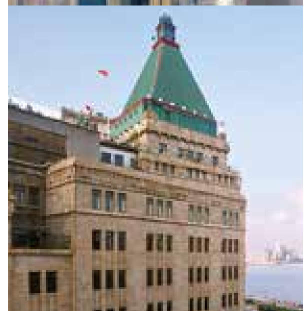
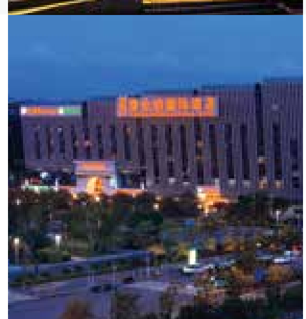



Jin Jiang Capital

Shanghai Jin Jiang Capital Company Limited

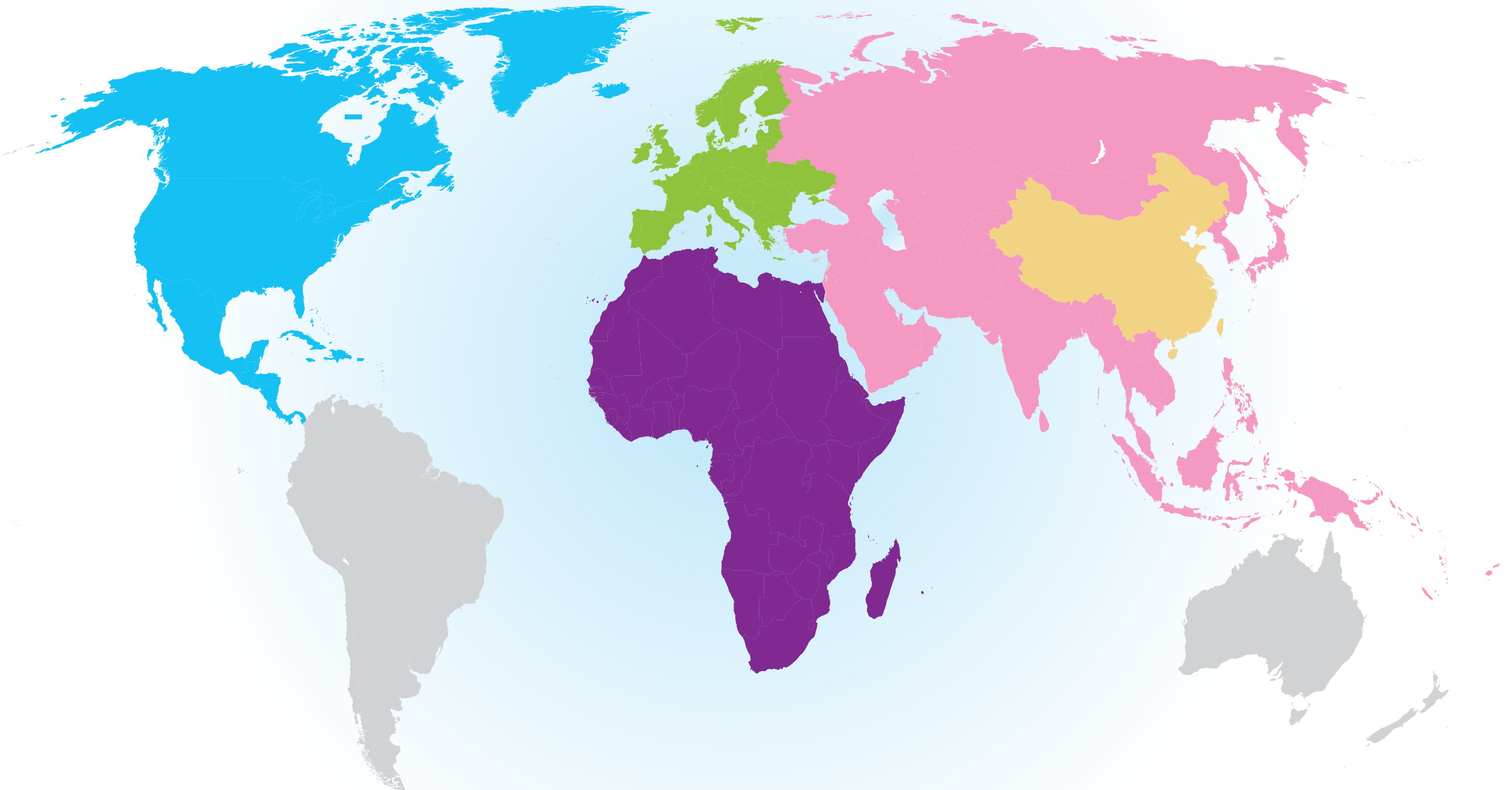
Formerly known as "Shanghai Jin Jiang International Hotels (Group) Company Limited"

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

Stock Code : 02006

ANNUAL REPORT 2019

Global Hotel Deployment



China
Number of hotels: **7,313**

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

Africa
Number of hotels: **43**

Asia (excluding China)
Number of hotels: **224**

Americas
Number of hotels: **17**

Total
Number of hotels: **8,606**

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

Contents

CORPORATE INFORMATION

THE FIFTH SESSION OF THE BOARD

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

THE FIFTH SESSION OF THE SUPERVISORY COMMITTEE

SUPERVISORS

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

AUTHORIZED REPRESENTATIVES

Ms. Guo Lijuan
Ms. Zhang Jue

JOINT COMPANY SECRETARIES

Ms. Zhang Jue
Ms. So Lai Shan

QUALIFIED ACCOUNTANT

Dr. Ai Gengyun

NOMINATION COMMITTEE

Mr. Yu Minliang *(Chairman)*
Dr. Rui Mingjie
Mr. Ji Gang

AUDIT AND RISK CONTROL COMMITTEE

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

REMUNERATION AND APPRAISAL COMMITTEE

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

STRATEGIC INVESTMENT COMMITTEE

Mr. Chen Liming *(Chairman)*
Mr. Ma Mingju
Dr. Rui Mingjie

INTERNATIONAL AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered PIE

PRC AUDITOR

PricewaterhouseCoopers Zhong Tian LLP

LEGAL ADVISERS

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

As to PRC law:
King & Wood Mallesons

CHINESE NAME OF THE COMPANY

上海錦江資本股份有限公司

ENGLISH NAME OF THE COMPANY

Shanghai Jin Jiang Capital Company Limited

H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

INVESTOR AND MEDIA RELATIONS CONSULTANT

iPR Ogilvy & Mather

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Bank of China

LEGAL ADDRESS

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

PRINCIPAL PLACES OF BUSINESS IN THE PRC

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

PRINCIPAL PLACES OF BUSINESS IN HONG KONG

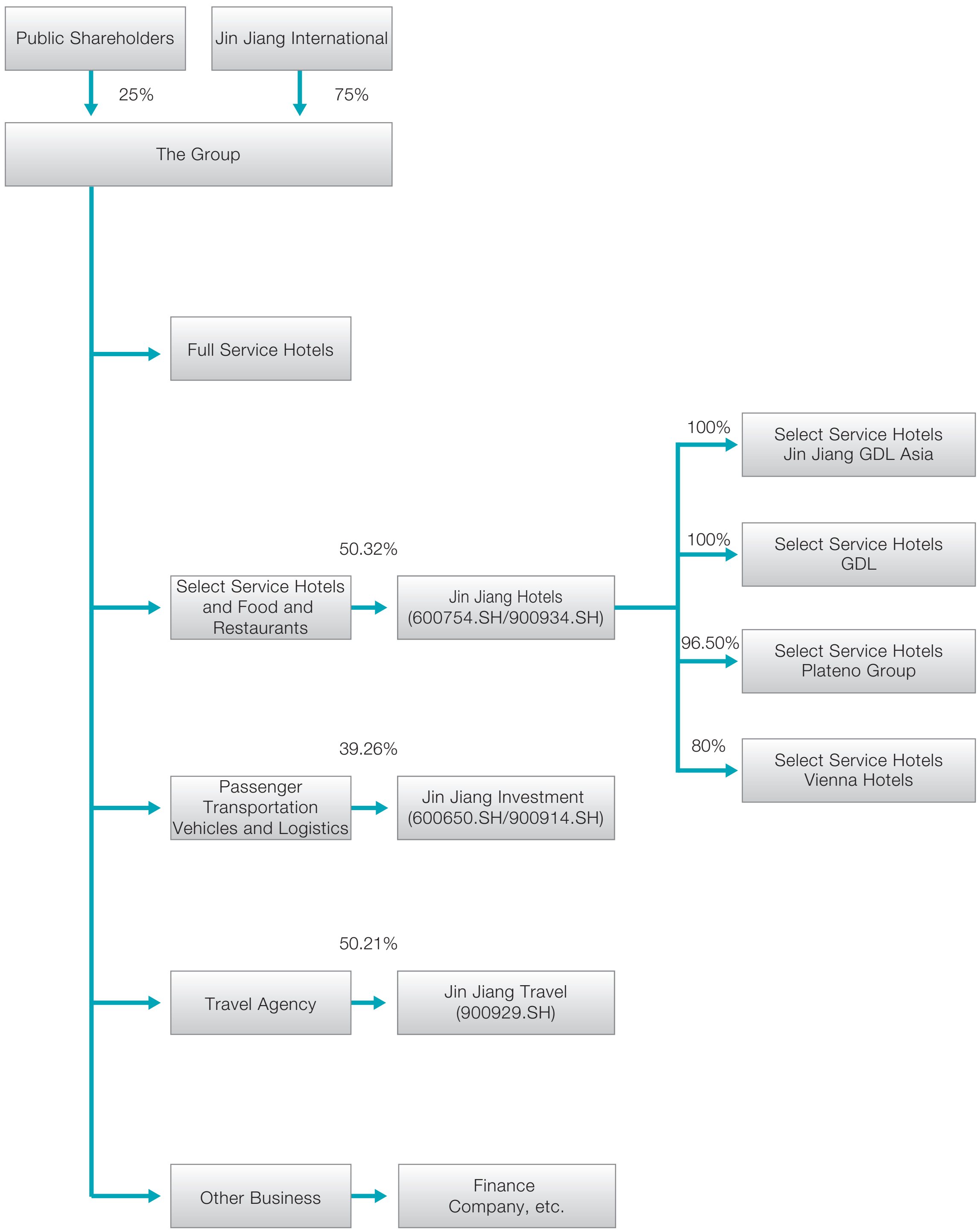
Room 3203, 32nd Floor
Shun Tak Centre, West Tower
200 Connaught Road Central
Hong Kong Special Administrative Region of the PRC ("Hong Kong")

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

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

CORPORATE STRUCTURE

The following graph sets out the major business segments of the Company as at 31 December 2019:



INFORMATION ON HOTELS OF THE GROUP

INFORMATION ON HOTELS OF THE GROUP

	Full Service Hotels		Select Service Hotels		Total	
	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms
China	92	28,417	7,221	739,095	7,313	767,512
Asia (excluding China)	—	—	224	25,055	224	25,055
Europe	—	—	1,009	71,607	1,009	71,607
Americas	—	—	17	3,198	17	3,198
Africa	—	—	43	6,222	43	6,222
Total	**92**	**28,417**	**8,514**	**845,177**	**8,606**	**873,594**

Note:

1. As at 31 December 2019, the Group owned or managed 8,606 hotels in operation with a total of 873,594 guest rooms located in 66 countries around the world, including 7,313 hotels in operation with a total of 767,512 guest rooms owned or managed in the PRC.

INFORMATION ON HOTELS OF THE GROUP

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

All hotels (As of 31 December 2019)	Hotels in which the Group held Hotel Interests and managed by the Group		Hotels in which the Group held Hotel Interests but managed by third parties		Hotels owned by third parties but managed by the Group		Hotels owned by third parties but operated under franchises granted by the Group		Total number of hotels	
	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms
Hotel Category										
Full Service Hotels										
— 5-star Luxury Hotels	5	2,250	2	964	45	15,569	–	–	52	18,783
— 4-star Luxury Hotels	10	3,323	2	671	38	8,428	–	–	50	12,422
Sub-total	**15**	**5,573**	**4**	**1,635**	**83**	**23,997**	**–**	**–**	**102**	**31,205**
Commercial Hotels	2	274	–	–	1	56	–	–	3	330
Total Number of Full Service Hotels	**17**	**5,847**	**4**	**1,635**	**84**	**24,053**	**–**	**–**	**105**	**31,535**
Select Service Hotels										
— Middle-end hotels	123	21,915	–	–	–	–	6,776	797,162	6,899	819,077
— Budget hotel	883	92,597	–	–	–	–	5,276	415,016	6,159	507,613
Total Number of Select Service Hotels	**1,006**	**114,512**	**–**	**–**	**–**	**–**	**12,052**	**1,212,178**	**13,058**	**1,326,690**
Total	**1,023**	**120,359**	**4**	**1,635**	**84**	**24,053**	**12,052**	**1,212,178**	**13,163**	**1,358,225**

INFORMATION ON HOTELS OF THE GROUP

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

In operation (As of 31 December 2019)	Hotels in which the Group held Hotel Interests and managed by the Group		Hotels in which the Group held Hotel Interests but managed by third parties		Hotels owned by third parties but managed by the Group		Hotels owned by third parties but operated under franchises granted by the Group		Total number of hotels	
	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms
Hotel Category										
Full Service Hotels										
— 5-star Luxury Hotels	5	2,250	2	964	38	13,709	—	—	45	16,923
— 4-star Luxury Hotels	10	3,323	2	671	32	7,170	—	—	44	11,164
Sub-total	**15**	**5,573**	**4**	**1,635**	**70**	**20,879**	**—**	**—**	**89**	**28,087**
Commercial Hotels	2	274	—	—	1	56	—	—	3	330
Total Number of Full Service Hotels	**17**	**5,847**	**4**	**1,635**	**71**	**20,935**	**—**	**—**	**92**	**28,417**
Select Service Hotels										
— Middle-end hotels	120	21,692	—	—	—	—	3,443	402,396	3,563	424,088
— Budget hotels	869	90,651	—	—	—	—	4,082	330,438	4,951	421,089
Total Number of Select Service Hotels	**989**	**112,343**	**—**	**—**	**—**	**—**	**7,525**	**732,834**	**8,514**	**845,177**
Total	**1,006**	**118,190**	**4**	**1,635**	**71**	**20,935**	**7,525**	**732,834**	**8,606**	**873,594**

INFORMATION ON HOTELS OF THE GROUP

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

Under development (As of 31 December 2019)	Hotels in which the Group held Hotel Interests and managed by the Group		Hotels in which the Group held Hotel Interests but managed by third parties		Hotels owned by third parties but managed by the Group		Hotels owned by third parties but operated under franchises granted by the Group		Total number of hotels	
	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms
Hotel Category										
Full Service Hotels										
— 5-star Luxury Hotels	–	–	–	–	7	1,860	–	–	7	1,860
— 4-star Luxury Hotels	–	–	–	–	6	1,258	–	–	6	1,258
Sub-total	**–**	**–**	**–**	**–**	**13**	**3,118**	**–**	**–**	**13**	**3,118**
Commercial Hotels	–	–	–	–	–	–	–	–	–	–
Total Number of Full Service Hotels	**–**	**–**	**–**	**–**	**13**	**3,118**	**–**	**–**	**13**	**3,118**
Select Service Hotels										
— Middle-end hotels	3	223	–	–	–	–	3,333	394,766	3,336	394,989
— Budget hotels	14	1,946	–	–	–	–	1,194	84,578	1,208	86,524
Total Number of Select Service Hotels	**17**	**2,169**	**–**	**–**	**–**	**–**	**4,527**	**479,344**	**4,544**	**481,513**
Total	**17**	**2,169**	**–**	**–**	**13**	**3,118**	**4,527**	**479,344**	**4,557**	**484,631**

INFORMATION ON HOTELS OF THE GROUP

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

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

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

MAJOR AWARDS

MAJOR AWARDS RECEIVED BY THE GROUP IN 2019

"Jin Jiang" Brand	Top 10 Influential High-end Hotel Brands in China 2018
"Jin Jiang Hotels"	2019 Jiemian Capital Conference cum Jiemian Gold Medal Ceremony — Investor Relation Medal of the Year Securities Times — "High Quality Development Pioneer" 2019 Brand Value List of Chinese Listed Companies-Top 50 Overseas Firms Gelonghui — Best Growth Award for A Share Listed Company in Greater China Region 2019 The 15th China Hotel Integration Development Conference — Best Shareholders' Investment Returns The 9th Reputation List of Chinese Listed Companies by National Business Daily — Large Consumer Industries Listed Company with Highest Growth Potential
"Jin Jiang Metropolo"	The 19th China Hotel Golden Horse Award — Best Boutique Hotel Leading Brand in China The 14th China Hotel Starlight Awards — Hotel Brand with Best Cultural Element in China Golden Light award of China Hotel Industry 2018–2019 — The Most Influential Hotel Management Company of China Hotel Industry The 7th CNCTNEWS China Investment Conference — CNCTNEWS China Outstanding Hotel Management Company The 11th Continental Diamond Awards — Investment Value Brand Award of the Year
"Campanile"	The 14th China Hotel Starlight Awards — Best Middle-tier International Hotel Brand in China 2019 Golden Pillow Award of China Hotels — The Most Popular Light Luxury Business Hotel Brand of China 2019 AHF Asia Hotel Awards — Hotel Brand with Best Investment Value of the Year
"Kyriad"	The 14th China Hotel Starlight Awards — Business Hotel Brand with the Best Investment Value of China The 7th CNCTNEWS China Investment Conference — CNCTNEWS China Outstanding Middle-end Hotel Brand The 3rd HOTELN Awards — Hotel Brand with Best Investment Value of China 2019 2019 International Island Tourism Convention — Selected Fashion Hotel Brand Global Cultural Tourism Industry Conference — "Hotel with Best Investment Value" in China Hotel Gold Champion Award
"Magnolia"	The 19th China Hotel Golden Horse Award — Hotel Brand with Best Investment Value in China The 14th China Hotel Starlight Awards — Hotel Brand with Highest Potential for Development in China The 7th CNCTNEWS China Investment Conference — CNCTNEWS China Hotel Brand with Outstanding Investment Value The 14th Foreign Hospitality Platinum Award — Hotel Brand with Best Investment Value of China

MAJOR AWARDS

"Plateno Group"	The 19th China Hotel Golden Horse Award — Investor's Choice of Hotel Management Group in China China Travel Awards 2019 — China Accommodation Award • Chain Hotels Category The 3rd HOTELN Awards — Recommended Hotel Management Group in 2019
"James Joyce Coffetel"	The 14th China Hotel Starlight Awards — Most Popular Hotel Brand Among Business Travellers in China China Travel Awards 2019 — China Accommodation Award • Cross-sector Marketing Category The 3rd HOTELN Awards — 2019 Leading Boutique Hotel Brand in China
"Huan Peng"	The 14th China Hotel Starlight Awards — International Mid-to-high-end Hotel Brand in China with Outstanding Investment Value 2019 International Island Tourism Convention — Selected Fashion Hotel Brand
"ZMAX"	The 19th China Hotel Golden Horse Award — Business Hotel Brand Pioneer with Development Potential The 14th China Hotel Starlight Awards — Outstanding Charm Business Hotel Brand in China
"Fei Fan Cheng Pin"	The 3rd HOTELN Awards — Hotel Brand with Best Investment Value of China 2019
"ZMAX"	The 19th China Hotel Golden Horse Award — New & Remarkable Hotel Brand in China The 14th China Hotel Starlight Awards — Outstanding New & Remarkable Design Hotel Brand in China
"Xana Hotelle"	The 19th China Hotel Golden Horse Award — 2019 Hotel Brand with Best Investment Value of China Asia Pacific Hotel Association — 2019 Hotel Brand with Best Investment Returns in Asia The 4th China Travel Consumption Summit — 2019 Best Travel Lifestyle Hotel Brand
"IU Hotels"	The 3rd HOTELN Awards — 2019 Leading Light Middle-end Hotel Brand in China
"Vienna Hotels Group"	The 19th China Hotel Golden Horse Award — The Most Popular National Hotels Group among Consumers in China The 14th China Hotel Starlight Awards — Best Hotel Management Group in China The 7th CNCTNEWS China Investment Conference — CNCTNEWS China Outstanding Hotel Management Group 2019 Golden Pillow Award of China Hotels — Business and Travel Hotel Management Company with Best Investment Value in China 2019 AHF Asia Hotel Awards — Hotel Management Group with Best Investment Value in Asia The 3rd HOTELN Awards — Investor's Choice of Hotel Management Company in China 2019
"Vienna International"	The 19th China Hotel Golden Horse Award — Hotel Brand with Best Investment Value in China 2019
"Vienna"	The 3rd HOTELN Awards — Best Middle-end Leading Hotel Brand in China 2019
"Vienna Best Sleep"	The 14th China Hotel Starlight Awards — Hotel Brand with Best Investment Value in China

