jiang Hotels (China Region) and GDL.

During the Reporting Period, Select Service Hotels reported growth and contributed approximately RMB11,185,908,000 to the revenue of the Group, representing a year-on-year increase of approximately 15.7% and accounting for approximately 70.6% of the Group's turnover.

As at the end of the Reporting Period, there were 10,613 Select Service Hotels in operation offering 1,019,377 guest rooms in total. Analysed by the nature of the hotel properties, there were 921 self-managed hotels (accounting for approximately 8.68%) offering 101,990 guest rooms (accounting for approximately 10.01%) and 9,692 franchised hotels (accounting for approximately 91.32%) offering 917,387 guest rooms (accounting for approximately 89.99%). Analysed by the class of hotel brands, there were 5,517 middle-end hotels (accounting for approximately 51.98%) offering 615,114 guest rooms (accounting for approximately 60.34%) and 5,096 budget hotels (accounting for approximately 48.02%) offering 404,263 guest rooms (accounting for approximately 39.66%).

In 2021, there was a net increase of 1,207 Select Service Hotels. Analysed by the nature of the hotel properties, there was a reduction of 13 self-managed hotels and an increase of 1,220 franchised hotels. Analysed by the class of hotel brands, there was an increase of 1,095 middle-end hotels and an increase of 112 budget hotels.

During the period from January to February 2021, there was a slowdown in the resumption of operation of domestic Select Service Hotel chains under Jin Jiang Hotels, reflecting moderate impact of the COVID-19 epidemic outbreak in China and government control measures such as the ban of homecoming travel during the Chinese New Year holidays. From March onwards, the daily life of people and manufacturing operations have gradually returned to normal in tandem with normalised epidemic prevention and control in China, with a notable, resurging demand for leisure tourism and business traveling. Confidence in the domestic hotel market gradually picked up, underpinned by the gradual improvement in RevPAR, as the domestic Select Service Hotel chains under Jin Jiang Hotels reported notable improvement in overall RevPAR for April and May. From late May to June, the domestic hotel operations in certain regions were affected by the COVID-19 epidemic outbreaks. For July during summer, the overall RevPAR rose again. Since late July, however, the demand for leisure tourism and business travel was curbed by the repeated spread of COVID-19 epidemic, notably in August and November when a more significant impact of the epidemic was felt. All in all, RevPAR for the full year only reached 87.45% of the level reported for the same period in 2019.

In major European nations, some measure of control over the COVID-19 epidemic was noted with the reintroduction of anti-epidemic measures and restrictions in early 2021 and more vigorous implementation of vaccination programmes since the second quarter. The RevPAR for the overseas Select Service Hotel chains under Jin Jiang Hotels slowly improved to a level equivalent only to approximately 56% of that for the same period of 2019. Since late June, major nations were relaxing or even withdrawing rigid anti-epidemic measures, resulting in a certain extent of market recovery. During the second half of 2021, following the improvement in Europe's epidemic situation, the RevPAR of the overseas Select Service Hotel chains resurged to a level equivalent to approximately 80% of that for the same period of 2019. GDL continued to adopt a proactive yet prudent measures to address volatility in the market. In terms of finance, liquidity risks and finance costs were lowered through debt structure optimisation and debt restructuring, while actively applying for a range of government subsidies such as government-backed low-interest loans, staff wage subsidies and social insurance fee reduction or waiver. Meanwhile, further cost control and reduction in expenses were procured to lower operating expenses. In terms of strategic operation, projects in rebranding, product upgrade and conceptual innovation were commenced, while asset optimisation projects and talent projects were vigorously advanced at owned hotels for inclusion in the construction of the "one-centre, three-platform" global system to deal with the potential ongoing fluctuation of the COVID-19 epidemic.

Food and Restaurants

During the Reporting Period, the Group developed its food and restaurant operations through several food and restaurant chain companies invested in by Jin Jiang Hotels, generating revenue of approximately RMB358,365,000 for the Group, which represented a year-on-year increase of approximately 4.8% and accounting for approximately 2.3% 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 enhanced the 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 RMB2,509,272,000, representing a year-on-year decrease of approximately 2.7% and accounting for approximately 15.8% of the Group's turnover.

During the Reporting Period, various segments under Jin Jiang Automobile reported steady advances in business development in an effort to overcome the impact of the COVID-19 epidemic and other adverse factors. Measures to enhance and improve the mechanism for the management of the taxi operation and driving teams were adopted in a multi-pronged effort to solve the problem of the undersupply of drivers. Meanwhile, the NEV (new energy vehicle) taxis were upgraded and comprehensive efforts were made to facilitate further improvements in product quality through brand development. The automobile trade and repair segment swiftly adjusted its business mindset and seized online marketing opportunities as well as the windows presented by the "5.5 Shopping Festival" and "September and October Silver & Gold Trade Season", completing sales of more than 7,800 new cars and 87,000 unit orders for after-sales maintenance. Jin Jiang Auto Service completed transport service assignments with 1,802 vehicle turnouts during the year, growing by 26% year-on-year, for the National Diving Championship, Movie and TV Festival, China-U.S. Forum and Top World Scientists' Forum, as it focused on important events such as the Shanghai National People's Congress and Chinese People's Political Consultative Conference, Floral Expo, Communist Party of China centenary and Import Expo, among others.

During the Reporting Period, the cold-chain logistics business was actively engaged in new customer development on top of efforts to retain large customers. In the wake of restrictions imposed on the intake of import cold-chain food, we adjusted our business mode in a timely manner and succeeded in securing a number of domestic customers to fill the gap left by the decline in import refrigerated products. Disinfection and sterilisation services were provided to customers to seize the business opportunity presented by the requirement to disinfect and sterilize and conduct polymerase chain reaction (PCR) tests on all import goods during the COVID-19 epidemic.

During the Reporting Period, JHJ Transportation seized the blowout opportunities in the marine transport market and reported record-high indicators across the board. Owing to the worldwide COVID-19 epidemic, the supply of marine transport spaces in the market was very tight and the freight rates of U.S. shippers skyrocketed. Seizing this opportunity, JHJ Transportation actively adjusted its business strategy to develop businesses with the U.S. routes with full effort. Branch companies operating at various ports were engaged in active liaison with major shipping partners to coordinate the allocation of shipping spaces with their best effort, in order to increase the profit margin. During the Reporting Period, the international air freight market was relatively stable, although freight capacity was still wanting in the market and freight rates tended to fluctuate at high levels. The air freight segment of JHJ Transportation made vigorous planning efforts to ensure stable growth for its air freight business, as growth in air freight import business was reported at major ports such as Shanghai and Beijing.

During the Reporting Period, Jin Jiang GPP joined forces with external business partners to launch the GPO (group procurement organisation) business with the trial establishment of regional distribution channels and building of an external market servicing regime to seek new breakthrough in the development of hotel markets other than Jin Jiang International Group.

Travel Agency

During the Reporting Period, operating revenue of the travel agency business amounted to approximately RMB292,572,000, decreasing by approximately 3.2%, year-on-year, and accounting for approximately 1.8% of the Group's turnover.

During the Reporting Period, the outbound and inbound tourism market in which Jin Jiang Travel operated was brought to a complete standstill, while the domestic tourism business was subject to “circuit-breaking” restrictions from time to time owing to the COVID-19 epidemic outbreaks in a number of regions. In accordance with the general working principles of “comprehensive integration, structural optimisation, reform and innovation, quality and efficiency enhancement”, Jin Jiang Travel made in-depth efforts to explore and consistently advance innovation and transformation in business, brand, mechanism and digitalisation.

To further enhance its overall competitiveness, Jin Jiang Travel explored and implemented the new business model of “horse racing + brand”, while optimising and adjusting the organisational structure of core subsidiaries. Jin Jiang Travel was actively engaged in transformation to the development of online business and increased its C-end market share by exploring different sub-segment markets. Meanwhile, at the same time as it pursued in-depth and detailed development of its existing business, it was also actively exploring additional B-end businesses to make up for losses caused by the COVID-19 epidemic.

During the Reporting Period, Jin Jiang Travel completed transportation service assignments for the “10th Floral Expo of China” and the “4th Top World Scientists’ Forum” and won unanimous approval from the organisers for the professionalism and enthusiasm of its high-quality service. Meanwhile, Jin Jiang Travel was actively involved in large-scale marketing activities such as the “5.5 Shopping Festival” to enhance its brand image and market recognition.