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"Jin Jiang Hotels"	Shanghai Jin Jiang International Hotels Company Limited
"Jin Jiang Hotel Investment"	Shanghai Jin Jiang International Hotel Investment Company Limited
"Jin Jiang Inn"	Jin Jiang Inn Company Limited
"Jin Jiang International"	Jin Jiang International Holding Company Limited
"Jin Jiang International Investment and Management"	Shanghai Jin Jiang International Investment and Management Company Limited
"Jin Jiang Investment"	Shanghai Jin Jiang International Industrial Investment Company Limited
"Jin Jiang Metropolo"	budget hotels in which the Group holds Substantial Hotel Interests and managed by Jin Jiang GDL Asia, or Select Service Hotels which are owned by third parties to which Jin Jiang GDL Asia has granted a franchise, most of which are operating under the brand names of Jin Jiang Metropolo or Jin Jiang Inn
"Jin Jiang Travel"	Shanghai Jin Jiang International Travel Co., Ltd.
"Jin Ya Catering"	Shanghai Jin Ya Catering Management Co., Ltd. (上海錦亞餐飲管理有限公司) (formerly known as Shanghai New Asia Café de Coral Company Limited)
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Luxury Hotels"	hotels in which the Group holds Hotel Interests or which are owned by third parties but managed by the Group which have obtained or are expected to obtain 5-star or 4-star ratings, according to the criteria set by the Group
"Occupancy Rate"	rooms in use divided by Available Rooms for a given period
"Permanent House Use"	guest rooms which have been removed from the rentable inventory for a period longer than six months
"Plateno Group"	Keystone Lodging Holdings Limited and its subsidiaries
"Reporting Period"	the period from 1 January 2019 to 31 December 2019
"RevPAR"	room revenue per Available Room
"RMB"	Renminbi, the lawful currency of the PRC
"Select Service Hotels"	hotels providing guests with basic professional services which are suitable for mass consumption with emphasis on the core function of accommodation
"Shanghai SASAC"	Shanghai Municipal State-owned Assets Supervision and Administration Commission

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"Star-rating" or "Star-rated"	number of star(s) conferred by the National Tourism Administration of the PRC to a hotel according to the Star-rating Standard Manual and a Star-rated hotel refers to a hotel with Star-rating conferred as mentioned above
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Hotel Interest"	the equity interest held by the Group in companies engaged in hotel operations which are associated companies, joint ventures or subsidiaries of the Company
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company
"Supplies Company"	Shanghai Jin Jiang International Hotel Supplies Company Limited (上海錦江國際酒店物品有限公司)
"Total Number of Rooms"	number of available rooms per hotel
"Vienna Hotels"	Vienna Hotels Group Co., Ltd. (維也納酒店有限公司), a limited liability company established in the PRC
"WeHotel"	Shanghai Qi Cheng Network Technology Co., Ltd. (上海齊程網絡科技有限公司)

FINANCIAL HIGHLIGHTS

	2019	2018	2017	2016	2015
Items of Consolidated Income Statement (RMB million)					
Revenue	**20,972**	20,631	19,759	17,013	12,197
Profit attributable to shareholders of the Company	**676**	762	761	758	866
Earnings per share on profit attributable to shareholders of the Company (RMB cents)	**12.14**	13.68	13.67	13.63	15.55
Items of Consolidated Balance Sheet (RMB million)					
Total assets	**63,432**	57,184	62,998	56,771	42,298
Total liabilities	**43,802**	37,138	42,194	36,631	25,520
Total equity	**19,630**	20,046	20,804	20,140	16,778
Total equity attributable to the shareholders of the Company	**9,227**	9,473	9,485	9,357	9,296
Items of Consolidated Statement of Cash Flows (RMB million)					
Net cash generated from operating activities	**3,962**	1,180	6,597	1,146	2,464
NON-HKFRS Financial Information					
Proposed dividend (RMB million)	**345**	445	445	445	362
Proposed dividend per share (RMB cents)	**6.20**	8.00	8.00	8.00	6.50
Earnings before interest, taxes, depreciation and amortization ("EBITDA") (RMB million)	**6,266**	4,427	4,468	4,118	3,398
Total equity per share (RMB)	**3.53**	3.60	3.74	3.62	3.01
Total equity per share attributable to the shareholders of the Company (RMB)	**1.66**	1.70	1.70	1.68	1.67
Gearing ratio (i)	**45.6%**	35.0%	37.8%	43.9%	38.7%
Capital Expenditure (RMB million)	**1,726**	1,423	3,647	14,725	11,308

(i) As at 31 December 2019, the increase in the Group's gearing ratio was due to the adoption of the HKFRS 16 Leases by the Group, resulting in an increase in both lease liabilities and total assets since the recognition of right-of-use assets and lease liabilities from 1 January 2019.

OPERATIONAL STATISTICS

	2019	2018
Average Occupancy Rate		
Full Service Hotels		
— 5-star Luxury Hotels	**72%**	74%
— 4-star Luxury Hotels	**63%**	69%
Domestic Select Service Hotels	**75%**	78%
— Middle-end Hotels	**78%**	82%
— Budget Hotels	**72%**	76%
Overseas Select Service Hotels	**65%**	65%
— Middle-end Hotels	**60%**	58%
— Budget Hotels	**67%**	67%
Average Room Rate (RMB/room)		
Full Service Hotels		
— 5-star Luxury Hotels	**872**	889
— 4-star Luxury Hotels	**533**	540
Domestic Select Service Hotels	**211**	202
— Middle-end Hotels	**260**	264
— Budget Hotels	**160**	162
Overseas Select Service Hotels (EUR/room)	**57**	56
— Middle-end Hotels (EUR/room)	**66**	65
— Budget Hotels (EUR/room)	**54**	53
RevPAR (RMB/room)		
Full Service Hotels		
— 5-star Luxury Hotels	**627**	654
— 4-star Luxury Hotels	**338**	375
Domestic Select Service Hotels	**157**	158
— Middle-end Hotels	**203**	216
— Budget Hotels	**115**	124
Overseas Select Service Hotels (EUR/room)	**37**	36
— Middle-end Hotels (EUR/room)	**39**	37
— Budget Hotels (EUR/room)	**36**	36

Notes:

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

2. 4-star Luxury Hotels include: Park Hotel, Jian Guo Hotel, Cypress Hotel, Holiday Inn Downtown Shanghai, Golden Tulip Shanghai Rainbow, Shanghai Hotel, Shanghai Jing An Hotel, Shanghai Sofitel Hotel, Jiangsu Nanjing Hotel, Wuxi Jin Jiang Grand Hotel, West Capital International Hotel and Kunming Jin Jiang Hotel.

3. The middle-end hotels under the Select Service Hotels in the PRC include the operational data of all operating chain hotels under the brands of, among others, "Jin Jiang Metropolo", "Campanile (康鉑)", "Lavande", "James Joyce Coffetel", "Xana", "Venus Royal", "Vienna International", "Vienna Classic", "Vienna Hotels" and "Vienna 3 Best". The budget hotels under the Select Service Hotels in the PRC include the operational data of all operating chain hotels under the brands of, among others, "Jin Jiang Inn", "Jinguang Inn", "Bestay Hotels Express", "IU", "7 Days Inn" and "Pai".

4. The middle-end hotels under the Select Service Hotels outside the PRC include the operational data of all operating chain hotels under the brands of, among others, "Golden Tulip". The budget hotels under the Select Service Hotels outside the PRC include the operational data of all operating chain hotels under the brands of, among others, "Premiere Classe", "Campanile", "Kyriad" and "Sarovar".

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present on behalf of the Board the annual report of the Group for the year ended 31 December 2019.

In 2019, the Group changed its name from "Shanghai Jin Jiang International Hotels (Group) Company Limited" to "Shanghai Jin Jiang Capital Company Limited" in accordance with adjustments to its strategic development planning and positioning and taking into account changes in the direction of industry integration. In accordance with the strategy of "intensive domestic business development, global deployment and multinational operations", the Group introduced an innovative business model with the implementation of a "horse-racing mechanism" for the hotel management companies for each brand in respect of its frontline operations and a "one-centre, three-platform" structure for its back office operations was jointly constructed through coordinated applications of capital, assets and funds coupled with industry developments. In persistent adherence to the principle of "keeping the DNA unchanged, integrating back offices, realising complementary advantages, and procuring mutual development", the Group has been driving business integration and structural realignment and made emphatic efforts in brand restatement, quality upgrades and efficiency enhancement by expediting in-depth resource integration and the construction of shared platforms. Firmly established upon a new starting point, the Group will deliberate new developments and achieve new breakthroughs.

In 2019, the Group realised sales revenue of approximately RMB20.97 billion, representing an increase of approximately 1.7% as compared to the same period of last year. Group EBITDA amounted to approximately RMB6.27 billion, representing an increase of approximately 41.5% as compared to the same period of last year, reflecting an increase in EBITDA by approximately RMB1.65 billion primarily due to the Group's adoption of HKFRS 16 Lease. Profit attributable to shareholders of the Company amounted to approximately RMB676 million, representing a decrease of approximately 11.3%. The Board has proposed a dividend of RMB6.2 cents (inclusive of tax) per share for 2019.

As at the end of 2019, the Group held or managed a total of 8,606 hotels in operation with approximately 870,000 rooms in aggregate in 66 countries over the world. Among the said hotels, a total of 7,313 self-owned or managed hotels were in operation in China with approximately 770,000 rooms in total. In addition, 4,557 hotels of the Group were under construction over the world with a total of approximately 480,000 rooms.

During the Reporting Period, the Group focused on its principal operations and advanced high-quality development underpinned by quality and efficiency enhancements with full effort. Our high star-rated hotels have been showing improvements in quality, while our middle-end hotel brands have also reported notable progress in quality and efficiency. Fully leveraging the synergies resulting from mergers and acquisitions, the Group has created greater opportunities for global development and multi-national operations. With a synergetic effort to advance brand-building and innovation and an equal emphasis on volume, scale, quality and efficiency in development, the Group has been working to achieve globalisation in supply chain, brand presence, as well as innovation and R&D, seeking to fortify our strengths, excel and expand to create a world-class hotel group and speed up with the global development of the national "Jin Jiang" brand.

The Group has implemented 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 has been working with its regional headquarters across the world to organise coordinated staff exchange and training programmes for each hotel 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.

CHAIRMAN'S STATEMENT

In addition to the pursuit of economic benefits and safeguarding of shareholders' interests, the Group is also engaged in the vigorous protection of the lawful rights and interests of its staff, customers and business partners. The Group is actively involved in community welfare initiatives such as environmental protection activities and the development of residential communities, while in the hotel operations. The Group highlights the importance of "safety, healthiness, comfort and professionalism", aiming to promote coordinated and harmonious development with the society and to achieve economic benefits for the hotels, social benefits for the community and well-being of the ecological environment at the same time.

Looking to 2020, with the worldwide spread of COVID-19, global political and economic developments will face increasing uncertainties and all business sectors will be subject to severe conditions. The structural supply-and-demand correlation in the hotel industry and rapid development of information technology relating to the Mobile Internet will continue to affect the development of the Group's principal business. Nevertheless, given the rapid growth of international tourism industry in the context of globalisation and the increasing demand for tourism, broad prospects still hold out for the hotel and tourism industry. The Group will actively seize the opportunities and address any challenges that might arise.

The Group will continue to intensify the reform of its mechanisms and institutional systems with persistent efforts and explore the innovation and transformation of business models compatible with the age of the Internet economy. The Group will seek to take the business to another level in terms of "brand, quality, efficiency, scale, market value and human resources" in our drive for high-quality development. Further efforts will be made in the coordinated application of resources, assets, capital and funds to enhance our efficiency and effectiveness. The global deployment of human resources will be further optimised with stronger efforts to build a global team, as the Group endeavors to develop Jin Jiang into a competitive global hotel group matching international standards and the national "Jin Jiang" brand into a world-renowned name.

Finally, I wish to express sincere gratitude to all employees for their invaluable contributions to the Group. I would also like to take this opportunity to thank all shareholders, investors and the public for their longstanding support of the Group. In united effort with our shareholders, we pledge to continue to enhance the value of the Group and deliver sound rewards for all.

Yu Minliang
Chairman
Shanghai, the PRC
31 March 2020

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Yu Minliang (俞敏亮), aged 62, the chairman of the Board and an executive Director. Mr. Yu is an economist with a master's degree in economics. He is a member of the Communist Party of China. He was the general manager of Shanghai New Asia (Group) Co., Ltd. (上海新亞(集團)股份有限公司), the general manager and the secretary to the Party Committee of Shanghai New Asia (Group) Company Limited (上海新亞(集團)有限公司), the chairman and the secretary to the Party Committee of Jin Jiang (Group) Company Limited and the chairman, the secretary to the Party Committee and chief executive officer of Jin Jiang International. At present, Mr. Yu is also serving as the chairman and the secretary to the Party Committee of Jin Jiang International and the chairman of Jin Jiang Hotels.

Ms. Guo Lijuan (郭麗娟), aged 57, the vice chairman of the Board and an executive Director. Ms. Guo obtained a master's degree in business administration. She is a member of the Communist Party of China. Ms. Guo was the deputy head of the suburban department and the rights and interests department of China Communist Youth League Shanghai Committee (共青團上海市委). She was the general manager, the chairperson and the secretary to the Party Committee of Shanghai Advertising Co., Ltd. (上海廣告有限公司). She was a director and the vice president of Shanghai World Expo (Group) Co., Ltd. (上海世博(集團)有限公司). She was an executive director, the chairperson and the secretary to the Party Committee of Shanghai Foreign Service Co., Ltd. (上海對外服務有限公司) as well as the vice president of Shanghai East Best International (Group) Co., Ltd. (上海東浩國際服務貿易(集團)有限公司). Ms. Guo is currently the president, the deputy secretary to the Party Committee and a director of Jin Jiang International and the vice chairperson of Jin Jiang Hotels.

Mr. Chen Liming (陳禮明), aged 59, the vice chairman of the Board and an executive Director. Mr. Chen obtained a master's degree in business administration and he is an economist. He is a member of the Communist Party of China. Mr. Chen was the general manager of Holland Shanghai City Restaurant Co., Ltd. (荷蘭上海城酒家有限公司), the deputy general manager of Shanghai Sofitel Hyland Hotel (上海海崙賓館), the executive manager of Shanghai New Asia (Group) Co., Ltd. (上海新亞(集團)股份有限公司), the secretary general of the executive committee of the board of directors (vice president) of Jin Jiang International. He is currently the vice chairman of Jin Jiang International, a director of Jin Jiang Hotels, the chairman and the president of GDL and the chairman of Radisson Hospitality Inc. (U.S.).

Mr. Ma Mingju (馬名駒), aged 59, an executive Director and the chief executive officer of the Company. He is a senior accountant with a master's degree in business administration. He is a member of the Communist Party of China. Mr. Ma was the manager of accounting and finance department of Jin Jiang International and the Supervisor of the Company. He is currently the vice president and general manager of the Finance Business Division of Jin Jiang International, chairman of Jin Jiang International Investment and Management, director of Jin Jiang Investment, the chairman of Finance Company and the chairman of Radisson Hospitality AB (publ), respectively.

Ms. Zhou Wei (周維), aged 39, an executive Director. She holds master's degrees in business administration and arts respectively. She is a member of the Communist Party of China. She was formerly the deputy chief director of the department of translation and interpretation of Foreign Affairs Office of the Shanghai Municipal People's Government, the deputy manager of the Investment Development Division of Jin Jiang International, the director and the chief investment officer of the Investment Development Division of the Company, the deputy chief executive officer of Jin Jiang GDL Asia, and is currently the vice president of Jin Jiang International, a director of Jin Jiang Hotels, Radisson Hospitality Inc. (U.S.) and Radisson Hospitality AB(publ).

Mr. Sun Yu (孫瑜), aged 46, an executive Director. He is a senior accountant with a master's degree in accounting. He is a member of the Communist Party of China. He was formerly the financial director of Shanghai Diesel Engine Co., Ltd. (上海柴油機股份有限公司), and is currently the vice president and deputy financial director, the deputy general manager and financial director of the Finance Business Division of Jin Jiang International, a director of Jin Jiang Investment and the chief financial officer of Jin Jiang International Investment and Management.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ji Gang (季崗), aged 62, an independent non-executive Director. He is a senior economist with a master's degree in economics. Mr. Ji was the general manager of Shanghai Zhongya Hotel, general manager and chairman of Shanghai Everbright City Company Limited, director of Zhabei District Commercial Committee, director of Zhabei District Economic Committee, president of SIIC Investment Company Limited in Hong Kong, the vice chairman and president of Shanghai Industrial Development Company Limited, the chairman of the board, president and executive director of Shanghai Industrial Urban Development Group Limited.

Dr. Rui Mingjie (芮明杰), aged 65, an independent non-executive Director. He is a professor and an instructor for doctoral candidates with a doctoral degree. Dr. Rui is currently the head of the Department of Industrial Economics, director of the Center for Business Development and Management Innovation of Fudan University, discipline leader in the national key discipline of Industrial Economics of Fudan University, and person-in-charge of the post-doctoral mobile station in Applied Economics at Fudan University. He is also the vice president of China Society of Industrial Economics, chief specialist of Shanghai Innovative Research Base of Social Sciences (Industry Structural Adjustment) (上海市社會科學創新研究基地(產業結構調整)), and a leading figure of Rui Mingjie's Office of Government Policy Counselling and Research Base of Shanghai Municipal Government (上海市政府決策諮詢研究基地芮明杰工作室).

Mr. Shen Liqiang (沈立強), aged 63, an independent non-executive Director. Mr. Shen is a senior accountant with a master's degree in business administration. He is a member of the Communist Party of China. He is currently the president of Shanghai Jindin Financial, Historical and Cultural Development Foundation and the head of Shanghai Bank Museum. He was the national representative of the 13th and 14th Shanghai Municipal People's Congress and one of the first Top 10 Shanghai Financiers. With dozens of years in the financial industry, he worked in People's Bank of China and Industrial and Commercial Bank of China. He worked in Industrial and Commercial Bank of China, as the deputy branch manager and the deputy secretary to the Party Committee of Zhejiang Provincial Branch, the branch manager and the secretary to the Party Committee of Hangzhou Municipal Branch, Hebei Provincial Branch and Shanghai Municipal Branch. He was the chairman of ICBC Credit Suisse Asset Management Co., Ltd. and Shanghai Banking Association, a director of the University Council of Shanghai University of Finance and Economics and an independent director of SINOPEC Shanghai Petrochemical Company Limited.

SUPERVISORS

Mr. Wang Guoxing (王國興), aged 56, the chairman of the Supervisory Committee. Mr. Wang is a senior accountant with a master's degree in economics. He is a member of the Communist Party of China. He was a lecturer of the School of Finance of Shanghai University of Finance and Economics, board secretary of Jin Jiang Hotels, board secretary and deputy financial director of Shanghai New Asia (Group) Company Limited (上海新亞(集團)有限公司) as well as deputy financial director of Jin Jiang International and the chief secretary of the executive committee (vice president) of the board of Jin Jiang International. He is currently a vice president of Jin Jiang International and the chairman of the supervisory committee of Jin Jiang Hotels, Jin Jiang Investment and Jin Jiang Travel.

Mr. Kuang Ke (匡克), aged 41, a Supervisor. He holds a bachelor's degree in economics. He was the head of audit of Shanghai Hongqiao Parkson Trading Company (上海虹橋百盛商貿有限公司) and the audit manager of New World Department Store China Limited (新世界百貨中國有限公司). He is currently the deputy head of the audit office of Jin Jiang International.

Mr. Chen Yinghao (陳英豪), aged 46, a Supervisor and the deputy secretary of the Party Committee. He holds a bachelor's degree. He was the department head and commander (deputy regimental commander) of a brigade of Shanghai Fire Bureau, and assistant to the manager of the security department of Jin Jiang International.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Ms. Zhang Jue (張珏), aged 37, the Board secretary and joint company secretary of the Company. She holds a bachelor's degree. She was a securities affairs representative of Jin Jiang Hotels, a board secretary and a deputy director of planning and development department of Jin Jiang Travel. She is currently a director of Jin Jiang Investment and Jin Jiang Travel.

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

SENIOR MANAGEMENT

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

Ms. Yin Yanhong (尹嫣紅), aged 51, the chief financial officer and finance controller of the Company. She is a senior accountant with a master's degree in accounting. She was the manager of the audit department and finance department of Hua Lian Supermarket Co. Ltd, and the assistant to the manager and deputy manager of the planning and finance department of Jin Jiang International.

Ms. Zhang Wei (張偉), aged 53, the vice president of the Company. She is a senior political analyst with a bachelor's degree. She was the deputy secretary and deputy general manager of the Metropole Hotel, the deputy general manager of Nanjing Hotel, the secretary to the Party Committee and deputy general manager of Jin Jiang East Asia Hotel, the deputy secretary to the Party Committee and executive deputy manager of Peace Hotel, and the general manager of Expo Jin Jiang Apartment Hotel (世博錦江公寓酒店) as well as the deputy secretary to the Party Committee of the Company.

Mr. Xia Li (夏力), aged 51, a vice president of the Company. He holds a master's degree in business administration. He was formerly the general manager of Holland Shanghai City Co., Ltd. (荷蘭上海城有限公司), deputy general manager of Shanghai Marriott Hotel Hongqiao, executive deputy general manager of Shanghai Zitai Hotel Management Co. Ltd. (上海紫泰酒店管理有限公司), deputy general manager of Shanghai Zizhu Hotel Co. Ltd. (上海紫竹酒店有限公司), general manager of Shanghai Tower Jin Jiang Hotel Assets Management Company Limited (上海中心大廈錦江酒店資產管理有限公司), and the vice president of the asset management centre of the Company.

Dr. Ai Gengyun (艾耕雲), aged 49, a qualified accountant of the Company. Dr. Ai was the director of the planning and finance department of Jin Jiang Hotels, deputy general manager of Shanghai Kentucky Fried Chicken Company Limited, director of the planning and finance department of the Company and a director of GDL. Dr. Ai is a member of the Chinese Institute of Certified Public Accountants and a senior accountant in the PRC with extensive professional experience in financial reporting, management and internal control.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Cai Jianping (蔡建平), aged 58, a vice-president and a director of human resources department of the Company. He holds a bachelor's degree. He was a director of human resources department of Shanghai New Asia (Group) Company Limited, a deputy general manager of Shanghai Sofitel Hyland Hotel and a deputy general manager of Yangtze Hotel.