Information Technology

During the Reporting Period, the Group further consolidated its shared global platform for hotel finance, procurement and IT integration, merging the portals for hotel services on the business end to provide consistent and high-standard services for a full range of high-end, mid-end and budget hotels. Through the WeHotel platform, worldwide resources in technology, membership, direct marketing and distribution were consolidated into the Company’s official global hotel reservation platform to deliver optimal customer experience. Through the interaction of online and offline operations, the core competitiveness of the Company’s global hotels has been enhanced.

FINANCIAL REVIEW

Turnover

The Group’s financial information during the Reporting Period as compared to the same period in 2020 is set out as follows:

	12 months ended		12 months ended	
	31 December 2021		31 December 2020	
	<i>RMB in</i>	<i>% of turnover</i>	<i>RMB in</i>	<i>% of</i>
	<i>million</i>		<i>million</i>	<i>turnover</i>
			(Restated)	
Full Service Hotels	1,373.2	8.7%	1,176.0	8.3%
Select Service Hotels — managed and operated in Mainland China	8,896.4	56.1%	7,832.9	55.2%
Select Service Hotels — managed and operated overseas	2,289.5	14.4%	1,837.1	12.9%
Food and Restaurants	358.4	2.3%	341.8	2.4%
Passenger Transportation Vehicles and Logistics	2,509.3	15.8%	2,579.0	18.2%
Travel Agency	292.6	1.8%	302.2	2.1%
Other Operations	135.2	0.9%	133.3	0.9%
Total	<u>15,854.6</u>	<u>100.0%</u>	<u>14,202.3</u>	<u>100.0%</u>

Full Service Hotels

The following table sets out the percentages of contribution from the Group's Full Service Hotels segment and each type of business to the Group's turnover for the Reporting Period and the same period in 2020:

	12 months ended 31 December 2021		12 months ended 31 December 2020	
	<i>RMB in million</i>	<i>% of turnover</i>	<i>RMB in million</i>	<i>% of turnover</i>
Accommodation revenue	554.9	40.4%	479.3	40.8%
Food and beverage sales	447.1	32.6%	362.3	30.8%
Rendering of ancillary services	91.2	6.6%	60.6	5.2%
Rental revenue	167.8	12.2%	156.3	13.3%
Sales of hotel supplies	4.6	0.3%	5.5	0.5%
Hotel management revenue	107.6	7.9%	112.0	9.4%
Total	<u>1,373.2</u>	<u>100.0%</u>	<u>1,176.0</u>	<u>100.0%</u>

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 RMB554,856,000, increasing by approximately 15.8% or approximately RMB75,518,000 as compared to the same period of last year. The aforesaid change was mainly due to the fact that COVID-19 epidemic had been brought under control to a certain extent, and the average Occupancy Rate of the Full Service Hotels increased compared with a low base for year 2020.

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 RMB447,099,000, increasing by approximately 23.4% or approximately RMB84,820,000 from the same period of last year. The aforesaid change was mainly attributable to stronger efforts of the Full Service Hotels in online direct marketing to enhance food and beverage revenue by means of takeaways and Internet live streaming after the COVID-19 epidemic in China had considerably come under control.

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 RMB91,210,000, increasing by approximately 50.5% or approximately RMB30,587,000, year-on-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 RMB167,782,000, increasing year-on-year by approximately 7.4% or approximately RMB11,533,000. The aforesaid change was primarily attributable to stronger effort of the Full Service Hotels to invite tenancy for unused premises and optimise management processes, as well as the rental concessions offered to tenants during the COVID-19 epidemic by the Group in active response to the policy of the government and the Shanghai SASAC concerning rental concessions for small and medium-sized and micro private enterprises during the same period last year.

Sales of hotel supplies

Turnover from guest supplies and hotel products decreased by approximately RMB891,000 from the same period of last year. Such decrease was mainly attributable to the consolidation of the Group's procurement platform and resources and the gradual adjustment of the business model of Supplies Company.

Hotel management revenue

The revenue of hotel management was mainly generated from the management fees received for the provision of management services to Full Service Hotels not controlled by the Group. External sales of hotel management business amounted to approximately RMB107,605,000 for the Reporting Period, decreasing by approximately 3.9% or approximately RMB4,377,000, year-on-year.