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

In accordance with code B.1.5 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules, the annual remuneration and relevant bands of the senior management for 2019 listed in the section headed "Directors, Supervisors and Senior Management" in this annual report are set out as follows:

	Year ended 31 December 2019 RMB'000
Salary and other allowances	1,680
Discretionary bonus	621
Retirement scheme contributions	615
	2,916

The emoluments fell within following bands:

	Year ended 31 December 2019 Number
Nil to RMB447,890 (equivalent to HK$500,000)	–
RMB447,890 (equivalent to HK$500,000) to RMB895,780 (equivalent to HK$1,000,000)	6

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

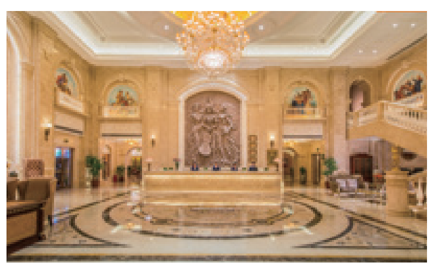
The Group has applied Hong Kong Financial Reporting Standards ("HKFRS") 16 Leases from 1 January 2019. The adoption of HKFRS 16 Leases has material impact on the Group's consolidated balance sheet, but has no material impact on the Group's profit. Please refer to "2.2 in notes to the consolidated financial statement" for details of the impact.

In 2019, the hotel industry faced challenges arising from uncertainties in the external market environment. In accordance with the strategy of "intensive domestic business development, global deployment and multinational operations", the Group implemented a "horse-racing mechanism" for the hotel management companies for each brand in respect of its frontline operations and a "one-centre, three-platform" (namely, Jin Jiang Hotel Global Innovation Centre, WeHotel Global Shared Hotel Platform, Jin Jiang Global Shared Procurement Platform and Jin Jiang Global Shared Financial Platform) structure for its back office operations was jointly constructed through coordinated applications of capital, assets and funds coupled with industry developments. In persistent adherence to the principle of "keeping the DNA unchanged, integrating back offices, realising complementary advantages, and procuring mutual development", the Group has been driving business integration and structural realignment and made emphatic efforts in brand restatement, quality upgrades and efficiency enhancement by expediting in-depth resource integration and the construction of shared platforms. Firmly established upon a new starting point, the Group will deliberate new developments and achieve new breakthroughs.

For the Reporting Period, the Group realised sales revenue of approximately RMB20,971,742,000, representing an increase of approximately 1.7% as compared to the same period of last year. Operating profit of the Group amounted to approximately RMB2,914,005,000, representing an increase of approximately 34.1% as compared to the same period of last year. EBITDA of the Group amounted to approximately RMB6,265,996,000, representing an increase of approximately 41.5% as compared to the same period of last year. The increase in EBITDA by approximately RMB1,653,320,000 was primarily due to Group's adoption of HKFRS 16 Lease. Profit attributable to shareholders of the Company amounted to approximately RMB675,964,000, representing a decrease of approximately 11.3% which was primarily due to the impact of a changing external environment and the slowdown in demand in the hotel market on the hotel industry. The Board has proposed a distribution of RMB6.2 cents (inclusive of tax) per share as dividends for the year ended 31 December 2019.

As at the end of the Reporting Period, the Group held or managed a total of 8,606 hotels in operation with approximately 870,000 rooms in aggregate in 66 countries over the world. Among the said hotels, a total of 7,313 self-owned or managed hotels were in operation in China with approximately 770,000 rooms in total. In addition, 4,557 hotels of the Group were under construction over the world with a total of approximately 480,000 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 rose from 5th to 2nd in the global hotel group ranking as published by HOTELS Magazine, the official publication of The International Hotel & Restaurant Association, in August 2019.





MANAGEMENT DISCUSSION AND ANALYSIS

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

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

During the Reporting Period, the Group focused on high-quality development and the provision of high-quality services. As one of the corporate representatives of Shanghai, the Group undertook the hospitality task of the second China International Import Expo (the "Import Expo"), and a grand reception at Peace Hotel was completed amidst the praise and commendation of domestic as well as foreign guests. The hotels and limousine fleets for national guests of the Group have reflected the image of Jin Jiang as a homegrown national brand in various major hospitality assignments.

Following its nationwide outbreak in China in mid to late January 2020, pneumonia caused by COVID-19 has become a worldwide epidemic. All over the world, efforts are being made to prevent and control the epidemic. All business sectors have been subjected to rigorous challenges, and the hotel, food and restaurant, passenger transportation and logistics and travel agency segments of the Group have been significantly affected. During this time, the Group has worked vigorously to support the epidemic prevention and control by adopting various measures, such as waiving the ongoing franchise fees in whole or in part, handling the hotels expropriated and temporarily closed, enhancing disinfection and sanitisation of hotels, and by processing the cancellation or rescheduling of customers' trips, in a diligent effort to fulfill its corporate social responsibility.

Full Service Hotels

The operation and management of Full Service Hotels represents one of the major sources of revenue for the Group. During the Reporting Period, operation of Full Service Hotels contributed approximately RMB2,046,027,000 to the Group's revenue, decreasing by approximately 1.1% as compared to the same period of last year, which was mainly attributable to the slowdown in demand for Full Service Hotels under the impact of the external environment.

During the Reporting Period, the supply outgrew the demand in the hotel market in Shanghai. The RevPAR of the Group's high Star-rating Full Service Hotels in Shanghai decreased by approximately 10% year-on-year, reflecting an approximately 6.2% year-on-year decrease in average room rate and a 4.1% year-on-year decrease in average Occupancy Rate.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	2019 Group's Full Service Hotels in Shanghai			2018 Group's Full Service Hotels in Shanghai		
	Average Occupancy Rate (%)	Average room rate (RMB)	RevPAR (RMB)	Average Occupancy Rate (%)	Average room rate (RMB)	RevPAR (RMB)
5-star	74%	919	679	75%	933	703
4-star	66%	606	403	73%	632	463

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

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

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

As at the end of the Reporting Period, the Group owned or managed 92 Full Service Hotels which were in operation across the world, offering approximately 28,000 guest rooms, among which 71 hotels with approximately 21,000 guest rooms were owned by third parties but managed by the Group.

Select Service Hotels

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

During the Reporting Period, continuous growth in the business scale and revenue of Select Service Hotels contributed approximately RMB14,798,595,000 to the revenue of the Group, representing an increase of approximately 2.4% as compared to the same period of last year and accounting for approximately 70.6% of the Group's turnover.

As at the end of the Reporting Period, there were 8,514 Select Service Hotels in operation offering 845,177 guest rooms in total. Analysed by the nature of the hotel properties, there were 989 self-managed hotels (accounting for approximately 12%) offering 112,343 guest rooms (accounting for approximately 13%) and 7,525 franchised hotels (accounting for approximately 88%) offering 732,834 guest rooms (accounting for approximately 87%). Analysed by the class of hotel brands, there were 3,563 middle-end hotels (accounting for approximately 42%) offering 424,088 guest rooms (accounting for approximately 50%) and 4,951 budget hotels (accounting for approximately 58%) offering 421,089 guest rooms (accounting for approximately 50%).

As at the end of the Reporting Period, there was a net increase of 1,071 Select Service Hotels. Analysed by the nature of the hotel properties, there was a reduction of 23 self-managed hotels and an increase of 1,094 franchised hotels. Analysed by the class of hotel brands, there was an increase of 1,100 middle-end hotels and a reduction of 29 budget hotels.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Food and Restaurants

During the Reporting Period, the Group developed its food and restaurant operations through several food and restaurant chain companies invested by Jin Jiang Hotels, generating revenue of approximately RMB343,602,000 for the Group, which represented a decrease of approximately 0.9% as compared to the same period of last year and accounting for approximately 1.6% of the Group's turnover.

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

Passenger Transportation Vehicles and Logistics

During the Reporting Period, the revenue of passenger transportation vehicles and logistics was approximately RMB2,537,719,000, representing an increase of approximately 4.5% as compared to same period of last year and accounting for approximately 12.1% of the Group's turnover.

During the Reporting Period, Jin Jiang Investment completed the hospitality assignment for the second Import Expo with success, as it provided approximately 1,300 vehicles to support core vehicle transport services for foreign government trade delegations and other visiting delegations as well as the transportation requirements of relevant government authorities. More than 2,700 transport service assignments with 3,700 turnouts of vehicles, representing a 86% year-on-year growth, were successfully completed for major conferences and tournaments, including the "World Enforcement Conference", "Second Meeting of the 13th CPPCC", "F1 Grand Prix", the "2nd Chinese Brands Day", World AI Conference, 20th China International Industry Fair, Lujiazhui Forum, Mayors' consultation session and WGC HSBC Champions, among others.

During the Reporting Period, Jin Jiang Automobile continued to dominate the market of vehicle transportation services for cruises, serving 41 cruise visits including Silver Whisper, MS Westerdam, Sapphire Princess and RMS Queen Mary, among others, with approximately 1,500 turnouts of vehicles, representing a 30% year-on-year growth. There were approximately 1,900 charter business limousines in operation, including 56 new limousines for the long-term charter business, and recording a net increase of more than 15 clients. As at the end of 2019, Jin Jiang Automobile provided 51 buses for the Disneyland service, including 40 in-park blue buses for tourists and 11 yellow buses for staff.

Jin Jiang Cold has further increased the weighting of its charter warehouse service. The GFA of the charter warehouse service has increased to 45,900 sq.m. and the comprehensive warehouse utilisation ratio has increased to 87%, following the proactive effort of its business department inviting its previous retail tenants to take up the charter warehouse service. In a vigorous move to expand its domestic logistics business, JHJ Transportation brought the strengths of its Shanghai headquarters into full play and coordinated the development and operation of a number of integrated logistics projects by its local branches. Meanwhile, it continued to make progress in centralised procurement, resulting in further reductions in operating costs. JHJ Transportation became a China Customs certified enterprise (AEO general certification) during the Reporting Period, and might apply for advanced certification in the future, as and when required by its internal conditions and operational requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

Travel Agency

During the Reporting Period, revenue of the travel agency business amounted to approximately RMB1,122,766,000, decreasing by approximately 5.5% as compared to the same period of last year and accounting for approximately 5.4% of the Group's turnover.

In accordance with its main objective of "excellent management and quality and efficiency enhancement", the Company was actively engaged in the innovation, transformation and upgrade of key business projects during the Reporting Period under the circumstances of market downturn caused by growing downward pressure on the economy, recurrence of natural disasters and other uncertainties, endeavouring to enhance the brand name, quality and efficiency of Jin Jiang Travel and to improve the operational and management standard of its travel business.

To address changes in market trends, the Company further optimised the organisational structure of its subsidiary travel agencies in terms of departmental setups, product positioning and business processes. The outbound business was principally focused on the market of individual travelling and customised trips with enhanced efforts in online marketing. The domestic business segment emphasised product diversity with consistent launch of products that could satisfy the needs of a broad spectrum of consumers. In terms of marketing, a flattened management structure was adopted to increase operating efficiency. Meanwhile, centralised procurement plans for outbound and domestic tours coupled with enhanced cooperation with local travel agencies and wholesale agencies, hotels, airlines, cruise operators and third-party platforms has provided opportunities for product cost reduction and improvements in profit margin. While maintaining its traditional businesses, the three key projects of Meeting and Awards, Conference and Exhibition as well as Research and Academy were formed to foster new growth point for breakthrough. The organisational structure and remuneration regime for the three projects have already been finalised to provide a solid foundation of in-depth implementation.

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, resources in technology, membership, direct marketing and distribution were consolidated into the Company's official global hotel reservation platform with optimal customer experience. By interactions of online and offline operations, the core competitiveness of the Company's global hotels has been enhanced.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

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

	12 months ended 31 December 2019 RMB in million	12 months ended 31 December 2019 % of turnover	12 months ended 31 December 2018 RMB in million	12 months ended 31 December 2018 % of turnover
Full Service Hotels	**2,046.0**	**9.8%**	2,068.5	10.0%
Select Service Hotels — managed and operated in Mainland China	**10,695.0**	**51.0%**	10,356.3	50.2%
Select Service Hotels — managed and operated overseas	**4,103.6**	**19.6%**	4,101.8	19.9%
Food and Restaurants	**343.6**	**1.6%**	346.8	1.7%
Passenger Transportation Vehicles and Logistics	**2,537.7**	**12.1%**	2,428.6	11.8%
Travel Agency	**1,122.8**	**5.4%**	1,188.3	5.8%
Other Operations	**123.0**	**0.6%**	140.8	0.6%
Total	**20,971.7**	**100.0%**	20,631.1	100.0%

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 2018:

	12 months ended 31 December 2019 RMB in million	12 months ended 31 December 2019 % of turnover	12 months ended 31 December 2018 RMB in million	12 months ended 31 December 2018 % of turnover
Accommodation revenue	**1,003.9**	**49.1%**	1,030.7	49.9%
Food and beverage sales	**591.9**	**28.9%**	600.2	29.0%
Rendering of ancillary services	**74.8**	**3.7%**	73.2	3.5%
Rental revenue	**198.8**	**9.7%**	204.2	9.9%
Sales of hotel supplies	**6.0**	**0.3%**	6.7	0.3%
Hotel management revenue	**170.6**	**8.3%**	153.5	7.4%
Total	**2,046.0**	**100.0%**	2,068.5	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS

Accommodation revenue

Accommodation revenue was mainly determined by the number of Available Rooms, Occupancy Rate and ADR of the Group's hotels. Accommodation revenue of the Full Service Hotels for the Reporting Period was approximately RMB1,003,917,000, decreasing by approximately 2.6% or approximately RMB26,824,000 as compared to the same period of last year. The aforesaid change in accommodation revenue was mainly caused by the year-on-year decline in Occupancy Rate and Average Room Rate, which was attributable to the slowdown in demand from individual business visitors in Shanghai amidst changes in the demand-supply correlation in the market.

Food and beverage sales

Food and beverage sales in the Group's hotels comprised catering for wedding banquets and conferences, room catering services for guests and other sales in restaurants and bars in the hotels. Food and beverage sales in Full Service Hotels for the Reporting Period amounted to approximately RMB591,894,000, decreasing by approximately 1.4% or approximately RMB8,284,000 from the same period of last year. In response to the demand for public catering and the impact of the external environment, the Full Service Hotels segment was actively engaged in the development of new products and creative cuisines as well as the launch of innovative marketing approaches, such as take-away services and sales via WeChat Mall, and revised business philosophy, so as to minimise such impact by consistently improving the quality of food and beverage and services.

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 RMB74,778,000, increasing by approximately 2.1% or approximately RMB1,539,000 from the same period of last year.

Rental revenue

Rental revenue was mainly generated from the leasing of shops at the Group's Full Service Hotels for retail, exhibition and other purposes, as well as the outsourced leasing of certain restaurant venues. During the Reporting Period, rental revenue amounted to approximately RMB198,810,000, decreasing year-on-year by approximately 2.6% or approximately RMB5,342,000. The aforesaid change was primarily attributable to reduction in area available for rental following the adjustments to venues for rental at certain hotels.

Sales of hotel supplies

Turnover from guest supplies and hotel products decreased by approximately RMB590,000 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 RMB170,610,000 for the Reporting Period, increasing by approximately 11.1% or approximately RMB17,077,000 as compared to the same period of last year. The increase was principally due to the increase of management projects in Full Service Hotels.

MANAGEMENT DISCUSSION AND ANALYSIS

Select Service Hotels — managed and operated in Mainland China

Select Service Hotels business 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 RMB10,695,006,000, representing an increase of approximately 3.3% or approximately RMB338,711,000 as compared to the same period of last year. This growth mainly reflected business expansion of Plateno Group and Vienna Hotels.

Select Service Hotels — managed and operated overseas

Select Service Hotels business managed and operated overseas 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 RMB4,103,589,000, remaining relatively stable as compared to the same period of last year.

Food and Restaurants

Revenue of food and restaurants segment was mainly derived from Jin Ya Catering, Shanghai Jin Jiang International Food Catering Management Co., Ltd., Jing An Bakery Holding Company Limited, Shanghai Jin Jiang International Catering Investment Co., Ltd., Chinoise Story, Shanghai Jinzhu Catering Management Co., Ltd. and Shanghai New Asia Food Company Limited. For the Reporting Period, total sales from the food and restaurants segment amounted to approximately RMB343,602,000, decreasing by approximately 0.9% or approximately RMB3,239,000 as compared to the same period of last year.

Passenger Transportation Vehicles and Logistics

Revenue of passenger transportation vehicles and logistics for the Reporting Period amounted to approximately RMB2,537,719,000, representing an increase of approximately 4.5% or approximately RMB109,167,000 as compared to the same period of last year, mainly due to the increase in revenue of automobile and related trade business following the inclusion in the consolidated financial statements of Shanghai Jin Jiang Automobile Sales Co., Ltd.

Travel Agency

Revenue of travel agency for the Reporting Period amounted to approximately RMB1,122,766,000, decreasing by approximately 5.5% or approximately RMB65,576,000 as compared to the same period of last year, mainly due to the decline in the outbound tour business under the impact of global political and economic conditions.

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 RMB123,033,000, representing a decrease of approximately 12.6% as compared to the same period of last year, which was primarily due to a decrease in interest rates on interbank deposits, resulting in a decrease in interest income of Finance Company derived from deposits with banks and other financial institutions.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

Cost of sales for the Reporting Period amounted to approximately RMB14,899,781,000 (same period in 2018: approximately RMB15,424,779,000), representing a decrease of approximately 3.4% as compared to the same period of last year. This was mainly attributable to the application of the HKFRS 16 Leases, under which a portion of the lease-related costs were reclassified as interest expenses.

Gross Profit

As a result of the factors described above, the Group recorded a gross profit of approximately RMB6,071,961,000 for the Reporting Period, representing an increase of approximately RMB865,677,000 or approximately 16.6% as compared to the same period of last year.

Other Income and Gain

Other income and gain for the Reporting Period amounted to approximately RMB779,108,000 (same period in 2018: approximately RMB892,778,000), decreasing by approximately RMB113,670,000 or 12.7% as compared to the same period of last year, which was mainly due to the gain of approximately RMB110,817,000 from the transfer of 5% equity interests in Hua Ting Hotel by the Group to Shanghai Jin Jiang International Investment and Management Company Limited in 2018, while there was no such gain in 2019. During the Reporting Period, the Group received dividends amounting to approximately RMB157,232,000 (same period in 2018: approximately RMB150,048,000).

Selling and Marketing Expenses

Selling and marketing expenses comprised primarily labor costs, travel agent commissions and advertising fees, which amounted to approximately RMB1,360,815,000 for the Reporting Period (same period in 2018: approximately RMB1,344,990,000), representing an increase of approximately 1.2% as compared to the same period of last year. The increase was mainly attributable to the increase in selling and marketing expenses as a result of the expansion of business scale of Select Service Hotels.

Administrative Expenses

Administrative expenses for the Reporting Period amounted to approximately RMB2,459,621,000 (same period in 2018: approximately RMB2,432,288,000), representing an increase of approximately 1.1% as compared to the same period of last year, which mainly reflected the increase in administrative expenses resulting from the expansion of business scale of Select Service Hotels.

Other Expenses and Losses

Other expenses and losses consisted primarily of bank charges and losses from the disposal of property, plant and equipment. Other expenses and losses for the Reporting Period amounted to approximately RMB116,628,000 (same period in 2018: approximately RMB148,346,000), decreasing by approximately RMB31,718,000 as compared to the same period of last year, which was mainly due to the decrease in the unrealised fair value losses on financial assets at fair value through profit or loss as compared to the same period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB965,276,000 (same period in 2018: approximately RMB623,091,000), representing an increase of approximately RMB342,185,000 or approximately 54.9% as compared to the same period of last year. The increase in finance costs was primarily due to the increase in interest expenses in leases following the Group's adoption of HKFRS 16 Lease with effect from 1 January 2019.

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 Transport Terminal Co. Ltd., Jiangsu Nanjing Long Distance Passenger Transport and China Oriental International Travel & Transport Co., Ltd. Share of results of joint ventures and associates for the Reporting Period increased to approximately RMB276,626,000 from approximately RMB269,929,000 for the same period in 2018. Such year-on-year increase was primarily attributable to the year-on-year growth in operating results of companies such as Shanghai Kentucky Fried Chicken Company Limited and Shanghai Dazhong New Asia Taxi Company Limited.

Taxation

The effective tax rate for the Reporting Period was approximately 26.2% (same period in 2018: approximately 21.4%). The effective tax rate increased mainly due to the following reason. According to the French Fiscal Law promulgated in 2018, the effective income tax rate for GDL will decrease from 28.92% to 25.83% in 2020. The Group assessed the impact on the deferred tax assets and liabilities that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted. The reassessed deferred tax impact amounting to RMB56,612,000 was recognised as credit to the "income tax expense" in 2018 (in 2019: nil).

Net Profit

As a result of the factors described above, net profit for the Reporting Period attributable to shareholders of the Company decreased by approximately RMB85,737,000 or approximately 11.3% to approximately RMB675,964,000 from approximately RMB761,701,000 for the same period in 2018. This was mainly due to the combined effect of the slowdown in demands in hotel market in line with the external environment, the decrease in one-off income, and the adoption of HKFRS 16 Lease.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP DEBTS AND FINANCIAL CONDITIONS

Borrowings and pledge of assets

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings — secured	**9,946,372**	10,650,536
Bank borrowings — unsecured	**1,309,839**	3,698,633
Borrowings from related parties	**4,412,250**	4,423,650
Finance lease liabilities	**—**	195,201
	15,668,461	18,968,020
Less: current portion of long-term secured bank borrowings	**(1,021,879)**	(523,855)
current portion of long-term unsecured bank borrowings	**(18,224)**	(1,221,163)
current portion of long-term borrowings from related parties	**(104,500)**	(300,000)
current portion of long-term finance lease liabilities	**—**	(15,763)
	14,523,858	16,907,239
Borrowings included in current liabilities:		
Bank borrowings — secured	**37,908**	5,000
Bank borrowings — unsecured	**1,508,141**	1,038,429
Borrowings from related parties	**71,000**	30,000
Current portion of long-term secured bank borrowings	**1,021,879**	523,855
Current portion of long-term unsecured bank borrowings	**18,224**	1,221,163
Current portion of long-term borrowings from related parties	**104,500**	300,000
Current portion of long-term finance lease liabilities	**—**	15,763
	2,761,652	3,134,210

As at 31 December 2019, the secured bank borrowings included:

(a) Bank borrowings of EUR746,000,000, equivalent to RMB5,830,363,000 (31 December 2018: EUR768,000,000, equivalent to RMB6,026,726,000), which were guaranteed by Jin Jiang International;

(b) Bank borrowings of PLN31,037,000, equivalent to RMB57,009,000 (31 December 2018: PLN35,324,000, equivalent to RMB64,810,000), which were pledged by the property, plant and equipment of certain subsidiaries of GDL located in Poland;

(c) Bank borrowings of RMB4,059,000,000 (31 December 2018: RMB4,559,000,000), which were pledged by the equity interests in a subsidiary of the Group; and

(d) Bank borrowings of RMB37,908,000 (31 December 2018: nil), which were pledged by the inventories of a subsidiary of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

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

(a) Bank borrowings of RMB5,000,000 (31 December 2019: nil), which were guaranteed by a non-controlling shareholder of a subsidiary of the Group.