Select Service Hotels — managed and operated in Mainland China

Select Service Hotels managed and operated in Mainland China mainly comprised the 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 RMB8,896,375,000, representing a year-on-year increase of approximately 13.6% or approximately RMB1,063,438,000. This was attributable mainly to the gradual recovery of the operations of our Select Service Hotels in China due to the fact that COVID-19 epidemic in China had come under control to a certain extent.

Select Service Hotels — managed and operated overseas

Select Service Hotels managed and operated overseas mainly comprised the 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 RMB2,289,533,000, representing a year-on-year increase of approximately 24.6% or approximately RMB452,475,000. This reflected mainly the resumption of business at our overseas Select Service Hotels following the gradual relaxation of epidemic control measures in various European nations.

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 and Shanghai New Asia Food Company Limited. During the Reporting Period, total sales from the food and restaurants segment amounted to approximately RMB358,365,000, increasing by approximately 4.8% or approximately RMB16,556,000, year-on-year. This was attributable mainly to the general stability of the Group's group catering business, as well as stronger efforts in Internet live streaming and the launch of the "Jin Jiang Food" (錦江食品) WeChat application to provide a new point for growth in online food sales.

Passenger Transportation Vehicles and Logistics

Revenue of passenger transportation vehicles and logistics for the Reporting Period amounted to approximately RMB2,509,272,000, representing a year-on-year decrease of approximately 2.7% or approximately RMB69,719,000. This was attributable mainly to the year-on-year decrease of approximately 22% in sales volume of new automobile to approximately 7,800 vehicles by Jin Jiang Online.

Travel Agency

Revenue of travel agency for the Reporting Period amounted to approximately RMB292,572,000, decreasing by approximately 3.2% or approximately RMB9,642,000, year-on-year. This was attributable mainly to the suspension of international tourism businesses due to the impact of the worldwide COVID-19 epidemic, as well as the lack of notable improvement in the inter-provincial tourism business in China owing to the volatile COVID-19 epidemic situation.

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 RMB135,271,000, representing a year-on-year increase of approximately 1.5%, which was primarily due to the increase in interest income from loans provided by Finance Company.

Cost of Sales

Cost of sales for the Reporting Period amounted to approximately RMB11,695,544,000 (same period in 2020: approximately RMB11,459,332,000), representing a year-on-year increase of approximately 2.1%. This reflected mainly the increase in cost of sales as a result of the recovery of the hotel business after the COVID-19 epidemic in China had considerably come under control.

Gross Profit

As a result of the factors described above, the Group recorded a gross profit of approximately RMB4,159,016,000 for the Reporting Period, representing an increase of approximately RMB1,416,084,000 or approximately 51.6% as compared to the same period of last year.

Other Income and Gain

Other income and gain for the Reporting Period amounted to approximately RMB968,453,000 (same period in 2020: approximately RMB2,875,028,000), decreasing by approximately RMB1,906,575,000 or approximately 66.3% as compared to the same period of last year, which was mainly due to the decrease of the gain on disposal of equity interests in subsidiaries, government grants income and gain on disposal of property, plant and equipment and right-of-use assets. During the Reporting Period, the Group received dividend of approximately RMB189,075,000 (same period in 2020: approximately RMB178,499,000).

Selling and Marketing Expenses

Selling and marketing expenses comprised primarily labour costs, travel agency commissions and advertising fees, which amounted to approximately RMB1,117,999,000 for the Reporting Period (same period in 2020: approximately RMB1,071,995,000), representing a year-on-year increase of approximately 4.3%. This reflected mainly the increase in selling and marketing expenses as a result of the gradual improvement and recovery of the hotel business after the COVID-19 epidemic in China had considerably come under control.

Administrative Expenses

Administrative expenses for the Reporting Period amounted to approximately RMB2,705,616,000 (same period in 2020: approximately RMB2,606,173,000), representing a year-on-year increase of approximately 3.8%. This reflected mainly the increase in administrative expenses as a result of the recovery of the hotel business after the COVID-19 epidemic in China had considerably come under control.

Other Expenses and Losses

Other expenses and losses were primarily consisted of bank charges and losses from the disposal of property, plant and equipment. Other expenses and losses for the Reporting Period amounted to approximately RMB153,104,000 (same period in 2020: approximately RMB225,117,000), decreasing by approximately RMB72,013,000 as compared to the same period of last year, which was mainly due to the decrease of unrealised fair value losses on financial assets at fair value through profit or loss and losses on disposal of property, plant and equipment.