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

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Between 1 and 2 years	**1,717,780**	2,151,346
Between 2 and 5 years	**12,806,078**	14,638,595
Over 5 years	**–**	117,298
	14,523,858	16,907,239

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

	At 31 December	
	2019	2018
	RMB'000	RMB'000
RMB	**7,419,688**	9,783,764
EUR	**9,748,403**	10,124,805
PLN	**116,513**	131,794
Other foreign currencies	**906**	1,086
	17,285,510	20,041,449

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

	At 31 December	
	2019	2018
Borrowings denominated in RMB	**3.7419%**	3.7292%
Borrowings denominated in EUR	**1.2468%**	1.2480%
Borrowings denominated in other foreign currencies	**4.2255%**	4.2256%

MANAGEMENT DISCUSSION AND ANALYSIS

Treasury Management and Interest Rate Risk Management

As at 31 December 2019 and 31 December 2018, cash and cash equivalents amounted to approximately RMB9,958,728,000 and approximately RMB11,442,949,000, respectively.

Finance Company, a subsidiary of the Company, acts as a non-bank financial institution within the Group that manages available cash resources of the Group's subsidiaries, joint ventures and associates in a centralised manner. Funding and financing requirements of Group's members were fulfilled through entrusted loans and self-operated loans, 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: 68,330,660 shares in Tongcheng-Elong (00780.HK) held through Ocean BT L.P., 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 55,926 employees included in its consolidated financial statements. As of now, no share options scheme has been established by the Group.

Staff training and development represents 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 grades 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 headquarters 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 establishment and staff allocation to further enhance its market orientation.

MANAGEMENT DISCUSSION AND ANALYSIS

SOCIAL RESPONSIBILITY

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

While pursuing economic benefits and protecting shareholders' interests, the Group has also acted vigorously to protect the legal rights of its employees, customers and business partners. It has been actively involved in public welfare programmes, such as those relating to environmental protection and community development, highlighting the characteristic of its operations as "safe, healthy, comfortable and professional" hotels to promote the Group's 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.

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 2019. 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 2019 has been compiled in compliance with the requirements under the Appendix 27 to the Listing Rules "Environmental, Social and Governance Reporting Guide". The Environmental, Social and Governance Report for 2019 of the Company will be set out in this annual report.

CORPORATE STRATEGIES AND OUTLOOK FOR FUTURE DEVELOPMENT

The uncertainties in the global economic conditions, periodic structural supply-and-demand correlation in the hotel industry and rapid development of information technology relating to the Mobile Internet will continue to affect the development of the Group's principal business. Nevertheless, with the introduction and implementation of government policies to promote the development of the tourism industry, 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.

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

REPORT OF THE DIRECTORS

The Board is pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

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

OPERATIONAL REVIEW

Management discussion and analysis on the Group's operations are set out on pages 22 to 35 in this annual report.

FINANCIAL REVIEW

The annual results of the Group for the year ended 31 December 2019 are set out in the consolidated income statement on page 96 in this annual report. Management discussion and analysis on financial review are set out on pages 27 to 34 in this annual report. Financial highlights of the Group for the years ended 31 December 2015, 2016, 2017, 2018 and 2019 are set out on page 14 in this annual report.

BUSINESS REVIEW AND PROSPECTS

Discussion and analysis as required by Schedule 5 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of the Group's business, discussion of major risks and uncertainties faced by the Group, details of material events affecting the Group that have occurred subsequent to the end of the 2019 financial year, the Company's environmental policy and performance, the Company's compliance with relevant laws and regulations having a significant impact on the Company, the Company's important relations with its employees, customers and suppliers, and an indication of likely future developments in the Group's business, are set out in sections headed "Chairman's Statement", "Management Discussion and Analysis", "Corporate Governance Report" and "Notes to the Consolidated Financial Statements" in this annual report. The above sections form part of the Report of the Directors.

SHARE CAPITAL

For the year ended 31 December 2019, there was no issuance of new shares or bonds by the Company. The number of shares in each class of shares of the Company as at 31 December 2019 is set out as follows:

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

REPORT OF THE DIRECTORS

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

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

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

In 2007, approximately HK$1,091,600,000 (RMB1,098,200,000) was injected into Jin Jiang Hotel Investment (currently known as Jin Jiang Hotels) by way of addition of capital on a pro-rata basis for the development and expansion of the Jin Jiang Metropolo hotels network, pursuant to an arrangement between the Company and Jin Jiang Hotels. As at 31 December 2019, the issue proceeds applied to the development and expansion of Jin Jiang Metropolo network had been fully utilized.

Issue proceeds of approximately RMB725,000,000 were applied as additional capital and investments in relevant affiliated hotels for the refurbishment of certain landmark hotels and Luxury Hotels, including Peace Hotel, Jin Jiang Tower, Jin Jiang Hotel, Cypress Hotel, Galaxy Hotel, Rainbow Hotel and Marvel Y.M.C.A. As of 31 December 2019, issue proceeds applied for the refurbishment of landmark hotels and Luxury Hotels had already been paid.

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

DIVIDENDS

On 31 March 2020, the Board proposed to declare a final dividend of RMB6.2 cents (inclusive of tax) per share for the year ended 31 December 2019, totalling RMB345,092,000. The payment of the dividend is expected to take place on no later than 15 August 2020.

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

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

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

For details of the resolutions to be considered and approved at the forthcoming annual general meeting, the book closure period of H share register, and the date of annual general meeting, please refer to the notice of 2019 annual general meeting to be issued by the Company in due course.

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

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

The Board has reviewed its "Company Operation and Corporate Governance Guidelines" and is of the view that such guidelines have incorporated most of the principles and all of the code provisions of the "Corporate Governance Code" as set out in Appendix 14 to the Listing Rules. The Company has complied with the applicable code provisions of the Corporate Governance Code for the financial year ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year of 2019, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the listed securities of the Company.

PRINCIPAL SUBSIDIARIES

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

RESERVES

The Group had reserves with an amount of approximately RMB3,661,150,000 as at 31 December 2019, of which RMB3,716,547,000 was retained earnings. Details of which are set out in the retained earnings in Note 21 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

According to the Articles of Association, distributable reserves are determined based on the profit of the Company calculated according to the PRC Accounting Standards for Business Enterprises or the profit calculated according to the HKFRS, whichever is lower.

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

As of 31 December 2019, based on the calculation made in accordance with the PRC Accounting Standards for Business Enterprises, relevant PRC laws and the Articles of Association, the distributable reserves of the Company amounted to RMB1,901,461,000, of which about RMB345,092,000 is proposed to be the final dividend for the year.

FIXED ASSETS

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

BORROWINGS

The details of short- and long-term borrowings are set out in Note 23 to the consolidated financial statements.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

The Group's customers mainly comprised Franchisees, travel agencies, corporate customers and guests at its hotels. For the year ended 31 December 2019, the Group's five largest customers in aggregate accounted for less than 30% of the Group's total sales. Pursuant to the Group's franchise agreements with its Franchisees, no credit term is granted to the Franchisees and the Group's Franchisees are required to pay the continuing franchise fee on or before the tenth day of every month. A Franchisee would be obliged to pay a certain percentage of the amount payable as penalties in case of a default in payment.

The Group's suppliers mainly comprise vendors who supply the Group's hotel operations with hotel supplies such as food and beverages, as well as bath products. For the year ended 31 December 2019, the Group's five largest suppliers in aggregate accounted for less than 30% of the Group's total purchases. Generally, the credit term provided by the Group's suppliers is about two to six months.

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

CONNECTED TRANSACTIONS

Continuing Connected Transactions

According to the announcements issued by the Company on 26 April 2018, 30 December 2018 and 8 May 2019 (the "Connected Transaction Announcements"), the Company and Jin Jiang International, the controlling shareholder of the Company, and/or its associates had carried out the following continuing connected transactions. Since the applicable percentage ratios for the proposed maximum annual caps of the continuing connected transactions conducted under (1) the Master Provision of Hotel Rooms Agreement; (2) Master Property Leasing Agreement; (3) Master Electronic Commerce Service Agreement; and (4) Loan Services Framework Agreement exceed 0.1% but are lower than 5%, the continuing connected transactions under these agreements are only subject to the reporting, announcement and annual review requirements of the Listing Rules and are exempted from the independent shareholders' approval requirement, which are included in the disclosure of related party transactions in accordance with HKFRS 24 (revised) presented in Note 39 to the audited consolidated financial statements for the year ended 31 December 2019. All terms used below shall have the same meanings as defined in the Connected Transaction Announcements, unless the context requires otherwise.

(i) Master Provision of Hotel Rooms Agreement

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

Date: 26 April 2018

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

(ii) the Company as the provider

REPORT OF THE DIRECTORS

Term:	1 January 2018 to 31 December 2020. The Master Provision of Hotel Rooms Agreement can be terminated by either party by giving three months' prior written notice to the other party. The term of the Master Provision of Hotel Rooms Agreement can be extended, provided that Jin Jiang International and the Company agree to such extension and the Listing Rules are complied with.
Nature of transactions:	(i) provision of hotel rooms; and (ii) other related or ancillary goods and services are provided by the Group to Jin Jiang International and its associates (excluding the Group) (the "Jin Jiang International Group"). It is envisaged that from time to time and as required, individual implementation agreements may be entered into between the Group, Jin Jiang International, its subsidiaries and/or associates, as appropriate. As the implementation agreements are simply further elaborations on the provision of products and services as contemplated by the Master Provision of Hotel Rooms Agreement, they do not constitute new categories of connected transactions.
Pricing policy:	The prices for the provision of relevant products and services to Jin Jiang International Group under the Master Provision of Hotel Rooms Agreement shall be determined with reference to the "Hotel Negotiated Prices for Major Customers" (as defined below) offered by the Company to independent third party customers with equivalent or similar volume of annual room reservations and level of aggregate consumption to Jin Jiang International Group. "Hotel Negotiated Prices for Major Customers" shall be determined with reference to the prevailing price being charged by independent third parties in the ordinary and usual course of business for the provision of the same type of products and services. A designated department or personnel of the Company shall primarily be responsible for checking the quotations and terms for similar types of products and services provided by independent third parties to determine the "Hotel Negotiated Prices for Major Customers". Generally, the quotations and terms will be obtained from at least two independent third parties via email, facsimile or telephone enquiry. The Company will determine the "Hotel Negotiated Prices for Major Customers" after comparing and considering certain factors, including the quotation, quality of products and services, seasonal demand in hotel industry, locations of the hotels and specific requirements of the counterparty, etc..

REPORT OF THE DIRECTORS

The historical amounts for the continuing connected transactions conducted under the Previous Master Provision of Hotel Rooms Agreement and the Master Provision of Hotel Rooms Agreement for each of the three years ended 31 December 2019, as well as the respective annual caps for the three years ended 31 December 2019, are set out below:

	Historical amounts (RMB in millions)			Annual caps (RMB in millions)		
Item	For the year ended 2017	For the year ended 2018	**For the year ended 2019**	For the year ended 2017	For the year ended 2018	**For the year ended 2019**
Fees received by the Group under the Previous Master Provision of Hotel Rooms Agreement and the Master Provision of Hotel Rooms Agreement for the relevant period	30.9	32.6	**33.9**	33.0	40.0	**44.0**

(ii) Master Property Leasing Agreement

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

Date: 26 April 2018

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

(ii) the Company as the lessee

Term: 1 January 2018 to 31 December 2020. The Master Property Leasing Agreement can be terminated by either party by giving three months' prior written notice to the other party. The term of the Master Property Leasing Agreement can be extended, provided that Jin Jiang International and the Company agree to such extension and the Listing Rules are complied with.

Nature of transactions: Jin Jiang International Group shall lease some properties legally owned by it to the Group and provide other property leasing related services to the Group.

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

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

Pricing policy: Prices for the relevant property leasing services under the Master Property Leasing Agreement shall be determined according to the "Market Price" (as defined below).

REPORT OF THE DIRECTORS

"Market Price" shall be determined with reference to quotation and market transaction price for similar types of property leasing services provided by independent third parties in neighbouring areas.

A designated department or personnel of the Company shall primarily be responsible for checking the quotation and market transaction price for similar types of property leasing services provided by independent third parties in neighbouring areas to determine the "Market Price". Generally, the quotations and terms will be obtained from at least two real estate agents who are independent third parties via email, facsimile or telephone enquiry. The Company will determine the "Market Price" after comparing and considering certain factors, including the condition of the relevant property, availability of ancillary facilities and service items to be provided, etc..

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

The historical amounts for the continuing connected transactions conducted under the Previous Master Property Leasing Agreement and the Master Property Leasing Agreement for each of the three years ended 31 December 2019, as well as the respective annual caps for the three years ended 31 December 2019, are set out below:

	Historical amounts (RMB in millions)			Annual caps (RMB in millions)		
Item	For the year ended 2017	For the year ended 2018	**For the year ended 2019**	For the year ended 2017	For the year ended 2018	**For the year ended 2019**
Property leasing service fees paid by the Group under the Previous Master Property Leasing Agreement and the Master Property Leasing Agreement for the relevant period	38.6	50.5	**55.3**	55.0	60.0	**65.0**

(iii) *Master Electronic Commerce Service Agreement*

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

Date: 30 December 2018

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

(ii) the Company as the service recipient

REPORT OF THE DIRECTORS

Term: 1 January 2018 to 31 December 2020.

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

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

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

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

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

Services for bonus-point redemption gifts

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

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

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

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

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

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

The historical amounts for the continuing connected transactions conducted under the Previous Master Electronic Commerce Service Agreement and the Master Electronic Commerce Service Agreement for each of the three years ended 31 December 2019, as well as the respective annual caps for continuing connected transactions under the Master Electronic Commerce Service Agreement for the three years ended 31 December 2019, are set out below:

	Historical amounts (RMB in millions)			**Annual caps (RMB in millions)**		
Item	For the year ended 2017	For the year ended 2018	**For the year ended 2019**	For the year ended 2017	For the year ended 2018	**For the year ended 2019**
Service fees paid by the Group under the Previous Master Electronic Commerce Service Agreement and the Master Electronic Commerce Service Agreement for the relevant period	14.9	16.5	**20.1**	50.0	20.0	**22.0**

(iv) Loan Services Framework Agreement

As the Previous Loan Services Framework Agreement entered into on 15 April 2016 expired on 15 April 2019, Finance Company, a wholly-owned subsidiary of the Company, had renewed the Loan Services Framework Agreement with Jin Jiang International on 7 May 2019, pursuant to which Finance Company shall continue to provide Jin Jiang International with loan services. Details of the Loan Services Framework Agreement are set out below:

Date: 7 May 2019

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

(ii) Finance Company as the service provider

Term: The Loan Services Framework Agreement will be effective for an initial term of one year commencing on 7 May 2019 and ending on 6 May 2020, unless either party terminates the Loan Services Framework Agreement by three months' prior written notice to the other party. The term of the Loan Services Framework Agreement can be extended upon expiry, provided that Jin Jiang International and Finance Company agree to such extension and the requirements under the relevant laws, regulations and/or the Listing Rules are complied with.

REPORT OF THE DIRECTORS

Nature of transactions: Finance Company shall provide Jin Jiang International with loan services.

Pricing policies: Finance Company shall provide loan services to Jin Jiang International and/or its associates (excluding the Group) at interest rates not lower than the interest rates stipulated or allowed by the People's Bank of China for the same type of loan.

The historical amounts for the continuing connected transactions conducted under the Previous Loan Services Framework Agreement and the Loan Services Framework Agreement for each of the three years ended 31 December 2019, as well as the respective annual caps for continuing connected transactions under the Loan Services Framework Agreement for the three years ended 31 December 2019, are set out below:

	Historical figures for the relevant period		
	For the twelve months ended 31 December 2017 (RMB'000)	For the twelve months ended 31 December 2018 (RMB'000)	**For the twelve months ended 31 December 2019 (RMB'000)**
Maximum daily balance of loans provided by Finance Company	500,000	650,000	**425,000**

	Annual caps for the relevant period		
	For the twelve months ended 31 December 2017 (RMB'000)	For the twelve months ended 31 December 2018 (RMB'000)	**For the twelve months ended 31 December 2019 (RMB'000)**
Maximum daily balance of loans provided by Finance Company	500,000	650,000	**450,000**

The independent non-executive Directors, Mr. Ji Gang, Dr. Rui Mingjie and Mr. Shen Liqiang have reviewed the above continuing connected transactions and confirmed that these transactions have been entered into:

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

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

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

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

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

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

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

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the Directors, Supervisors and senior management as at 31 December 2019 are set out on pages 18 to 21 in this annual report.

INTERESTS IN SHARES OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS

As at 31 December 2019, none of the Directors, chief executives of the Company or Supervisors had any interests or short positions in the shares, underlying shares or debentures of the Company which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) (including interests and short positions which he or she is taken or deemed to have under such provisions of the SFO) or which are required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which are otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules (which shall be deemed to apply to the Supervisors to the same extent as it applies to the Directors).

INTERESTS IN SHARES OR UNDERLYING SHARES OR DEBENTURES OF ASSOCIATED CORPORATIONS

As at 31 December 2019, Director Mr. Yu Minliang held the following number of shares in Jin Jiang Hotels:

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

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Save as disclosed above, as at 31 December 2019, none of the Directors, chief executives of the Company or Supervisors had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors, chief executives of the Company or Supervisors is taken or deemed to have under such provisions of the SFO) or which are required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which are otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code (which shall be deemed to apply to the Supervisors to the same extent as it applies to the Directors).

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

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

As at 31 December 2019, so far as the Directors are aware, the following persons (other than a Director, chief executive of the Company or Supervisor) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the Company's register pursuant to section 336 of the SFO:

Name of shareholder	Class of shares	Number of shares/underlying shares held	Capacity	Percentage in the relevant class of share capital	Percentage in total share capital of the Company
Jin Jiang International	Domestic shares	4,174,500,000 (Long position)	Beneficial owner	100%	75%

Save as disclosed above and so far as the Directors are aware, as at 31 December 2019, no other person had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the Company's register pursuant to section 336 of the SFO.