Finance Costs — Net

Finance costs comprised interest expenses in respect of the Group's bank borrowings and lease liabilities, and exchange gains/losses from financing activities. Finance costs for the Reporting Period amounted to approximately RMB771,300,000 (same period in 2020: approximately RMB924,474,000), representing a decrease of approximately RMB153,174,000 or approximately 16.6% as compared to the same period of last year.

Share of Results of Joint Ventures and Associates

Operating results of joint ventures and associates mainly comprised 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 Cargo Terminal Co. Ltd., Jiangsu Nanjing Coach Passenger Transport Group Co., Ltd. Share of results of joint ventures and associates for the Reporting Period amounted to approximately RMB128,602,000 (same period in 2020: approximately RMB132,232,000).

Taxation

The effective tax rate for the Reporting Period was approximately 40.3% (same period in 2020: approximately 47.0%).

Net Profit

As a result of the factors described above, net profit for the Reporting Period attributable to shareholders of the Company amounted to approximately RMB8,293,000 (same period in 2020: approximately RMB290,873,000), representing a decrease of approximately RMB282,580,000 or approximately 97.1%. This was mainly attributable to the ongoing impact of the COVID-19 epidemic and the decrease in gain from disposal of subsidiaries and government subsidies income.

Property, plant and equipment

As at 31 December 2021, the Group's property, plant and equipment mainly comprise buildings, renovations and leasehold improvements and freehold land. Property, plant and equipment represented a decrease of approximately RMB890,490,000.

Right-of-use assets and lease liabilities

As at 31 December 2021, the Group's recognised right-of-use assets amounted to approximately RMB10,358,825,000 and lease liabilities of approximately RMB9,520,606,000 mainly comprise freehold land and land use rights, buildings and equipment and others. Right-of-use assets represented a decrease of approximately RMB1,255,764,000 and lease liabilities represented a decrease of approximately RMB1,544,969,000.

Intangible assets

As at 31 December 2021, intangible assets of the Group mainly comprise goodwill, brand names, computer software, patents and other rights, amounting to approximately RMB17.8 billion and accounting for approximately 27.4% of its total assets. This was mainly attributable to the Group's acquisitions of hotel businesses in prior years including GDL, Plateno Group and Vienna Hotels. As at 31 December 2021, in view of the value-in-use calculations of cash-generating units ("CGUs") are larger than the net book amounts of the assets in the CGUs, no goodwill impairment losses were considered necessary.

Cash and bank deposits

As at 31 December 2021, the Group held (i) cash and cash equivalents of RMB11,550,912,000, (ii) bank deposits with maturities over 3 months of RMB750,000,000, (iii) restricted cash of RMB530,120,000, and (iv) bank deposits with maturities over 12 months of RMB2,900,000,000.

GROUP DEBTS AND FINANCIAL CONDITIONS

Borrowings and pledge of assets

	At 31 December	
	2021	2020
	RMB'000	RMB'000
		(Restated)
Borrowings included in non-current liabilities:		
Bank borrowings — guaranteed	3,248,865	4,831,050
Bank borrowings — secured	993,758	2,513,226
Bank borrowings — unsecured	6,418,212	5,130,094
Borrowings from related parties	4,777,062	3,231,250
	<u>15,437,897</u>	<u>15,705,620</u>
Less: current portion of long-term guaranteed bank borrowings	(3,248,865)	(16,050)
current portion of long-term secured bank borrowings	(966,120)	(708,155)
current portion of long-term unsecured bank borrowings	(545,761)	(19,559)
current portion of long-term borrowings from related parties	(407,030)	—
	<u>10,270,121</u>	<u>14,961,856</u>
Borrowings included in current liabilities:		
Bank borrowings — secured	42,852	52,496
Bank borrowings — unsecured	1,253,523	1,694,584
Borrowings from related parties	40,000	50,000
Current portion of long-term guaranteed bank borrowings	3,248,865	16,050
Current portion of long-term secured bank borrowings	966,120	708,155
Current portion of long-term unsecured bank borrowings	545,761	19,559
Current portion of long-term borrowings from related parties	407,030	—
	<u>6,504,151</u>	<u>2,540,844</u>