REPORT OF THE DIRECTORS

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

As at 31 December 2019, so far as the Directors are aware, each of the following parties, not being (1) a Director, chief executive of the Company or Supervisor or (2) a member of the Group, was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

	Name of subsidiary	Name of shareholder	Percentage of shareholding
1	上海錦花旅館有限公司 (Shanghai Jinhua Hotel Co., Ltd.)	上海花木經濟發展總公司 (Shanghai Huamu Economic Development Company Limited)	20%
2	揚州錦揚旅館有限公司 (Yangzhou Jinyang Hotel Co., Ltd.)	揚州市雙橋鄉農工商總公司 (Yangzhou Shuangqiao Agriculture Industry Commerce General Company)	25%
3	上海錦海旅館有限公司 (Shanghai Jinhai Hotel Co., Ltd)	上海閔行區商業建設有限公司 (Minhang District Business Construction Co., Ltd.)	30%
4	蘇州新區錦獅旅館有限公司 (Suzhou New Area Jinshi Hotel Co., Ltd.)	蘇州高新區獅山資產經營公司 (Suzhou High-Tech Development Zone Shishan Assets Business Company)	40%
5	上海海侖賓館有限公司 (Sofitel Hyland Shanghai Co., Ltd)	上海國際集團資產管理有限公司 (SIG Asset Management Co., Ltd.)	33.33%
6	上海建國賓館有限公司 (Shanghai Jian Guo Hotel Co., Ltd)	上海國際集團資產管理有限公司 (SIG Asset Management Co., Ltd.)	35%
7	北京錦江北方物業管理有限公司 (Beijing Jin Jiang Northern Property Management Company Limited)	北京市崑崙經貿公司 (Beijing Kunlun Economic and Trade Company)	20%
8	澳大利亞新亞大包快餐 (連鎖) 有限公司 (New Asia Chains of Snack (Australia) PTY. Ltd.)	英華進出口有限公司 (Ying Hua Import & Export Pty Limited)	45%
9	上海錦江同樂餐飲管理有限公司 (Shanghai Jinjiang Tongle Food & Beverage Management Co., Ltd.)	同樂(中國)控股私人有限公司 (Tongle (China) Private Co., Ltd.)	49%
10	上海豫錦酒店管理有限公司 (Shanghai YuJin Hotel Management Company Limited)	上海豫園(集團)有限公司 (Shanghai Yuyuan (Group) Co., Ltd.)	40%
11	上海浦東友誼汽車服務有限公司 (Shanghai Pudong Friendship Automobile Service Co., Ltd.)	上海廣茂投資有限責任公司 (Shanghai Guangmao Investment Co., Ltd.)	12.17%
12	上海中油錦友油品經營有限公司 (Shanghai Zhongyou Jinyou Oil Products Management Co., Ltd.)	中油上海銷售有限公司 (Zhong You Shanghai Sales Co., Ltd.)	19%
	上海中油錦友油品經營有限公司 (Shanghai Zhongyou Jinyou Oil Products Management Co., Ltd.)	上海興恒拍賣有限公司 (Shanghai Xingheng Auction Company Limited)	5%
13	上海嘉定錦江汽車服務有限公司 (Shanghai Jiading Jin Jiang Automobile Services Co., Ltd.)	上海振申汽車服務公司 (Shanghai Zhenshen Automobile Service Company)	30%

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	Name of subsidiary	Name of shareholder	Percentage of shareholding
14	上海錦江豐田汽車銷售服務有限公司 (Shanghai Jinjiang Toyota Motor Sales Service Co., Ltd.)	上海永達汽車集團有限公司 (Shanghai Yongda Automobile Group Co., Ltd.)	20%
15	上海花樣年華廣告有限公司 (Shanghai Huayangnianhua Advertising Co., Ltd.)	周力平 (Liping Zhou)	20%
16	上海錦茂汽車銷售服務有限公司 (Shanghai Jinmao Automotive Sales Service Co., Ltd.)	上海榮茂工貿有限公司 (Shanghai Rongmao Industry & Trade Co., Ltd.)	49.02%
	上海錦茂汽車銷售服務有限公司 (Shanghai Jinmao Automotive Sales Service Co., Ltd.)	上海市駕駛員培訓學校 (Shanghai Vehicle Drivers Training School)	0.98%
17	上海錦海捷亞物流管理有限公司 (Shanghai Jinhai Jieya Logistics Management Co., Ltd.)	錦江國際集團(香港)有限公司 (Jin Jiang International Group (HK) Co., Ltd.)	21.75%
	上海錦海捷亞物流管理有限公司 (Shanghai Jinhai Jieya Logistics Management Co., Ltd.)	香港旋光有限公司 (TURNLIGHT LIMITED)	13.25%
18	上海錦江國際綠色假期旅遊有限公司 (Shanghai Jin Jiang International Green Holiday Travel Co., Ltd.)	上海廊下集體資產有限公司 (Shanghai Langxia Assets Management Co., Ltd.)	30%
19	靜安麵包房控股有限公司 (Jing An Bakery Holding Company Limited)	中國麵包投資有限公司 (China Bread Investment Limited)	30%
	靜安麵包房控股有限公司 (Jing An Bakery Holding Company Limited)	中國烘焙集團有限公司 (China Baking Group Co., Ltd.)	10%
20	瀋陽錦富酒店投資管理有限公司 (Shenyang Jin Fu Hotel Investment and Management Company Limited)	瀋陽副食品集團公司 (Shenyang Foodstuff Group Company)	45%
21	廬山錦江國際旅館投資有限公司 (Lushan Mountain Jin Jiang International Hotel Investment Co., Ltd.)	廬山旅遊發展股份有限公司 (Lushan Tourism Development Co., Ltd.)	40%
22	維也納酒店有限公司 (Vienna Hotels Group Co., Ltd.)	黃德滿 (Huang Deman)	12.95%
	維也納酒店有限公司 (Vienna Hotels Group Co., Ltd.)	深圳市維也納之星管理有限公司 (Shenzhen Vienna Star Hotels Management Co., Ltd.)	7.05%
23	深圳市百歲村餐飲連鎖有限公司 (Shenzhen Baisuicun Restaurants Chain Co., Ltd.)	黃德滿 (Huang Deman)	20%
24	Keystone Lodging Holdings Limited	瑞信國際有限公司 (Fortune News International Limited)	3.49825%
25	上海揚子江大酒店有限公司 (Shanghai Yangtze Hotel Limited)	上海虹橋經濟技術開發區聯合發展有限公司 (Shanghai Hongqiao Economic & Technological Development Zone United Development Co., Ltd.)	33.33%
26	上海錦江汽車銷售服務有限公司 (Shanghai Jin Jiang Automobile Sales Co., Ltd.)	嚴同愈 (Yan Tongyu)	10.00%
27	上海錦江聯採供應鏈有限公司 (Shanghai Jin Jiang GPP Supply Chain Co., Ltd.)	紅星美凱龍家居集團股份有限公司 (Red Star Macalline Group Corporation Ltd.)	10.00%
	上海錦江聯採供應鏈有限公司 (Shanghai Jin Jiang GPP Supply Chain Co., Ltd.)	上海卓巡企業管理有限公司 (Shanghai Zhuoxun Corporate Management Co., Ltd.)	10.00%

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Save as disclosed above and so far as the Directors are aware, as at 31 December 2019, no other party, not being (1) a Director, chief executive or Supervisor or (2) a member of the Group, was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

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

Other than those transactions disclosed in the section "CONNECTED TRANSACTIONS" above, as of 31 December 2019 and at any time during the Reporting Period, there is or was no transaction, arrangement and contract of significance (as defined in Appendix 16 of the Listing Rules) subsisting in which any of the Directors or the Supervisors is or was, whether directly or indirectly, materially interested in.

As of 31 December 2019 and at any time during the Reporting Period, there is or was no transaction, arrangement and contract of significance in relation to the Company's business subsisting to which the Company, its subsidiaries, its holding company or a subsidiary of its holding company is or was a party and in which any of the Directors or the Supervisors has or had, or at any time during that period, in any way, whether directly or indirectly, a material interest.

As of 31 December 2019 and at any time during the Reporting Period, none of the Directors or the Supervisors is or was in any way, directly or indirectly, materially interested in any transaction, arrangement and contract of significance in relation to the Company's business entered into or proposed to be entered into with the Company.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors has entered into a service contract with the Company for a term expiring upon the conclusion of the annual general meeting of the Company to be held in 2022. Commencement dates of the terms of each independent non-executive Director are as follows:

Name	Title	Commencement Date
Mr. Ji Gang	Independent non-executive Director	20 November 2006 (re-appointed on 16 October 2012, 25 September 2015 and 28 June 2019)
Dr. Rui Mingjie	Independent non-executive Director	20 November 2006 (re-appointed on 16 October 2012, 25 September 2015 and 28 June 2019)
Mr. Shen Liqiang	Independent non-executive Director	28 June 2019

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

REPORT OF THE DIRECTORS

EMOLUMENT POLICY OF THE GROUP

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

The compensation of the Directors, Supervisors, the five highest paid individuals and senior management and information regarding pension scheme have been stated in Note 27, Note 37(d) and Note 38 to the consolidated financial statements. The Group has adopted the PRC government's social security system that comprises retirement fund, housing fund and medical insurance. For the retirement funds, the employer contribution ratio and employee contribution ratio in Shanghai are currently 20% and 8% respectively.

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

EXECUTIVE DIRECTORS, INDEPENDENT NON-EXECUTIVE DIRECTORS AND SUPERVISORS

As of 31 December 2019 and up to the date of this annual report, the executive Directors are Mr. Yu Minliang (chairman), Ms. Guo Lijuan (vice chairman), Mr. Chen Liming (vice chairman), 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. Ms. Zhou Wei and Mr. Sun Yu were appointed as executive Directors on 28 June 2019. Mr. Yu Minliang, Ms. Guo Lijuan and Mr. Chen Liming were appointed as chairman, vice chairman and vice chairman of the Company, respectively on 28 June 2019. Mr. Ma Mingju was appointed as an executive Director on 30 January 2019. Mr. Zhang Qian, Dr. Tu Qiyu, Dr. Xu Jianxin, Mr. Xie Hongbing and Dr. He Jianmin were the Directors of the fourth session of the Board and retired on the expiry of the term of office of the fourth session of the Board (i.e. 28 June 2019).

As of 31 December 2019, the Supervisors were Mr. Wang Guoxing (chairman of the Supervisory Committee), Mr. Chen Yinghao and Mr. Kuang Ke. Mr. Kuang Ke was appointed as a Supervisor on 28 June 2019. Mr. Zhou Qiquan, Ms. Zhou Yi and Mr. He Yichi have ceased to be Supervisors with effect from 28 June 2019 upon expiration of the term of office.

Biographical details of the Directors and the Supervisors are set out on pages 18 to 19 in this annual report.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As of 31 December 2019, none of the Directors were interested in businesses that were deemed to be competing or possibly competing, whether directly or indirectly, with the business of the Group.

PERMITTED INDEMNITY PROVISION

During the Reporting Period and as at 31 December 2019, the Company had taken out liability insurance for its Directors and Supervisors to provide appropriate protection for the Directors and Supervisors.

PENSION SCHEMES

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

REPORT OF THE DIRECTORS

NOMINATION COMMITTEE

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

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

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

AUDIT AND RISK CONTROL COMMITTEE

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

The 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 controls and financial reporting, including the review of the consolidated financial statements for the year ended 31 December 2019 prepared under HKFRSs, together with the management.

REMUNERATION AND APPRAISAL COMMITTEE

The Company has established a remuneration and appraisal committee (the "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 the Directors and the senior management. The Remuneration and Appraisal Committee comprises the independent non-executive Director Mr. Ji Gang (chairman), executive Director Ms. Guo Lijuan and independent non-executive Director Mr. Shen Liqiang.

PUBLIC FLOAT

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

EQUITY-LINKED AGREEMENTS

The Company has not entered into any equity-linked agreement for the year ended 31 December 2019.

REPORT OF THE DIRECTORS

NON-EXECUTIVE DIRECTOR

For the year ended 31 December 2019, the Company did not have any non-executive Director.

CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from all independent non-executive Directors, namely Mr. Ji Gang, Dr. Rui Mingjie and Mr. Shen Liqiang, the confirmation letters for the year ended 31 December 2019 confirming their independence pursuant to Rule 3.13 of the Listing Rules. Based on their confirmations, the Company considers that all independent non-executive Directors are independent.

MANAGEMENT CONTRACTS

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

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

INTERNATIONAL AUDITOR

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

By order of the Board
Yu Minliang
Chairman

31 March 2020

REPORT OF THE SUPERVISORY COMMITTEE

Dear shareholders,

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

The Supervisory Committee convened four meetings in 2019. On 29 March 2019, the Supervisory Committee received relevant reports on the financial conditions of the Group in 2018, and considered and approved the resolution relating to the 2018 Supervisory Committee report. The Supervisory Committee considered and approved the resolution in relation to the election of the Supervisory Committee on 7 May 2019. The Supervisory Committee considered and approved the resolution in relation to the election of the chairman of the fifth session of the Supervisory Committee on 28 June 2019. On 30 August 2019, the Supervisory Committee received relevant reports on the financial conditions of the Group during the first half of 2019.

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

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

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

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

31 March 2020

CORPORATE GOVERNANCE REPORT

The Board has reviewed the "Company Operation and Corporate Governance Guidelines" of the Company and is of the view that such guidelines have incorporated most of the principles and all of the code provisions of the "Corporate Governance Code" as set out in Appendix 14 to the Listing Rules. The Company was in compliance with the relevant code provisions set out in Appendix 14 to the Listing Rules for the financial year ended 31 December 2019.

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

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

THE BOARD

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

During the Reporting Period, the Board held 5 meetings. The attendance record of each respective Director at the Board meetings held in 2019 is set out in the following table:

Directors	Attendance/number of meetings held or eligible to join
Mr. Yu Minliang *(Chairman)*	5/5
Ms. Guo Lijuan *(Vice Chairman)*	5/5
Mr. Chen Liming *(Vice Chairman)*	5/5
Mr. Ma Mingju	5/5
Mr. Zhang Qian**	2/2
Ms. Zhou Wei***	3/3
Mr. Sun Yu***	3/3
Mr. Ji Gang*	5/5
Dr. Rui Mingjie*	5/5
Dr. Tu Qiyu**	2/2
Dr. Xu Jianxin**	2/2
Mr. Xie Hongbing**	2/2
Dr. He Jianmin**	2/2
Mr. Shen Liqiang*	3/3

CORPORATE GOVERNANCE REPORT

* Independent non-executive Director

** Mr. Zhang Qian, Dr. Tu Qiyu, Dr. Xu Jianxin, Mr. Xie Hongbing and Dr. He Jianmin ceased to be Directors after the election of a new session of the Board on 2018 annual general meeting of the Company.

*** Ms. Zhou Wei, Mr. Sun Yu and Mr. Shen Liqiang were appointed as Directors after the election of a new session of the Board on 2018 annual general meeting of the Company.

CONTINUOUS TRAINING AND DEVELOPMENT FOR DIRECTORS

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

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

NOMINATION OF DIRECTORS AND TERM OF OFFICE

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

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

RESPONSIBILITIES OF THE BOARD

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

SUPERVISORY COMMITTEE

As at the end of 2019, the Supervisory Committee comprised three members. The background and biographical details of the Supervisors are set out in the section headed "Directors, Supervisors and Senior Management". Supervisors acted diligently to effectively supervise on the lawfulness and compliance of the Company's financial matters and the performance of duties by the Directors and senior management.

BOARD COMMITTEES

(1) Audit and Risk Control Committee

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

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

In 2019, the Audit and Risk Control Committee held 3 meetings in total. The attendance record of each respective member at the meetings of the Audit and Risk Control Committee held in 2019 is set out in the following table:

Directors	Attendance/number of meetings held or eligible to join
Mr. Shen Liqiang *(Chairman)*	1/1
Mr. Ji Gang	3/3
Dr. Rui Mingje	1/1

CORPORATE GOVERNANCE REPORT

The first meeting of the Audit and Risk Control Committee for 2019 was held on 11 January 2019, at which major operation results, review on internal audit, and audit plans in 2018 and the key tasks for internal audit in 2019 were reviewed and discussed. The second meeting of the Audit and Risk Control Committee for 2019 was held on 22 March 2019, at which the audit for 2018 and the consolidated financial statements for 2018 were reviewed and discussed. The third meeting of the Audit and Risk Control Committee for 2019 was held on 23 August 2019, at which the financial position of the Company for the first half of 2019 and concerns and advice relating to the major items in the interim period of 2019 were reviewed and discussed.

(2) Remuneration and Appraisal Committee

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

In 2019, the Remuneration and Appraisal Committee held one meeting in total. The attendance record of each respective member at the meeting of the Remuneration and Appraisal Committee held in 2019 is set out in the following table:

Directors	Attendance/number of meeting held or eligible to join
Mr. Ji Gang *(Chairman)*	1/1
Ms. Guo Lijuan	1/1
Mr. Shen Liqiang	0/0

The meeting of the Remuneration and Appraisal Committee for 2019 was held on 29 March 2019, at which the resolution on the remuneration for the senior management of the Company for 2019 was reviewed and passed, the disclosures in the annual report on salaries of the Directors, Supervisors and senior management were reviewed, and the summary report for the discharge of duties by the Remuneration and Appraisal committee was reviewed.

(3) Nomination Committee

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

CORPORATE GOVERNANCE REPORT

In 2019, the nomination committee held one meeting in total. The attendance record of each respective member at the meeting of the nomination committee held in 2019 is set out in the following table:

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

The meeting of the nomination committee for 2019 was held on 5 May 2019, at which, nomination of candidates for Director of the fifth session of the Board were reviewed.

(4) Strategic Investment Committee

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

In 2019, the Strategic Investment Committee did not hold any meetings.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code regarding Directors' and Supervisors' securities transactions. Every Director and Supervisor at the time of appointment was given a copy of the Model Code. The Company confirms, having made specific enquiries with all Directors and Supervisors, that for the year ended 31 December 2019, each of its Directors and Supervisors has complied with the requirements relating to Directors' and Supervisors' securities transactions as set out in the Model Code.

CORPORATE GOVERNANCE REPORT

EXTERNAL AUDITORS

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

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES

The Directors have acknowledged their responsibilities for the preparation of the consolidated financial statements for the year ended 31 December 2019, and confirm that such statements give a true and fair view of the state of affairs of the Group as at 31 December 2019 and of the profit and cash flows for the Reporting Period. In preparing these consolidated financial statements, the Directors have selected and adopted suitable accounting policies and made accounting estimates that are reasonable under the circumstances; and have prepared the consolidated financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Group at any time.

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

INVESTOR RELATIONS

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

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

GENERAL MEETINGS

The Company convened the first extraordinary general meeting on 30 January 2019, at which one ordinary resolution was considered and approved. The Company convened the annual general meeting on 28 June 2019, at which eleven ordinary resolutions and three special resolutions were considered and approved.

CORPORATE GOVERNANCE REPORT

Details of the attendance of the Directors in the general meeting in 2019 are as follows:

Directors	Attendance/number of meeting held or eligible to join
Mr. Yu Minliang *(Chairman)*	2/2
Ms. Guo Lijuan *(Vice Chairman)*	1/2
Mr. Chen Liming *(Vice Chairman)*	2/2
Mr. Zhang Qian*	1/2
Mr. Ma Mingju	1/1
Ms. Zhou Wei**	0/0
Mr. Sun Yu**	0/0
Mr. Ji Gang	1/2
Dr. Rui Mingjie	1/2
Dr. Tu Qiyu*	1/2
Dr. Xu Jianxin*	0/2
Mr. Xie Hongbing*	1/2
Dr. He Jianmin*	2/2
Mr. Shen Liqiang**	0/0

* Mr. Zhang Qian, Dr. Tu Qiyu, Dr. Xu Jianxin, Mr. Xie Hongbing and Dr. He Jianmin ceased to be Directors after the election of a new session of the Board on 2018 annual general meeting of the Company.

** Ms. Zhou Wei, Mr. Sun Yu and Mr. Shen Liqiang were appointed as Directors after the election of a new session of the Board on 2018 annual general meeting of the Company.

DIVIDEND POLICY

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

COMMUNICATION WITH SHAREHOLDERS

Shareholders' Rights

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

Enquires of and Communication with Shareholders

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

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

Amendments to the Articles of Association

During the Reporting Period, the Company amended the Articles of Association. Such amendments have been approved at the 2018 annual general meeting of the Company. For details of the amendments to the Articles of Association, please refer to the announcement of the Company dated 8 May 2019 and the circular of the Company dated 10 May 2019.

RISK MANAGEMENT AND INTERNAL CONTROLS AND AUDIT

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

JOINT COMPANY SECRETARIES

Ms. So Lai Shan became the joint company secretary of the Company with effect from 31 August 2018. Her primary corporate contact person at the Company is Ms. Zhang Jue, another joint company secretary and the Board secretary of the Company.

In compliance with Rule 3.29 of the Listing Rules, the joint company secretaries of the Company have undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2019.

CORPORATE GOVERNANCE REPORT

MAJOR DUTIES OF INTERNAL AUDIT

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

- to conduct audit on the economic responsibilities of department heads of members of the Group during their appointment period and separate audit for those who have been transferred, resigned, dismissed or retired;
- to conduct audit on income, expenses and related business activities;
- to conduct audit on construction projects as well as upgrade and renovation projects for fixed assets of over a designated amount;
- to conduct audit on the implementation of investment management, fund management, properties management and internal control;
- to coordinate each of the departments and subsidiaries in the ongoing testing and self-evaluation for internal control on an annual basis;
- to conduct annual review on major compliance issues of the Company;
- to implement internal control and formulate and optimize risk management and internal control policies and standards according to management requirements;
- to conduct analysis and independent assessment on the effectiveness of the risk management and internal control systems of the Company;
- to be responsible for the development of full-time and part-time internal audit workforce, and organize relevant assignments in the Company's system; and
- to accomplish other audit assignments from senior management team, the Board and the Supervisory Committee.

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

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

In accordance with the arrangements disclosed in the Prospectus, the independent non-executive Directors held four meetings in 2019 to consider whether or not to exercise the relevant rights granted to the Company by Jin Jiang International over the relevant excluded hotel businesses and new union business under the Deed of Non-Competition and whether to take up any business opportunity which was referred to the Company by Jin Jiang International or any of its subsidiaries (other than the Group).

CORPORATE GOVERNANCE REPORT

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

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

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

Eastern Jin Jiang has in total 850 rooms. The revenue and net assets of Eastern Jin Jiang as set out in its management account prepared in accordance with the PRC Accounting Standards for Business Enterprises for the year ended and as at 31 December 2019 amounted to approximately RMB176,621,000 and RMB281,587,000, respectively.

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

Pacific Shanghai has in total 587 rooms. The revenue and net assets of Pacific Shanghai as set out in its management account prepared in accordance with the PRC Accounting Standards for Business Enterprises for the year ended and as at 31 December 2019 amounted to approximately RMB107,672,000 and RMB523,263,000 respectively.

CORPORATE GOVERNANCE REPORT

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

As at the date of this annual report, the joint venture term of operation of Garden Hotel has expired and Jin Jiang International Investment and Management has completed the acquisition of Garden Hotel and held 100% equity interests in Garden Hotel. In accordance with the relevant arrangements disclosed in the Prospectus, an internationally recognized independent valuer will be jointly appointed by the Company and Jin Jiang International to issue a valuation report that would determine the consideration for the purchase of the 100% equity interests in Garden Hotel. In accordance with the relevant PRC laws, Jin Jiang International Investment and Management will appoint another valuer qualified under the PRC laws to issue a second valuation report. Upon issuance of the two valuation reports, the independent non-executive Directors shall convene a meeting to make a final decision on whether to exercise its right to purchase Jin Jiang International Investment and Management's 100% equity interests in Garden Hotel after considering all factors. The Company will issue a separate announcement in respect of the independent non-executive Directors' decision on whether to exercise the relevant right.

Garden Hotel Shanghai has in total 471 rooms. The revenue and net assets of Garden Hotel Shanghai as set out in its management account prepared in accordance with the PRC Accounting Standards for Business Enterprises for the year ended and as at 31 December 2019 amounted to approximately RMB232,027,000 and RMB141,988,000 respectively.

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

Jiaozhou Road Inn each has in total 82 rooms. The revenue and net assets of Jiaozhou Road Inn as set out in its management account prepared in accordance with the PRC Accounting Standards for Business Enterprises for the year ended and as at 31 December 2019 amounted to approximately RMB4,000 and RMB nil respectively.