As at 31 December 2021, the secured bank borrowings included:

- (a) Bank borrowings of EUR450,000,000, equivalent to RMB3,248,865,000 (31 December 2020: EUR602,000,000, equivalent to RMB4,831,050,000), which were guaranteed by Jin Jiang International Group;
- (b) Bank borrowings of RMB959,000,000 (31 December 2020: RMB2,459,000,000), which were pledged by the equity interests in a subsidiary of the Group;
- (c) Bank borrowings of PLN22,105,000, equivalent to RMB34,758,000 (31 December 2020: PLN30,952,000, equivalent to RMB54,226,000), which were pledged by the property, plant and equipment of certain subsidiaries of GDL located in Poland; and
- (d) Bank borrowings of RMB42,852,000 (31 December 2020: RMB52,496,000), which were pledged by the inventories of a subsidiary of the Group.

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

	At 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
Between 1 and 2 years	5,284,707	9,524,747
Between 2 and 5 years	4,913,232	5,437,109
Over 5 years	72,182	–
	<u>10,270,121</u>	<u>14,961,856</u>

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

	At 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
RMB	6,836,928	6,856,995
EUR	9,860,444	10,542,608
PLN	71,026	96,316
Other foreign currencies	5,874	6,781
	<u>16,774,272</u>	<u>17,502,700</u>

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

	At 31 December	
	2021	2020
Borrowings denominated in RMB	3.0344%	3.3248%
Borrowings denominated in EUR	1.0980%	1.1928%
Borrowings denominated in other foreign currencies	<u>4.6290%</u>	<u>4.5553%</u>

At 31 December 2021, the effective interest rates of borrowings from related parties were 0.34%–4.45% (31 December 2020: 1.05%–4.45%).

Treasury Management and Interest Rate Risk Management

As at 31 December 2021 and 31 December 2020, cash and cash equivalents amounted to approximately RMB11,550,912,000 and approximately RMB8,134,711,000, respectively.

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

Financial Assets at Fair Value through Other Comprehensive Income

Financial assets at fair value through other comprehensive income held by the Group mainly included: 80,780,012 shares in Bank of Communications Co., Ltd. (601328.SH), 57,740,000 shares in Guotai Jun'an (601211.SH), 48,110,700 shares in Bank of China (601988.SH), 14,582,000 shares in Agricultural Bank of China (601288.SH), 116,813 shares in VCANBIO (600645.SH), 1,191,472 shares in Bank of Shanghai (601229.SH) and 437,245 shares in Shenwan Hongyuan (000166.SZ), etc.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss held by the Group mainly included: 60,390,877 shares in Bank of Beijing (601169.SH), etc.

HUMAN RESOURCES AND TRAINING

As at the end of the Reporting Period, the Group had approximately 46,512 employees included in its consolidated financial statements. As of now, no share option scheme has been established by the Group.

Staff training and development is a top priority for the Group. A dedicated organisation for training has been set up and an officer in charge of training has been assigned. A comprehensive set of hotel training policies and procedures, covering aspects such as training course preparations, training programmes, training for instructors and training systems, has been formulated. The Group arranges job-specific training courses for staff at different levels and further enriches staff training through various channels such as internal training, external training and online training.

The Group implements a “Global Talent Exchange and Training Programme and Implementation Scheme” to ensure training and manpower supply for key projects on an ongoing basis, with a consistent emphasis on the building of a market-oriented, specialised and internationalised staff team. The Group works with Jin Jiang GDL Asia and the European headquarter of GDL to organise coordinated staff exchange and training programmes for various hotel business segments, such as the “Voyage” exchange and training programme for intermediary and senior management personnel and the “Pilot” centralised exchange and training programme for senior hotel management personnel.

During the Reporting Period, the Group made adjustments to its human resources structure and optimised its position settings and staff allocation to further enhance its marketisation level.

SOCIAL RESPONSIBILITY

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

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

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

The Group has stringently complied with the relevant laws and regulations in 2021. The Group has disclosed its policies and performance relating to environmental and social matters in accordance with established systems of operational compliance, and the Company's Environmental, Social and Governance Report for 2021 has been compiled in compliance with the requirements under Appendix 27 to the Listing Rules "Environmental, Social and Governance Reporting Guide".

CORPORATE STRATEGIES AND OUTLOOK FOR FUTURE DEVELOPMENT

The complexity and volatility in global political and economic conditions, the uncertainties towards overseas' business brought by the recent Russo-Ukrainian conflict and periodic structural supply-and-demand correlation in the hotel industry will continue to affect the development of the Group's principal business. The unexpected outbreak of the COVID-19 epidemic in early 2020 has continued to deal an enormous blow to operations of the global hotel industry and pose uncertainty.

As a new wave of COVID-19 epidemic outbreak emerged in various regions in China in first quarter of 2022, local governments announced policies on travel restrictions, resulting in a material impact on the domestic hotel industry. To actively address the challenge of the COVID-19 epidemic, our hotels persisted in the implementation of anti-epidemic measures such as requiring staffers to put on the "three-piece protective wear" and follow the "five steps for protection", while adopting staff deployment mechanisms such as home office and rotational work shifts. We also actively complemented the community- or street district-wide PCR tests by closing certain business venues of our hotels to reduce energy consumption, while playing an active role to calm down hotel guests, in a collaborative effort to address the impact of the volatile COVID-19 epidemic on hotel operations.

In ongoing 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, and forge the "Jin Jiang" brand with prudent progress. The Group will make vigorous efforts to ensure proper integration 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. The Group will also make advances in the innovation of mechanisms and regimes, with a view to enhancing vigour and energy in business development. Efforts will also be made to further enhance risk management and control and corporate governance. 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 the challenges and seize the opportunities that might arise.

DIVIDENDS

On 29 March 2022, the Board did not recommend the payment of any final dividend for the year ended 31 December 2021.

CORPORATE GOVERNANCE

The Board has reviewed its “Company Operation and Corporate Governance Guidelines” and is of the view that such guidelines have incorporated most of the principles and all of the code provisions of the “Corporate Governance Code” as set out in Appendix 14 to the Listing Rules. The Company has complied with the applicable code provisions of the “Corporate Governance Code” for the financial year ended 31 December 2021.

AUDIT AND RISK CONTROL COMMITTEE

The Company has established the Audit and Risk Control Committee, the principal duty of which is to review the financial control, risk management and internal control systems of the Group. 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 annual results have been reviewed by the Audit and Risk Control Committee. The committee has reviewed the accounting principles and practices adopted by the Company and conducted a discussion on matters in relation to the audit, risk management, internal control and financial reporting, including the review of the consolidated financial statements for the year ended 31 December 2021 prepared in accordance with HKFRS, together with the management of the Company.

REMUNERATION AND APPRAISAL COMMITTEE

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

NOMINATION COMMITTEE

The Company has established a nomination committee. The nomination committee of the Company comprises Mr. Yu Minliang (chairman) (with effect from 28 April 2021, Mr. Yu Minliang has ceased to be chairman of the nomination committee owing to age reasons, and the position has been succeeded by Mr. Zhao Qi), being the chairman of the Board and an executive Director, and Dr. Rui Mingjie and Mr. Ji Gang, two independent non-executive Directors. The major duties of the nomination committee include: (1) review the structure, number of members and diversity of composition of the Board at least annually, and make suggestions on any proposed changes of the Board in accordance with the corporate strategies of the Company; (2) identify candidates with

appropriate qualifications to act as Directors, and select and nominate such candidates to act as Directors or make recommendations to the Board in this regard; (3) evaluate the independence of independent non-executive Directors; and (4) make suggestions to the Board on the appointment or re-appointment of Directors and the succession plan of Directors.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year of 2021, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the listed securities of the Company.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“ADR”	room revenue divided by rooms in use
“Audit and Risk Control Committee”	the audit and risk control committee of the Company
“Available Room(s)”	number of room(s) available of each hotel after deducting permanent house use
“Beijing Kunlun Hotel”	Beijing Kunlun Hotel Company Limited (北京崑崙飯店有限公司)
“Board”	the board of Directors of the Company
“China” or “PRC”	The People’s Republic of China
“Company”	Shanghai Jin Jiang Capital Company Limited* (上海錦江資本股份有限公司)
“COVID-19 epidemic”	Coronavirus Disease epidemic
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	the domestic share(s) of the Company, with a RMB denominated par value of RMB1.00 each, representing 75% of the issued share capital of the Company as at the date of this announcement
“Domestic Shareholder(s)”	the holder(s) of Domestic Shares
“EUR”	Euro, the lawful currency of the European Union