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

New Union has in total 270 rooms. The revenue and net assets of New Union as set out in its management account prepared in accordance with the PRC Accounting Standards for Business Enterprises for the year ended and as at 31 December 2019 amounted to approximately RMB273,881,000 and RMB166,691,955 respectively.

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

(1) Jin Jiang International sought confirmation from the Company whether the business opportunity of acquisition of 100% equity interests in Garden Hotel is taken up by the Company.

CORPORATE GOVERNANCE REPORT

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group hereby publishes the Environmental, Social and Governance Report (the "ESG Report") of year 2019, to demonstrate the Group's sustainable development concepts and practices to all stakeholders. This ESG Report provides information on the environmental, social and governance (hereinafter referred to as "ESG") performance of the Group in 2019. This ESG Report should be read in conjunction with the annual report, in particular the Corporate Governance Report therein, as well as the section of "Corporate Governance" on the Company's website.

This ESG Report complies with the requirements of the "Environment, Social and Governance Reporting Guide" (the "ESG Guide") set out in Appendix 27 to the Listing Rules. This ESG Report incorporates the Group's headquarters and members of its affiliated hotels, including full-service hotels and selected-service hotels. There is no significant scope adjustment from the ESG Report included in the 2018 Annual Report published on 29 April 2019. This report is the 4th ESG Report issued by the Group since 2016.

This ESG Report is in strict compliance with the disclosure requirement of "comply or explain" in the "ESG Guide", and inapplicable disclosure rules have been explained. This report is prepared in accordance with the following reporting principles:

- **Materiality:** The Group identified key ESG topics through stakeholder engagement and materiality assessment, which have been disclosed in this report;
- **Quantitative:** The Group's Key Performance Indicators (the "KPIs") on its environmental and social performance have been disclosed quantitatively in this report;
- **Consistency:** Methodologies used in the Report were in consistent with those used in 2018 in disclosing key environmental performance indicators.

1. ESG MANAGEMENT

The Group has established an ESG management system consisting of the Board, senior management and working groups. The Board, as the highest decision-making body of ESG management in the Group, assumes the full responsibility for ESG management strategies, including identifying, assessing, and managing important ESG-related matters, and ensuring that appropriate and efficient ESG risk management and internal control systems are in place. The Board regularly reviews the Group's ESG performance and approves the Group's annual ESG report.

Senior management of the Group is responsible for establishing appropriate and effective ESG risk management and internal control systems. Senior management reports ESG-related risks and opportunities to the Board, and confirms that the ESG system works efficiently.

In order to effectively implement ESG management, the Group has established the ESG working groups which are composed of major department heads. The working groups are responsible for conducting relevant management and reporting, and reporting the working progress to the senior management on a regular basis.

The Group attaches great importance to corporate social responsibility management. While developing its business, the Group actively undertakes environmental and social responsibilities and pursues the balanced development of economic, environmental and social benefits. The Group closely focuses on the strategic goals of "intensive domestic business development, global deployment, multinational operations", and the hotel's development plan of "Innovation, Reform, and Upgrade". It is continuing to strengthen the construction of market-oriented, professional, and international talent teams, to improve its environmental, social and governance system, and to effectively enhance its brand image, social responsibility and core competitiveness, so as to unswervingly promote the global development of "Jin Jiang" national brand and achieve high-quality development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

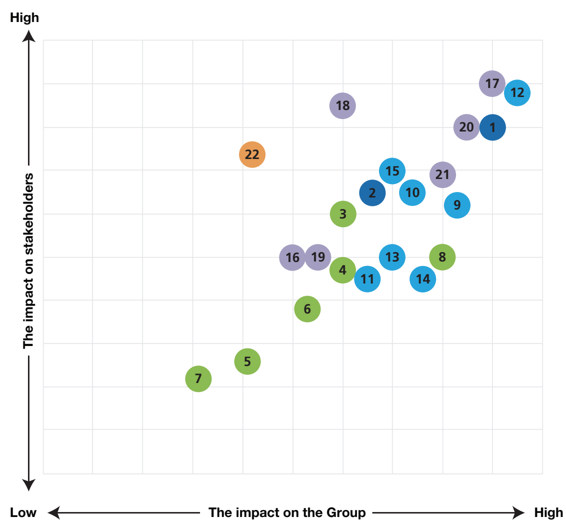
1.1. Stakeholder Communication

The Group values the expectations of all stakeholders, understands their expectations and demands in terms of environment, social and governance through a variety of effective channels and takes practical response measures to serve as indispensable references to the development of our ESG strategies.

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

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

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



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1.2. Party Integrity

The Group meets the general requirements of the party construction in new era with the Party Committee serving as the leader, the Commission for Discipline Inspection serving as the supervisor and both committees collaborating in controlling the direction, managing the overall situation and ensuring the implementation. The Group actively implements the list of responsibilities of improving clean party conduct and list of the Commission for Discipline Inspection's responsibilities of supervision, promotes the "coordination of four responsibilities", strengthens the Party Committee's main responsibility and the Party secretary's primary responsibility, consolidates the duty consciousness of 'One position with dual responsibilities' of the Party members, enhances the education in thinking, organisation, style and system construction, and implement the Party secretary's integrity reporting, to lay a solid foundation for the reforming development and international development of the Group.

In 2019, the Group's Party Committee signed the 2019 comprehensive management responsibility statement, including the "Responsibility Objectives of Party Construction" (《黨建工作責任目標》), the "Responsibility Objectives of Anti-corruption" (《反腐倡廉建設責任目標》), the "Responsibility Objectives of Petition Stabilization" (《信訪穩定責任目標》) and the "Responsibility Objectives of Safety" (《安全工作責任目標》) to further clarify the rights, obligations and responsibilities of every business operator and Party Committee secretary and strengthen the awareness of responsibility and supervision. The Commission for Discipline Inspection of the Group revised the "Jin Jiang Capital's Responsibility Goals for Strengthening the Construction of Clean Party Conduct and Anti-corruption Work in 2019" (《錦江資本2019年度加強黨風廉政建設和反腐倡廉工作責任目標》) in accordance with the requirements of the "Letter of Responsibility on Comprehensive Corporate Management Objective of Jing Jiang Capital in 2019" (《錦江資本2019年度企業綜合管理目標責任書》). By improving internal work system, standardising daily work management, increasing work exchanges, conducting theme activities of Party building, organising special seminars and exchanges and other activities, the Group further improved the responsibility system for the construction of clean party conduct, to strengthen and enforce the Group's sense of responsibility, and to eliminate formalism and bureaucratism.

The Group strictly complies with the "Company Law of the People's Republic of China" (《中華人民共和國公司法》), the "Anti-Unfair Competition Law of the People's Republic of China" (《中華人民共和國反不正當競爭法》) and other relevant laws and regulations. The Group creates an honest and clean working atmosphere through closely following policies such as the "Anti-Fraud Investigation Policy" (《反舞弊調查制度》), the "Whistleblower Protection Policy" (《舉報人保護制度》) and the "Reporting and Complaining Policy" (《舉報投訴制度》), and set reporting channels for breaches of work ethics and frauds including the hotline, email and mail box.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition, the Group actively organised various supervision and education activities. In 2019, the Group actively organised a series of education activities themed as “Remain True to Our Original Aspiration and Keep Our Mission Firmly in Mind”, and earnestly implemented the general requirements of “Remain true to the original aspiration and undertake the mission, seek the gaps and focus on the implementation”. By organising all Party members to visit the Site of the first National Congress of the CPC in Shanghai, and arranging various leading groups to learn about the “Report to the 19th National Congress of the Communist Party of China (CPC)” and other government documents such as the “Norms Regarding Intra-Party Political Life In New Situation” (《關於新形勢下黨內政治生活的若干準則》), “Chinese Communist Party Disciplinary Sanction Ordinance” (《中國共產黨紀律處分條例》), “Selected Statements of Xi Jinping on ‘Remain True to Our Original Aspiration and Keep Our Mission Firmly in Mind’” (《習近平關於「不忘初心、牢記使命」重要論述選編》), and carrying out thematic education and research results exchange meetings, the Group encouraged employees to firmly establish the “Four Consciousnesses” and “Four Self -confidence”, and adhere to the “Two Upholding” and the “Six Party Disciplines”[1]. Also, the Group encouraged employees to cultivate the Party spirit with the Party’s glorious history and revolutionary traditions, learn the noble spirit of the revolutionary ancestors, clarify the major responsibilities of the new era, and enhance the current sense of responsibility and historical sense of mission.

Education activities themed as “Remain True to Our Original Aspiration and Keep Our Mission Firmly in Mind”

In 2019, the Group carried out a series of education activities themed as “Remain True to Our Original Aspiration and Keep Our Mission Firmly in Mind” to further unify thinking and enhance cohesion, and encourage all Party members and cadres to take concrete steps to complete works with a high degree of political consciousness and strong responsibilities.

In the afternoon of 1 July, the Party Committee of the Group organized the Party and management cadres and all Party members of the headquarters’ Party branch to visit the Site of the first National Congress of the CPC in Shanghai, celebrating the 98th anniversary of the founding of the Chinese Communist Party.

In the afternoon of 23 July, Guo Lijuan, the previous Secretary of the Group’s Party Committee and Vice Chairman of the Group, delivered a special lecture with the theme of “Remain True to Our Original Aspiration and Keep Our Mission Firmly in Mind” for the Party and Government Group of CPC Organisation Department of the Group and all Party members of the headquarters’ Party branch.

[1] Four Consciousnesses: political consciousness, overall situation consciousness, core consciousness and alignment consciousness. Four Self-Confidence: to have confidence in the path, theories, system, and culture of socialism with Chinese characteristics. Two Upholding: to uphold General Secretary’s position as the core of the CPC Central Committee and the whole Party, to uphold the authority of the CPC Central Committee and its centralised, unified leadership. Six Party Disciplines: political discipline, organisational discipline, integrity discipline, civil-party relation discipline, working discipline and life discipline.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In the morning of 19 August, the Group carried out the educational evaluation with the theme of "Remain True to Our Original Aspiration and Keep Our Mission Firmly in Mind".

2. QUALITY SERVICE

Product quality and service levels are deemed essential by the Group because quality products and service are indispensable factors in remaining the market position of the Group in the highly competitive market. Upholding the service culture of "Harmony and Courtesy", the Group has been developing service awareness, improving service level and delivering services in a more meticulous and earnest manner.

In 2019, focusing on the innovation-driven strategy, the Group promoted business integration and structural adjustments. By accelerating the deep integration of resources and the construction of shared platforms, it refined benchmarking of "scale, efficiency, quality, brand, and market value", focusing on rebranding, quality upgrade and efficiency enhancement. During the reporting period, the Group accelerated the construction of "one-centre and three-platform"[2], stepped up the construction of innovative brands to form the strategic positioning as a global brand, constantly enhancing the core competitiveness of the Group's hotels worldwide.

The Group together with the Radisson Hotel Group of Jin Jiang International rose from 5th to 2nd place in the global hotel group ranking published by HOTELS Magazine, the official publication of The International Hotel & Restaurant Association, in August 2019. In 2019, Jin Jiang Metropolo was honoured as a Global (China) Outstanding Hotel Management Company, and its subordinate preferred service hotel brand "MAGNOTEL" was honoured as a Global (China) Outstanding Investment Value Hotel Brand.

2 Namely: Jin Jiang Hotel Global Innovation Centre, WeHotel Global Hotel Sharing Platform, Jin Jiang Global Procurement Platform and Jin Jiang Global Finance Platform

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Spreading city spirit and exhibiting Jin Jiang style

The second Import Expo was successfully concluded. As one of the representative enterprises of Shanghai, the Group was entrusted with an important mission by the Shanghai Municipal Government to take the reception task of the Import Expo. In accordance with General Secretary Xi Jinping's important instruction to feature continued success, the Group has accomplished the important reception task of the welcome banquet at Peace Hotel, and has been fully affirmed by the leaders of the Party and the government and widely praised by foreign guests. At the same time, the Group successfully completed important tasks such as reception of domestic guests, vehicle support for important reception of state guests, and reception of Chinese and foreign journalists. It has demonstrated the "best level" in various major reception and service assurance tasks, adding glory to the country and Shanghai, and showing the image of "Jin Jiang" national brand.

In response to the second Import Expo, the Group initiated the support work for reception task, formulated the "Service Assurance Scheme for the Import Expo" (《迎進博會服務保障方案》), established the leadership command mechanism, strengthened the security precaution plan system, provided business training for the entire personnel, and conducted motivation meeting for the entire personnel. Meanwhile, the Group also improved various service processes, aligned with the highest service standards of international hotels, which reflects the "meticulous and considerate" service tenet. In the peak phase of various service assurance works of the Import Expo, the reception hotels formulated the work post responsibility and the leadership supervision and implementation system, clarified division of function and responsibility. The hotel focused on the key issues, sprinted with all its strength to push forward, implement and tackle the problem to ensure the completion of reception task with high quality.

Jin Jiang Inn, as a unit directly under the Group, has 19 hotels in Shanghai that are responsible for receiving important group guests such as professional media groups, overseas media groups, Shanghai financial institutions, and trading groups from other provinces and cities. During the period from 3 to 12 November 2019, Jin Jiang Inn hosted a total of 19 teams with 3,266 rooms for a total of 12,010 nights, received 7 letters of recommendation from various guests including CCTV journalists, 3 silk banners, and several thank-you messages, which demonstrated the high-quality service spirit that Jin Jiang has always adhered to, and actively guaranteed the smooth hosting of this Import Expo.

For nearly ten months, the entire personnel of the Group, with a high sense of political responsibility, a work attitude of excellence, and the spirit of craftsmanship in pursuit of excellence, successfully completed the reception task of the Import Expo and received high praise from relevant leaders from the Publicity Department of the Communist Party of China and former foreign dignitaries and guests.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.1. Design by Heart

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

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

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

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

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

As a hotel brand in selected service, MAGNOTEL aims to be an artistic life leader and a fashion life fanatic in the hotel industry. The brand has become a trendy in the hotel industry with the brand concept of "Better service, better you" and the characteristics of "Smart Space, One Hotel with top-one quality in one City, and Accommodation + X". The brand transforms the hotel accommodation scene into a multifunctional space which combines culture, arts, socialising, healthy dining and life aesthetics, fully catering to the current consumer demand for a refined and personalised life. In 2019, MAGNOTEL, with its unique concept of cross-border integration showed at the Berlin International Travel Expo.

2.2. Considerate Services

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

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In order to provide customers with more convenient services, the Group invested and built "WeHotel", a global hotel sharing platform, and "Jin Jiang WeHotel" APP. Users can enjoy convenient hotel services at anytime and anywhere, keep updated with the hotel service information and book rooms, facilitating accommodation issues. In 2019, supported by the "WeHotel" global hotel sharing platform, the Group actively promotes the integration of back-office systems of Jin Jiang Louvre Asia Hotels, Louvre Hotels Group, Plateno Group and Vienna Hotels to promote the construction of a global members booking platform, where the "Jin Jiang WeHotel" APP is the main booking channel, Wechat Mini program is the supporting channel, and official booking website is the supplementary channel, so as to provide members with more accurate and convenient services.

In order to provide customers with standard and high quality services, the hotels of the Group have established a guest room training system based on their service standards, where a training team made up of guest room trainers and regional guest room training specialists continuously carries out special trainings and tests about guest room cleaning procedures, guest room cleaning tools and guest room service procedures to continuously improve the quality of room service and maintain brand's reputation. Meanwhile, the Group has established different quality inspection standards in line with different brand positioning, regulated clear inspection rules for lobby, front desk, dining room, kitchen and other areas, and required each store to form a checklist and score sheet on a regular basis. In addition, the Group has set up various indicators for brand quality assessment. Comprehensively evaluating the customer satisfaction ratio, unannounced visit ratio, complaint ratio, brand standard review and other indicators of every store in every region, the Group grants rewards, gives punishments, constantly strengthens quality management and increases the brand's popularity.

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

In response to customer complaints, the Group established "Guest Complaint Handling Procedures" (《客人投訴處理流程》) for all hotels, to clarify the responsible departments and handling procedures for guest complaints, and handle the complaints in a timely and effective manner. Plus, the Group assigned specific persons-in-charge to conduct complaint handling, complaint supervision and tracking of hotel management issues. At the same time, fulltime staffs are assigned to take charge of callback after handling complaints to complete the complaint handling process, enabling an end-to-end control. In dealing with after-sales service, following the principle of "taking laws and regulations as the criterion, consumption facts as the basis and customer demand as the centre", a series of complete complaint management procedures, such as "acceptance-handling-transmission-feedback-follow-up and callback", have been established. Besides, each hotel sets up a customer service department and a complaint handling process to handle complaints, maintain guest relations, and increase guest loyalty, which serves to constantly enhance the Group's core competitiveness.

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

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2.3. Security

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

The Group has set up a safety production leading group, organised safety production management panels on the basis of actual situations, and allotted full-time or part-time production safety management specialists to look into daily safety production management work. In 2019, the Group signed the annual "Safety Production Responsibility Letter" (《安全生產責任書》) at each level, forming a safety production responsibility system horizontally and vertically.

The Group has continuously improved the safety emergency management mechanism, completed the preparation and review of the emergency plan for safety production accidents and safety risk control, strengthened the reserve of emergency relief materials and the emergency team construction, and enhanced the emergency drill. The Group organises targeted emergency training and drills every six months, sets up a voluntary fire brigade with emergency equipment; according to localised management, the Group strengthens the contact with emergency rescue teams at all levels of local governments, coordinates and improves the linkage mechanism with surrounding units, enhances the regional emergency rescue capability, and effectively improves the level of emergency management in response to emergencies.

The Group organises various forms of investigation activities for potential safety hazard, and carries out various types of safety supervision and inspection. It conducts rectification of safety hazards in a timely manner and closely follows up the rectification, strengthens the control of safety production processes, and eliminates various safety hazards in a timely manner so as to build a solid foundation for preventing the occurrence of safety accidents. In 2019, taking into account the situation and characteristics of safety work during major festivals and special periods such as major reception tasks, New Year's Day, the Spring Festival, the National People's Congress (NPC) and the Chinese People's Political Consultative Conference (CPPCC), the May Day, the Municipal Congress of Party Representatives, flood season, the National Day and the "Import Expo", the Group issued notices on safety precautions and safety inspections, and organised safety inspections and special rectification work on a full scale. No safety accident occurred during the year. Moreover, the completion of the year's safety production goals effectively guaranteed the harmonious stability and the business performance of the Group's hotel business. The Group successfully completed the safety guarantee tasks during the 70th anniversary of the founding of the People's Republic of China and the second Import Expo. At the same time, the Group urged the construction parties to strengthen their safety and quality management of the construction sites, and to ensure that the on-site fire, electricity and fire protection facilities are in good conditions. The Group organised safety inspections in the construction areas to ensure safe production.

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Besides, the Group extensively carried out safety education and training, held safety evacuation drills, improved safety precaution awareness and emergency response capabilities of all employees, and guaranteed the Group's safe development and social stability. Various work safety activities are conducted in depth and at different levels, forming an atmosphere of "Safety is looked up to as the standard by everyone while working anytime and anywhere". No work-related death occurred in the Group during the reporting period.

The Group strictly abides by the "Food Safety Law of the People's Republic of China" (《中華人民共和國食品安全法》), establishes and improves a public hygiene and food safety management system and a long-term mechanism for food safety and epidemic prevention, and adopts a food safety responsibility system. The Group has also taken a practical action of allotting full-time or part-time public hygiene and food safety management specialists to look into daily public health and food hygiene management work. In the routine work, each entity within the Group organises panels, on both regular and irregular basis, to inspect and evaluate its public health and food hygiene, and conducts annual evaluation at year end.

3. CARING FOR EMPLOYEES

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

3.1. Protection of Employee's Rights and Interests

3.1.1. Standardised Employment

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

3.1.2. Promotions

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

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

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3.1.3. Work-life Balance

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

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

3.1.4. Remunerations

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

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

3.1.5. Caring for Employees

The Group attaches importance to communication with employees, obtains comments from employees through annual employee satisfaction survey, listens to employees from five perspectives including job duty, work reward, working environment, corporate culture and work group, and develops improvement plans accordingly.

The Group attaches importance to employees' demands and strives to enhance employees' sense of well-being. The Group grants high temperature subsidies to all employees and raise condolence standards year by year. Meanwhile, in order to enhance employees' sense of well-being, the Group conducts the activity "Striving for Entering the Top Five" in a systematic way, which requires each store to improve staff canteens, living quarters, changing rooms, parking sheds and bathroom facilities, so as to provide employees with a clean and comfortable living environment.

Besides, business departments, listed companies and subsidiaries of the Group regularly pay visits and express respect to employees, and they also pay respect to the Group's front-line employees, former leaders, retired employees, model workers and the needy workers. The Group actively takes advantages of the "5 + 2" Fund and the 3-level Aiding System to bring tangible benefits to employees and solve problems for them.

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

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3.2. Enhancing Working Capabilities

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

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

Following the “Global Talent Exchange Training Plan and Implementation Plans”, the Group has continued to carry out trainings and designate personnel for key projects and persisted in the building of a talent team emphasising market-orientation, specialisation and internationalisation. The Group organised talent exchange trainings between hotel sectors in collaboration with Jin Jiang GDL Asia and the European headquarters of GDL, and launched an exchange training program “Voyage” (遠航) for middle and senior operational management talents and an exchange training program “Pilot” (領航) for senior management from each hotel sector.

In 2019, the Group officially launched a talent exchange program of luxury co-branded hotels to accelerate the construction of a global talent team and the global innovation centre. The Group provided opportunities for 18 European trainees and 12 middle and senior managers and professionals from Jin Jiang luxury hotels to learn from each other, which strengthened team trust and integration, making preparations for the opening of co-branded hotels. Moreover. It facilitated the building of an advanced management team comprised of middle and senior management personnel with advanced management and international rules knowledge and cross-cultural communication ability.