“Finance Company”	Jin Jiang International Finance Company Limited (錦江國際集團財務有限公司)
“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 and businesses which were consolidated into and operated by the Company upon its establishment
“H Share(s)”	the ordinary share(s) issued by the Company, with a RMB denominated par value of RMB1.00 each, which are subscribed for and paid up in Hong Kong dollars and are listed and traded on the Stock Exchange, representing 25% of the issued share capital of the Company as at the date of this announcement
“H Shareholder(s)”	the holder(s) of H Shares
“Hotel Interest(s)”	the equity interest(s) held by the Group in companies engaged in hotel operations
“JHJ Transportation”	JHJ International Transportation Co., Ltd. (錦江捷亞國際貨運有限公司)
“Jin Jiang Auto Service”	Shanghai Jin Jiang Business and Travel Auto Service Co., Ltd. (上海錦江商旅汽車服務股份有限公司)
“Jin Jiang Automobile”	Shanghai Jin Jiang Automobile Services Co., Ltd. (上海錦江汽車服務有限公司)
“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 GPP”	Shanghai Jin Jiang GPP Supply Chain Co., Ltd. (上海錦江聯采供應鏈有限公司)

“Jin Jiang Hotel”	Jin Jiang Hotel Company Limited (上海錦江飯店有限公司)
“Jin Jiang Hotels”	Shanghai Jin Jiang International Hotels Company Limited (上海錦江國際酒店股份有限公司), formerly known as “Shanghai Jin Jiang International Hotels Development Company Limited”
“Jin Jiang Inn”	Jin Jiang Inn Company Limited (錦江之星旅館有限公司)
“Jin Jiang International Group”	Jin Jiang International Holding Company Limited (錦江國際 (集團) 有限公司)
“Jin Jiang Online”	Shanghai Jin Jiang Online Network Service Company Limited (上海錦江在線網絡服務股份有限公司), formerly known as “Shanghai Jin Jiang International Industrial Investment Company Limited”
“Jin Jiang Travel”	Shanghai Jin Jiang International Travel Co., Ltd. (上海錦江國際旅遊股份有限公司)
“Jin Ya Catering”	Shanghai Jin Ya Catering Management Co., Ltd. (上海錦亞餐飲管理有限公司)
“Keystone”	Keystone Lodging Holdings Limited
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Luxury Hotels”	hotels in which the Group holds Hotel Interests or which are owned by third parties but managed by the Group which have obtained or are expected to obtain 5-star or 4-star ratings, according to the criteria set by the Group
“Occupancy Rate”	rooms in use divided by Available Rooms for a given period
“Plateno Group”	Keystone and its subsidiaries
“Radisson Hotel Group”	Radisson Hotel Group (麗笙酒店集團)
“Reporting Period”	the period from 1 January 2021 to 31 December 2021
“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
“Shanghai SASAC”	Shanghai Municipal State-owned Assets Supervision and Administration Commission
“Sofitel Hyland”	Sofitel Hyland Shanghai Co., Ltd. (上海海侖賓館有限公司)
“Star-rating” or “Star-rated”	number of star(s) conferred by the National Tourism Administration of the PRC to a hotel according to the Star-rating Standard Manual and a Star-rated hotel refers to a hotel with Star-rating conferred as mentioned above
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplies Company”	Shanghai Jin Jiang International Hotel Supplies Company Limited (上海錦江國際酒店物品有限公司)
“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
“Yijiyou”	Shanghai Yijiyou Information Technology Company Limited (上海一機遊信息技術有限公司)

By Order of the Board
Shanghai Jin Jiang Capital Company Limited*
Zhang Jue
Joint Company Secretary

Shanghai, the PRC, 29 March 2022

As at the date of this announcement, the executive Directors are Mr. Zhao Qi, Mr. Chen Liming, Mr. Ma Mingju, Ms. Zhou Wei and Mr. Sun Yu; and the independent non-executive Directors are Mr. Ji Gang, Dr. Rui Mingjie and Mr. Shen Liqiang.

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