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The second batch of “Pilot” training exchange activities was launched

In July 2019, after the first batch of “Pilot” training and exchange program in 2018, the Group launched the second batch of “Pilot” training and exchange activities to further promote the communication and training among brand companies. 13 senior executives from Jin Jiang, Plateno Group, Vienna Hotel Group, GDL, Radisson Europe and Radisson America attended the training.

The second batch of “Pilot” training consists of two sections, the domestic communication section and the overseas communication section. Through the domestic communication and overseas communication training, the 13 senior executives further understood the characteristics and differences between the Chinese and European markets, gained knowledge of the structure and brands of various management companies under the Jin Jiang brand, enhanced mutual communication and trust, and had full confidence in resource sharing and win-win cooperation in the future.

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

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

- Plateno Group’s Plateno Business School has developed cooperation with prestigious schools including Harvard Business School, Lingnan College of Zhongshan University and the French European Business School. It designed learning programs such as “Overseas Class”, “Pilot” and “Voyage” for senior management staff.

- Jin Jiang Metropolo Brand had established Jin Jiang Metropolo Management School, which serves as a training center for employees on intermediate levels and above. They develop five major types of training in total, including training of reserve managers, training of functional managers, training of internal trainers, training of franchised partners, and training of central store managers. Training courses cover corporate culture, marketing and sales, back office management and general management, to provide trainees with comprehensive learning programs. Meanwhile, through the “basic operation training platform” and “management training platform” two online training platforms, the Group assesses and improves the overall quality and personal development of employees

In addition, each front-line entity has carried out skill competition of catering business and guest room services among front-line employees, which could help improve employees’ skill level and service quality and provide employees with opportunities to develop personal career. The Group has established two studios, which are named as “Zhuang Yuliang Chief Technician Studio” and “Sun Lijun Room Service Innovation Studio” respectively after the two employees awarded the May 1st Labour Medal, to set a good example of model worker and promote craftsmanship spirit. The Group has also developed a model of guidance and teaching, which creates a favourable learning atmosphere among front-line employees.

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4. RESPONSIBLE PROCUREMENT

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

In early 2019, the Jin Jiang Global Procurement Platform (B2B) E-commerce System with the theme of "Restarting with New Experience" was officially launched. The system has completed the replacement of the original systems that were scattered inside the Group, and it also indicated that the procurement platform would officially carry the heavy task of collective procurement and supply chain management of three hotel sections under the Group in the future. It was a key step to achieve the Group's goal of online collective procurement. During the reporting period, the Platform successfully completed the integration of the top ten categories in Vienna Hotel Group and the shift to online operation for suppliers, achieving effective integration and advantage expansion of supplier resources, among which, cost of disposable guest supplies has reduced significantly, resulting in lower procurement costs, highlighting scale effects, and laying a high-quality foundation for establishing strategic supplier resources.

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

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

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

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

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

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

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5. SOCIAL WELFARE

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

5.1. Supporting Epidemic Prevention

In December 2019, COVID-19 outbroke in Wuhan, China and rapidly spread across the whole country. The Group has attached great importance to the epidemic and launched the emergency response mechanism. It summoned several meetings to study the prevention and treatment measures for COVID-19, and further deployed and implemented relevant epidemic prevention work throughout the country.

The Group coordinated and mobilised its hotel resources in 32 provinces and cities across the country, and devoted all its efforts to epidemic prevention. As of 10 February 2020, the Group had provided 505 hotels with over 100,000 guest rooms directly for government use to fighting against the epidemic, including 29 hotels in Shanghai, 85 hotels in Wuhan and other Hubei cities, and 391 hotels in other regions.

The Group has taken precautionary measures for all its hotels in operation, including disinfection and temperature measurement. In order to avoid cross-infection, all buffets have been cancelled since 27 January 2020, and set meals for breakfast are delivered directly to guests' rooms every morning.

Jin Jiang WeHotel launched new and upgraded service measures, including "free cancellation" and "membership grade and coupon validity period extension" to fully protect customer rights.

For employees, the Group actively provided them with medical supplies such as masks, and sent teams to provide psychological counselling to employees in Hubei. Regardless of whether they are direct-operated hotels or franchised hotels, the Group sent them consolation money and thank-you letters as soon as possible.

In addition, the Company's parent company, Jin Jiang International, has actively raised funds and launched "Five Financial Measures" to support hotels with liquidity risk. The "Five Financial Measures" includes: i) support loans for liquidity to help hotels address their "survival" needs; ii) support loans for supplies procurement to help hotels "rebuild" after the epidemic; iii) postpone 6-month repayment period for existing hotel loans; iv) reduction and exemption of ongoing franchise fees and management fees for in-service hotels of Jin Jiang Metropolo Brand under the Group; and v) implement "double low-cost funds" support for new franchised hotels.

5.2. Targeted Poverty Alleviation

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

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In 2019, the Group organised visits to a total of 15 low-income families in Shantang Village, giving out a total of about RMB30,000 financial assistance. In addition, the Group offered accident insurance for a total of about 900 old people over age 60 in Shantang Village, and a total of RMB18,000 was paid to cover the insurance premium.

5.3. Love and Care

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

In September 2019, the Jin Jiang Inn Brand and the "Jin Jiang WeHotel" APP joined hands with the China Social Assistance Foundation's Wardrobe of Love Charity Fund to launch a charity event "New Clothes for Warm Dream" to spread the seeds of charity. The event calls on guests to show their helping hands by donating money to help children in poor and remote areas buy winter clothes so that they can feel the love and warmth in the cold winter.

In recent years, "Jin Jiang WeHotel" APP has worked with a number of charity partners to conduct helpful explorations in caring for autistic children and helping poor students through charity run, charity sale, charity membership program, and volunteer condolence, so as to promote the development of public welfare. In November 2019, the 2nd Shuidichou — Water Drops Charity "111 Little Good Day" Charity Ceremony was held in Beijing. On the ceremony, "Jin Jiang WeHotel" APP was awarded "Goodness-Oriented Business Partner Award".

5.4. Contributing to the Society

Cultural public welfare is one of the new missions of Jin Jiang Metropolo. From July to August 2019, Jin Jiang Metropolo Hotel launched a series of intangible cultural heritage activities themed as "Looking for the Lost Goodliness — Enjoying Changes IN Metropolo" in the hotels of major cities across the country, which aroused the high attention and praise of guests and cultural tourism explorers. Jin Jiang Metropolo Hotel would explore and develop a new model of cultural heritage inheritance from "Looking for the Lost Goodliness", made "intangible cultural heritage alive", and took the first step towards cultural public welfare.

In 2019, Jin Jiang Metropolo Hotel and the brands of Jin Jiang Metropolo, MAGNOTEL, and Jin Jiang Inn continued to fulfil their social responsibilities and received wide recognition from society, and won the awards of "Outstanding Corporate Award for Social Responsibility 2019", "Public Welfare Practice Award for Social Responsibility 2019", "The Most Influential Brand Award of Social Responsibility in 2019" and "The Most Influential Brand Award of Social Responsibility in 2019" respectively issued by the 2th Social Responsibility Conference.

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6. ENERGY CONSERVATION AND EMISSION REDUCTION

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

6.1. Green Construction and Rebuild

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

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

6.2. Emission Reduction

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

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

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

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

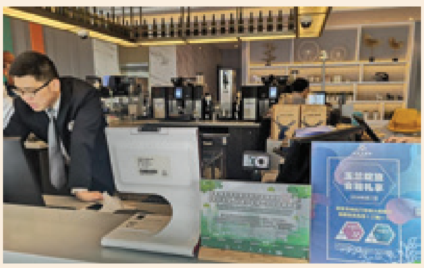
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- **Sewage:** Mainly comprised of the domestic sewage discharged by enterprises. According to the national standards, some hotels discharge sewage directly after treatment, while some discharge the sewage to the municipal pipe network after treatment with wastewater treatment equipment. The hotel organizes related personnel to carry out cleaning and inspection on rain and sewage pipeline regularly, and kitchen drainage system is equipped with oil-water separator and grease trap.

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

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

Rubbish classification for green civilisation



In 2019, the Group conscientiously implemented the "Implementation Opinions on the City's Tourism and Accommodation Industry Not Proactively Providing Disposable Daily Necessities for Guest Rooms" (《關於本市旅遊住宿業不主動提供客房一次性日用品的實施意見》) issued by the Shanghai Municipal People's Government, and conducted specific content trainings on 6 samples for all hotel employees in Shanghai. Also, a reminder card was placed in the consumables box of the bathroom in all hotel rooms in Shanghai, and the guests were proactively informed of the relevant policies and regulations of restrictions on the use of the "six small pieces" in Shanghai through online and offline channels, advocating green consumption among guests. Since 1 July 2019, all the hotels of the Group in Shanghai strictly follow the rubbish classification regulations and do not proactively provide prescribed disposable daily necessities in guest rooms.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group's KPIs in aspect of emissions during the Reporting Period are as follows:

Emissions	For the year ended 31 December		
	2019	2018	2017
Wastewater discharge (tonnes)	**5,520,859.27**	5,838,514.49	6,072,133.84
Total greenhouse gas emissions (Scopes 1 and 2) (tCO_2e)	**172,557.98**	182,074.13	184,290.82
Direct greenhouse gas emissions (Scope 1) (tCO_2e)	**44,427.10**	39,851.55	52,314.80
Energy indirect greenhouse gas emissions (Scope 2) (tCO_2e)	**128,130.88**	142,222.57	131,976.02
Intensity of greenhouse gas emissions (tCO_2e per room)	**3.75**	3.98	3.98

Notes:

1. The key performance indicators (KPIs) for the environmental scope during the reporting period cover the hotels held and managed by the Group that are in sound operation in 2019, including 17 Full Service Hotels, 289 Select Service Hotels under the Jin Jiang GDL Asia, and 5 Campanile Hotels.

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

3. Greenhouse gases include carbon dioxide (CO_2). Greenhouse gas emissions are presented as carbon dioxide equivalent (CO_{2e}) and accounted for according to the Accounting Methods and Reporting Guide for Greenhouse Gas Emissions from Public Building Operators issued by the National Development and Reform Commission ("NDRC").

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

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

6.3. Resources Conservation

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group's main energy consumption goes to electricity, natural gas, gas and diesel. The Group incorporates in the Full Service Hotels in Shanghai into the "Shanghai Hotel Energy Saving Platform", to record the use of energy and water, and benchmark the historical data to the peer firms' performance. The Group annually carries out energy-saving renovation projects according to the needs of the hotel. In recent years, through replacing oil boilers with gas counterparts, adopting LED lighting, geo-heat pump, air-hearing technology, waste heat recovery and other energy-saving projects, the Group successfully reduced its energy consumption and lowered the energy cost. For example, in 2019, Shanghai Jin Jiang Tower, a subsidiary of the Group, realised energy saving and consumption reduction by upgrading air-conditioning chiller units, expecting to earn energy efficiency revenue of about RMB650,000 annually.

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

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

Use of Resources	2019	2018	2017
Energy consumption in total (MWh)	**406,398.48**	403,262.88	436,457.78
Direct energy consumption in total (MWh)	**220,441.00**	197,411.55	245,276.92
Indirect energy consumption in total (MWh)	**185,957.48**	205,851.33	191,179.86
Intensity of energy consumption (MWh per room)	**8.83**	8.82	9.42
Water consumption (tonnes)	**6,134,288.08**	6,487,238.32	6,746,815.38
Intensity of water consumption (tonnes per room)	**133.23**	141.92	145.69

Notes:

1. The key performance indicators (KPIs) for the environmental scope during the reporting period cover the hotels held and managed by the Group that are in sound operation in 2019, including 17 Full Service Hotels, 289 Select Service Hotels under Jin Jiang GDL Asia and 5 Campanile Hotels.

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

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

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

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

OPINION

What we have audited

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

- the consolidated balance sheet as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS

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

The key audit matter identified in our audit is "Impairment assessment of goodwill and brandnames in relation to the acquired hotel related business".

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and brandnames in relation to the acquired hotel related business	
Refer to note 2.11 "Intangible assets" in Summary of Significant Accounting Policies, note 4(a)(i) "Estimated impairment of goodwill" and 4(a)(ii) "Useful lives impairment of intangible assets — brandnames" in Critical Accounting Estimates and Judgements and note 10 "Intangible assets" to the consolidated financial statements for goodwill and brandnames which are intangible assets with indefinite useful lives. As at 31 December 2019, goodwill and brandnames in relation to the acquired hotel related business, the major business of the Group, amounted to Rmb 11,415 million and Rmb 6,163 million, respectively. In assessing the recoverable amounts of the Group's cash generating units ("CGUs") that include these goodwill and brandnames, management engaged external valuation experts to assist in determining the value-in-use calculations of these CGUs, being the present value of the future cash flows expected to be derived from these CGUs. Such calculations involved developing assumptions and estimates about the future results of the relevant businesses, including: • revenue per available room; • number of self-owned and franchised hotels and rooms; and • discount rates.	We assessed the competence, capabilities and objectivity of the external valuation experts who assisted management in determining the value-in-use calculations of these CGUs. We compared the current year actual results with the prior year forecast to consider, with hindsight, whether key assumptions included in that forecast had been subject to management bias. We assessed management's future cash flow forecasts and calculation of value-in-use of each CGU. Our procedures included: • assessing the appropriateness of the valuation methodology adopted by reference to market practices; • assessing the key assumptions, including the projected revenue per available room and number of self-owned and franchised hotels and rooms, by comparing with the historical operating results and future operating plans of the relevant businesses, taking into consideration of economic and industry forecasts; • assessing the discount rates by reference to external data, including the risk factor of comparable companies and market risk premium; • assessing the appropriateness of other key input data by comparing with the approved budget, historical data or future business plan; and • testing the mathematical accuracy of the discounted cash flows calculations.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTER (CONTINUED)

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

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the Company's 2019 Annual Report other than the consolidated financial statements and our auditor's report thereon.

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

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT AND RISK CONTROL COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

The engagement partner on the audit resulting in this independent auditor's report is Dou Wang, Angel.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2020

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

	Note	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**11,078,917**	11,985,729
Right-of-use assets	7	**11,786,218**	—
Investment properties	8	**464,574**	330,397
Land use rights	9	**—**	3,161,582
Intangible assets	10	**18,514,081**	18,823,038
Investments accounted for using the equity method	12	**1,813,068**	1,845,156
Financial assets at fair value through other comprehensive income	14	**1,829,891**	1,398,011
Financial assets at fair value through profit or loss	18	**1,357,326**	1,188,514
Deferred income tax assets	15	**415,851**	816,888
Trade receivables, prepayments and other receivables	17	**758,786**	188,919
Bank deposits with maturities over 12 months	19	**31,000**	—
		48,049,712	39,738,234
Current assets			
Financial assets at fair value through profit or loss	18	**713,546**	786,683
Inventories	16	**318,910**	308,727
Trade receivables, prepayments and other receivables	17	**3,606,984**	4,059,326
Restricted cash	19	**528,426**	604,476
Bank deposits with maturities over 3 months	19	**255,346**	243,669
Cash and cash equivalents	20	**9,958,728**	11,442,949
		15,381,940	17,445,830
Total assets		**63,431,652**	57,184,064

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2019

	Note	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital	21	**5,566,000**	5,566,000
Reserves	21	**3,661,150**	3,906,506
		9,227,150	9,472,506
Non-controlling interests		**10,402,440**	10,573,828
Total equity		**19,629,590**	20,046,334
LIABILITIES			
Non-current liabilities			
Borrowings	23	**14,523,858**	16,907,239
Lease liabilities	7(a)	**9,996,397**	—
Deferred income tax liabilities	15	**2,038,927**	2,710,864
Trade and other payables and accruals	22	**2,354,089**	1,645,948
Contract liabilities	5(d)	**201,348**	205,773
		29,114,619	21,469,824
Current liabilities			
Borrowings	23	**2,761,652**	3,134,210
Lease liabilities	7(a)	**1,633,990**	—
Derivative financial instruments		**940**	2,781
Income tax payable		**354,123**	369,287
Trade and other payables and accruals	22	**8,700,825**	10,654,900
Contract liabilities	5(d)	**1,235,913**	1,506,728
		14,687,443	15,667,906
Total liabilities		**43,802,062**	37,137,730
Total equity and liabilities		**63,431,652**	57,184,064

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

The consolidated financial statements on page 94 to 252 were approved by the Board of Directors on 31 March 2020 and were signed on its behalf by:

Yu Minliang
Chairman and Executive Director

Ma Mingju
Chief Executive Officer and Executive Director

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Revenue	5(a)	**20,971,742**	20,631,063
Cost of sales	26	**(14,899,781)**	(15,424,779)
Gross profit		**6,071,961**	5,206,284
Other income and gain	24	**779,108**	892,778
Selling and marketing expenses	26	**(1,360,815)**	(1,344,990)
Administrative expenses	26	**(2,459,621)**	(2,432,288)
Other expenses and losses	25	**(116,628)**	(148,346)
Operating profit		**2,914,005**	2,173,438
Finance costs — net	28	**(965,276)**	(623,091)
Share of results of joint ventures and associates accounted for using the equity method	29	**276,626**	269,929
Profit before income tax		**2,225,355**	1,820,276
Income tax expense	30	**(583,025)**	(390,180)
Profit for the year		**1,642,330**	1,430,096
Attributable to:			
Shareholders of the Company		**675,964**	761,701
Non-controlling interests		**966,366**	668,395
		1,642,330	1,430,096
Earnings per share for profit attributable to shareholders of the Company during the year (expressed in RMB cents per share) — basic and diluted	31	**12.14**	13.68

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

		Year ended 31 December	
		2019	2018
	Note	**RMB'000**	RMB'000
Profit for the year		**1,642,330**	1,430,096
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Cash flow hedges		**1,187**	1,067
Currency translation differences		**16,523**	(4,904)
Item that will not be reclassified to profit or loss			
Changes in fair value of equity investments at fair value through other comprehensive income — gross	14	**158,522**	(457,623)
Changes in fair value of equity investments at fair value through other comprehensive income — tax	30	**(39,551)**	189,410
Remeasurements of post-employment benefit obligations		**(7,026)**	(5,237)
Total other comprehensive income/(loss) for the year		**129,655**	(277,287)
Total comprehensive income for the year		**1,771,985**	1,152,809
Attributable to:			
Shareholders of the Company		**731,284**	653,236
Non-controlling interests		**1,040,701**	499,573
		1,771,985	1,152,809

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to shareholders of the Company					
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 31 December 2017 originally presented	5,566,000	706,964	3,212,060	9,485,024	11,318,523	20,803,547
Change in accounting policy — HKFRS 9	—	(69,976)	211,117	141,141	133,003	274,144
Change in accounting policy — HKFRS 15	—	—	(26,042)	(26,042)	(25,711)	(51,753)
Balance at 1 January 2018	5,566,000	636,988	3,397,135	9,600,123	11,425,815	21,025,938
Comprehensive income:						
Profit for the year	—	—	761,701	761,701	668,395	1,430,096
Other comprehensive income:						
Cash flow hedges	—	537	—	537	530	1,067
Currency translation differences	—	11,769	—	11,769	(16,673)	(4,904)
Changes in fair value of equity investments at fair value through other comprehensive income — gross (note 14)	—	(207,955)	—	(207,955)	(249,668)	(457,623)
Changes in fair value of equity investments at fair value through other comprehensive income — tax (note 30)	—	89,819	—	89,819	99,591	189,410
Remeasurements of post-employment benefit obligations	—	(2,635)	—	(2,635)	(2,602)	(5,237)
Total other comprehensive loss	—	(108,465)	—	(108,465)	(168,822)	(277,287)
Total comprehensive loss	—	(108,465)	761,701	653,236	499,573	1,152,809
Transfer of fair value changes on disposal of equity investments at fair value through other comprehensive income — gross (note 14)	—	(354,871)	354,871	—	—	—
Transfer of fair value changes on disposal of equity investments at fair value through other comprehensive income — tax	—	50,514	(50,514)	—	—	—
Transactions with owners:						
Contributions by and distributions to owners of the Company recognised directly in equity:						
Profit appropriation	—	53,834	(53,834)	—	—	—
Dividends of the Company (note 32)	—	—	(445,280)	(445,280)	—	(445,280)
Total contributions by and distributions to owners of the Company recognised directly in equity	—	53,834	(499,114)	(445,280)	—	(445,280)
Dividends of subsidiaries to non-controlling interests	—	—	—	—	(489,948)	(489,948)
Acquisition of equity interests in subsidiaries from non-controlling interests	—	(335,573)	—	(335,573)	(869,205)	(1,204,778)
Non-controlling interests arising from business combinations	—	—	—	—	7,593	7,593
Total transactions with owners	—	(281,739)	(499,114)	(780,853)	(1,351,560)	(2,132,413)
Balance at 31 December 2018	5,566,000	(57,573)	3,964,079	9,472,506	10,573,828	20,046,334

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2019

	Attributable to shareholders of the Company					
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 31 December 2018 originally presented	5,566,000	(57,573)	3,964,079	9,472,506	10,573,828	20,046,334
Change in accounting policy — HKFRS 16 (note 2.2)	–	–	(441,090)	(441,090)	(445,300)	(886,390)
Balance at 1 January 2019	5,566,000	(57,573)	3,522,989	9,031,416	10,128,528	19,159,944
Comprehensive income:						
Profit for the year	–	–	675,964	675,964	966,366	1,642,330
Other comprehensive income:						
Cash flow hedges	–	597	–	597	590	1,187
Currency translation differences	–	12,534	–	12,534	3,989	16,523
Changes in fair value of equity investments at fair value through other comprehensive income — gross (note 14)	–	61,368	–	61,368	97,154	158,522
Changes in fair value of equity investments at fair value through other comprehensive income — tax (note 30)	–	(15,466)	–	(15,466)	(24,085)	(39,551)
Remeasurements of post-employment benefit obligations	–	(3,713)	–	(3,713)	(3,313)	(7,026)
Total other comprehensive income	–	55,320	–	55,320	74,335	129,655
Total comprehensive income	–	55,320	675,964	731,284	1,040,701	1,771,985
Transactions with owners:						
Contributions by and distributions to owners of the Company recognised directly in equity:						
Profit appropriation	–	37,126	(37,126)	–	–	–
Dividends of the Company (note 32)	–	–	(445,280)	(445,280)	–	(445,280)
Total contributions by and distributions to owners of the Company recognised directly in equity	–	37,126	(482,406)	(445,280)	–	(445,280)
Dividends of subsidiaries to non-controlling interests	–	–	–	–	(535,843)	(535,843)
Acquisition of equity interests in subsidiaries from non-controlling interests (note 36)	–	(90,270)	–	(90,270)	(260,946)	(351,216)
Non-controlling interests arising from set-up of a subsidiary	–	–	–	–	30,000	30,000
Total transactions with owners	–	(53,144)	(482,406)	(535,550)	(766,789)	(1,302,339)
Balance at 31 December 2019	5,566,000	(55,397)	3,716,547	9,227,150	10,402,440	19,629,590

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cash flows from operating activities:			
Cash generated from operations	33(a)	**5,156,737**	3,882,021
Net increase/(decrease) in deposits from customers(*)		**285,617**	(1,380,625)
Net decrease in loans to customers(*)		**212,100**	4,600
Interests paid		**(982,203)**	(630,943)
Income tax paid		**(710,488)**	(694,739)
Net cash generated from operating activities		**3,961,763**	1,180,314
Cash flows from investing activities:			
Proceeds from disposal of property, plant and equipment	33(a)	**272,928**	107,826
Proceeds from disposal of intangible assets		**58**	2,965
Proceeds from disposal of financial assets at fair value through profit or loss		**916,585**	428,313
Proceeds from disposal of interests in associates		**–**	19,092
Proceeds from disposal of financial assets at fair value through other comprehensive income	14	**–**	886,492
Purchase of property, plant and equipment		**(1,259,566)**	(1,284,790)
Purchase of intangible assets		**(153,405)**	(83,899)
Purchase of financial assets at fair value through other comprehensive income comprehensive income	14	**(273,844)**	(6,377)
Purchase of financial assets at fair value through profit or loss	18	**(668,974)**	(953,316)
Purchase of land use rights		**–**	(357,008)
Deferred consideration for acquisition of subsidiaries		**–**	(336)
Payment of bank deposits with maturities over 3 months		**(286,346)**	(973,669)
Receipt from bank deposits with maturities over 3 months		**243,669**	5,290,632
Interests received		**83,905**	563,569
Dividends received		**462,402**	465,012
Loans granted to related parties		**(33,700)**	(34,400)
Loans repayments from related parties		**34,400**	25,500
Net cash outflow for business combination		**–**	(24,811)
Net cash (used in)/generated from investing activities		**(661,888)**	4,070,795

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cash flows from financing activities:			
Capital contribution from non-controlling interests		**30,000**	—
Proceeds from borrowings	33(c)	**3,310,969**	3,036,661
Repayments of borrowings	33(c)	**(5,675,466)**	(6,844,580)
Principal elements of lease payments	33(c)	**(1,229,645)**	—
Dividends paid to non-controlling interests		**(463,678)**	(489,287)
Dividends paid to shareholders of the Company	32	**(445,280)**	(445,280)
Acquisition of equity interests from non-controlling interests		**(318,606)**	(1,201,778)
Net cash used in financing activities		**(4,791,706)**	(5,944,264)
Decrease in cash and cash equivalents		**(1,491,831)**	(693,155)
Cash and cash equivalents at beginning of the year		**11,442,949**	12,098,112
Exchange gains on cash and cash equivalents		**7,610**	37,992
Cash and cash equivalents at end of the year	20	**9,958,728**	11,442,949

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1 GENERAL INFORMATION

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

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

On 16 February 2011, 1,001,000,000 ordinary shares of RMB1 per share were issued and allotted to Jin Jiang International as part of the consideration to acquire Shanghai Jin Jiang International Industrial Investment Co., Ltd. ("Jin Jiang Investment") and Shanghai Jin Jiang International Travel Co., Ltd. ("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 (the "Board") of directors (the "Directors") of the Company on 31 March 2020.

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 the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, except that certain financial assets and liabilities are measured at fair value.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

HKFRS 16	Leases
HK (IFRIC) 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to Hong Kong Accounting Standards ("HKAS") 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Annual Improvements to HKFRS Standards 2015–2017 Cycle	

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in note 2.2. The other newly adopted standards or amendments listed above did not have material impact on these financial statements.

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

Certain new accounting standards and amendments to standards have been published that are not mandatory for the annual reporting period commencing from 1 January 2019 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge Accounting	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements.

As indicated in note 2.1.1 above, the Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.33.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The weighted average lessee's incremental borrowing rates applied to the lease liabilities on 1 January 2019 were 4.82% and 2.50% for the leases in Mainland China and overseas, respectively.

For leases previously classified as finance leases the Group recognised the carrying amount of the financial lease assets of RMB238,566,000 (note 6) and financial lease liabilities of RMB195,201,000 (note 23) immediately before transition as the carrying amounts of the right-of-use assets and the lease liabilities at the date of initial application.

The Group previously recognised favourable lease contracts in intangible assets applying HKFRS 3 Business combinations relating to favourable terms of operating leases acquired as part of business combinations. The Group recognised the carrying amount of the intangible assets — favourable lease contracts of RMB290,356,000 (note 10) as the carrying amount of the right-of-use assets at the date of initial application.

Payments for land use rights were previously recorded in prepayments for land use rights assets and amortisation was charged to the consolidated income statement on a straight line basis over the period of the land use rights. The Group recognised the carrying amount of the land use rights of RMB3,161,582,000 (note 9) as the carrying amounts of the right-of-use assets at the date of initial application.

The Group recognised the carrying amount of right-of-use assets of RMB167,589,000 (note 8) as investment properties that meet the definition of investment property as at 1 January 2019. For these sub-lease classified as a finance lease, the Group de-recognised the right-of use asset to the extent that it is subject to the sub-lease and recognised the lease receivable of RMB605,182,000 as at 1 January 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

(i) Practical expedients applied

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

(ii) Measurement of lease liabilities

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	12,907,942
Add:	
Adjustments as a result of a different treatment of extension option	1,031,321
Less:	
Short-term leases and low-value leases to be recognised on a straight-line basis as expenses	(46,983)
	13,892,280
Discounted using the lessee's incremental borrowing rate at the date of initial application	11,290,175
Add:	
Finance lease liabilities recognised as at 31 December 2018 (note 23)	195,201
Payables for purchases of land-use rights as at 31 December 2018 (note 22)	917,400
Lease liabilities recognised as at 1 January 2019	12,402,776

(iii) Measurement of right-of-use assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

(iv) Adjustments recognised in the consolidated balance sheet on 1 January 2019

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

		RMB'000
Property, plant and equipment	Decrease	238,566
Right-of-use assets	Increase	12,651,804
Investment properties	Increase	167,589
Land use rights	Decrease	3,161,582
Intangible assets	Decrease	290,356
Investments accounted for using the equity method	Decrease	4,927
Deferred income tax assets	Increase	44,997
Trade receivables, prepayments and other receivables — current portion	Decrease	88,679
Trade receivables, prepayments and other receivables — non-current portion	Increase	578,755
Borrowings — non-current portion	Decrease	179,438
Borrowings — current portion	Decrease	15,763
Lease liabilities — non-current portion	Increase	10,937,111
Lease liabilities — current portion	Increase	1,465,665
Trade and other payables and accruals — non-current portion	Decrease	627,139
Trade and other payables and accruals — current portion	Decrease	897,796
Deferred income tax liabilities	Decrease	137,215

The net impacts on retained earnings and non-controlling interests on 1 January 2019 were a decrease of RMB441,090,000 and RMB445,300,000, respectively. The impact on the Group's profit for the year ended 31 December 2019 was a decrease of RMB6,215,000.

(v) Lessor accounting

The Group leases out a few of items of properties as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sub-lease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. For subleases that were classified as finance leases, the Group accounted for the sub-lease as a new finance lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting

2.3.1 Subsidiaries

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting (Continued)

2.3.2 Associates

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting (Continued)

2.3.3 Joint arrangements

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting (Continued)

2.3.4 Changes in ownership interests

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

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

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

2.4 Consolidation

2.4.1 Business combination

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Consolidation (Continued)

2.4.1 Business combination (Continued)

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Consolidation (Continued)

2.4.2 Common control combinations

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

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

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

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

2.4.3 Changes in ownership interests in subsidiaries without change of control

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

2.4.4 Disposal of subsidiaries

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Separate financial statements

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

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

2.6 Segment reporting

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

2.7 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Foreign currency translation (Continued)

(ii) Transactions and balances (Continued)

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

(iii) Group companies

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property, plant and equipment

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investment properties

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

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

2.10 Land use rights

Land use rights represent the prepaid operating lease payments, which are charged to the consolidated income statement on a straight-line basis over the period of the lease.

As disclosed in note 2.2, the Group has adopted HKFRS 16 Leases from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications from land use rights to right-of-use asset arising from the new leasing standards are therefore recognised in the opening consolidated balance sheet on 1 January 2019.

2.11 Intangible assets

(i) Goodwill

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Intangible assets (Continued)

(ii) Computer software, patents and other rights

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

(iii) Brandnames and trademarks

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

(iv) Favourable lease contracts

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

As disclosed in note 2.2, the Group has adopted HKFRS 16 Leases from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications from favourable lease contracts to right-of-use asset arising from the new leasing standards are therefore recognised in the opening consolidated balance sheet on 1 January 2019.

(v) Licenses of operating vehicles

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

(vi) Memberships

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

2.13 Non-current assets held for sale

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Investments and other financial assets

2.14.1 Classification

The Group classifies its financial assets in the following measurement categories:

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

- those to be measured at amortised cost.

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

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

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

2.14.2 Recognition and derecognition

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

2.14.3 Measurement

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Investments and other financial assets (Continued)

2.14.3 Measurement (Continued)

Debt instruments

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

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

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

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

Equity instruments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Investments and other financial assets (Continued)

2.14.4 Impairment

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

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 17 for further details.

2.15 Offsetting financial instruments

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

2.16 Financial guarantee contracts

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

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Derivative financial instruments and hedging activities

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

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge);
- hedges of a net investment in a foreign operation (net investment hedge).

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

(i) Cash flow hedge that qualify for hedge accounting

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Derivative financial instruments and hedging activities (Continued)

(i) Cash flow hedge that qualify for hedge accounting (Continued)

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

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

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

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

(ii) Net investment hedges

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

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

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

(iii) Derivatives that do not qualify for hedge accounting

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

2.18 Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Trade receivables, prepayments and other receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 17 for further information about the Group's trade receivables, prepayments and other receivables, and note 3(a)(ii) for a description of the Group's impairment policies.

2.20 Cash and cash equivalents

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

2.21 Share capital

Ordinary shares are classified as equity.

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

2.22 Trade and other payables and accruals

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Borrowings

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

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

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

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

2.24 Borrowing costs

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Current and deferred income tax

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

(i) Current income tax

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

(ii) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

(iii) Offsetting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Employee benefits

(i) Pension obligations

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

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

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

(ii) Housing benefits

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

(iii) Defined benefit plans

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

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

Past-service costs are recognised immediately in income statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Employee benefits (Continued)

(iii) Defined benefit plans (Continued)

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

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

(iv) Termination and early retirement benefits

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

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

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

(vi) Other post-employment obligations

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Provisions and contingent liabilities

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

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

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

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

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

2.28 Government grants

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Revenue recognition

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

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

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

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

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

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

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

Hotel Related Business

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Revenue recognition (Continued)

Hotel Related Business (Continued)

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

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

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

Passenger Transportation Vehicles and Logistics Business

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

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

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

Travel Agency Business

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Revenue recognition (Continued)

Customer loyalty Programme

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

Interest income generated by Finance Company

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

2.30 Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

2.31 Interest income

Other than Finance Company, interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated income statement as part of "other income and gain".

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.32 Dividend income

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

2.33 Lease

As explained in note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below while the impact of the change is described in note 2.2.

Until 31 December 2018, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases (note 7). Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (note 35). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.33 Lease (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.33 Lease (Continued)

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

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

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

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

As a lessor, the Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

When the Group is a sub-lessor, it assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies practical expedient described above, then it classifies the sub-lease as an operating lease.

Under a finance lease, at the commencement date, the Group recognises the finance lease receivable and derecognises the finance lease asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease. In the case of a sub-lease, if the interest rate implicit in the sublease cannot be readily determined, an intermediate lessor may use the discount rate used for the head lease (adjusted for any initial direct costs associated with the sublease) to measure the net investment in the sublease.

The Group recognises interest income over the lease term, based on a pattern reflecting a constant periodic rate of return. Variable lease payments not included in the measurement of net investment in the lease are recognised as income as they are earned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.33 Lease (Continued)

Lease receipts from operating leases is recognised as income using the straight-line method over the lease term. The initial direct costs incurred in respect of the operating lease are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Variable lease payments not included in lease receipts are recognised as income as they are earned.

2.34 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

(i) Market risk

(1) Foreign exchange risk

For the Group's operation in Mainland China, most of the transactions, assets and liabilities are denominated in RMB and United States Dollars ("US$"). For the Group's operation in Europe, most of the transactions, assets and liabilities are denominated in Euro ("EUR"). The Group sometimes are required to settle payments for its purchases of equipment from overseas suppliers and certain expenses, and for its foreign investments in other foreign currencies. Other foreign currencies are also received from overseas customers. The Group's trade receivables, prepayments and other receivables, restricted cash, bank deposits, cash and cash equivalents, trade and other payables and accruals and borrowings as at 31 December 2019 and 2018 included assets and liabilities, denominated in either US$, EUR or other foreign currencies other than EUR and US$ ("other foreign currencies"), which are disclosed in notes 17, 19, 20, 22 and 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(1) Foreign exchange risk (Continued)

As at 31 December 2019, if RMB strengthens/weakens by 5% (31 December 2018: 5%) (i.e. RMB/US$ 6.9762 from 7.3250 to 6.6274) against US$ with all other variables held constant, post-tax profit for the operation in Mainland China for the year would have changed mainly as a result of foreign exchange gains/losses on translation of US$ denominated trade receivables, prepayments and other receivables, restrict cash, bank deposits, cash and cash equivalent, trade and other payables and accruals and borrowings. Details of the changes are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
The Group's operations in Mainland China:		
(Decrease)/increase in profit for the year		
— Strengthened	**(6,932)**	(9,702)
— Weakened	**6,932**	9,702

As at 31 December 2019, if EUR strengthens/weakens by 5% (31 December 2018: 5%) (i.e. EUR/US$ 1.1203 from 1.1763 to 1.0643) against other foreign currencies with all other variables held constant, post-tax profit for the Group operated in Europe for the year would have changed mainly as a result of foreign exchange gains/losses on translation of other foreign currencies denominated trade receivables, prepayments and other receivables, cash and cash equivalent, trade and other payables and accruals and borrowings. Details of the changes are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
The Group's operations in Europe:		
(Decrease)/increase in profit for the year		
— Strengthened	**(3,726)**	(3,275)
— Weakened	**3,726**	3,275

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(1) Foreign exchange risk (Continued)

The aggregate net foreign exchange gains/(losses) recognised in profit or loss were:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Net foreign exchange gain included in other income and gain (note 24)	**108**	1,840
Exchange gain/(losses) in finance costs (note 28)	**1,255**	(4,169)
Total net foreign exchange gains/(losses) recognised in profit before income tax for the year	**1,363**	(2,329)

(2) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets and liabilities other than its bank deposits and borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Bank deposits and borrowings at fixed rates expose the Group to fair value interest rate risk. Details of the Group's bank deposits and borrowings have been disclosed in notes 19, 20 and 23.

As at 31 December 2019, if interest rates on bank deposits and borrowings are 10% (31 December 2018: 5%) (i.e. 5% from 4.5% to 5.5%) higher/lower with all other variables held constant, the post-tax profit for the year would have changed mainly as a result of higher/lower interest expenses. Details of the changes are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
(Decrease)/increase in profit for the year		
— Increase in interest rates	**(14,278)**	(16,516)
— Decrease in interest rates	**14,278**	16,516

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(3) Price risk

The Group is exposed to major equity securities price risk because of its holding of listed equity investments which are classified on the consolidated balance sheet as FVOCI (note 14) or FVPL (note 18). The Group has not hedged its price risk arising from investments in equity securities.

As at 31 December 2019, if the quoted market price of the listed equity investments measured as FVOCI increases/decreases 10% (31 December 2018: 10%) with all other variables held constant, the equity would have changed mainly as a result of fair value gain/(losses) on FVOCI. Details of the changes are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Increase/(decrease) in other comprehensive income		
— Increase in quoted market price	**133,155**	102,921
— Decrease in quoted market price	**(133,155)**	(102,921)

As at 31 December 2019, if the quoted market price of the listed equity investments measured as FVPL increases/decreases 10% with all other variables held constant, the profit or loss would have changed mainly as a result of fair value gain/(losses) on FVPL. Details of the changes are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Increase/(decrease) in profit or loss		
— Increase in quoted market price	**85,789**	95,537
— Decrease in quoted market price	**(85,789)**	(95,537)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(ii) Credit risk

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

(a) Risk management

As at 31 December 2019, these bank deposits and cash at bank were deposited in reputable financial institutions which are considered with low credit risk. The table below shows bank deposits and cash at bank balances by counterparties:

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Counterparties		
— People's Bank of China	**417,472**	491,622
— Big 4 domestic banks*	**6,192,400**	6,765,271
— Other domestic commercial banks	**3,609,704**	4,340,589
— Foreign-owned banks	**544,939**	679,581
	10,764,515	12,277,063

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

(b) Impairment of financial assets

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

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

Trade receivables

The Group applies HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 3 years before 31 December 2019 or 31 December 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of the customers to settle the receivables. The Group has identified the economic conditions of the customers and the performance of the customers, and accordingly adjusts the historical loss rates based on expected changes in these factors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

(b) Impairment of financial assets (Continued)

Trade receivables (Continued)

On that basis, the loss allowances as at 31 December 2019 and 31 December 2018 were determined as follows for trade receivables:

31 December 2019	**Within 6 months**	**6 months to 12 months**	**Over 1 year**	**Total**
Expected loss rate	**2.34%**	**14.53%**	**95.71%**	
Gross carrying amount — trade receivables (RMB'000)	**1,298,238**	**84,018**	**175,226**	**1,557,482**
Loss allowance (RMB'000)	**(30,416)**	**(12,208)**	**(167,716)**	**(210,340)**

31 December 2018	Within 6 months	6 months to 12 months	Over 1 year	Total
Expected loss rate	2.61%	18.27%	96.51%	
Gross carrying amount — trade receivables (RMB'000)	1,091,261	114,711	131,987	1,337,959
Loss allowance (RMB'000)	(28,529)	(20,962)	(127,381)	(176,872)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

(b) Impairment of financial assets (Continued)

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Net impairment losses on financial assets recognised in profit or loss

For the year ended 31 December 2019, net impairment losses of RMB5,011,000 were recognised in "administrative expenses" in the consolidated income statement in relation to impaired financial assets (note 26) (for the year ended 31 December 2018: RMB347,000).

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

The Group is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments amounted to RMB452,269,000 (31 December 2018: RMB273,986,000).

(d) Financial guarantees

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

	At 31 December	
	2019 **RMB'000**	2018 RMB'000
Credit risk exposure relating to off-balance sheet items — Financial guarantees	**3,000**	—

As at 31 December 2019, all financial guarantee contracts are granted to the related parties. Management has established limits on the financial guarantee contracts to be granted and expects that no material liabilities will arise from the financial guarantee contracts (31 December 2018: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(iii) Liquidity risk

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

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

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

	Within 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Over 5 years RMB'000
At 31 December 2019				
Borrowings	**2,761,652**	**1,717,780**	**12,806,078**	**—**
Lease liabilities	**2,272,615**	**1,886,933**	**4,130,787**	**5,946,748**
Contractual interest payable	**347,578**	**254,861**	**91,605**	**—**
Trade and other payables and accruals (excluding non-financial liabilities)	**6,835,802**	**1,691,015**	**—**	**—**
Financial guarantees (off-balance sheet items) (note 34)	**3,000**	**—**	**—**	**—**
At 31 December 2018				
Borrowings (excluding finance lease liabilities)	3,118,447	2,135,779	14,592,022	—
Finance lease payables	18,322	17,352	50,557	191,062
Contractual interest payable	445,613	311,666	303,854	—
Trade and other payables and accruals(excluding non-financial liabilities)	8,710,229	1,016,774	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Capital risk management

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

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

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

The gearing ratios at 31 December 2019 and 2018 were as follows:

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Total borrowings (note 23)	**17,285,510**	20,041,449
Total lease liabilities (note 7)	**11,630,387**	—
	28,915,897	20,041,449
Total assets	**63,431,652**	57,184,064
Gearing ratio	**45.59%**	35.05%

The increase in the gearing ratio of the Group as at 31 December 2019 was due to the adoption of HKFRS 16 "Leases". Both lease liabilities and total assets increased following the recognition of right-of-use assets and lease liabilities since 1 January 2019. See note 2.2 for further information.

(c) Fair value estimation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (Continued)

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2019				
Financial assets at fair value through other comprehensive income				
— Equity securities (note 14)	1,775,399	—	54,492	1,829,891
Financial assets at fair value through profit or loss				
— Equity securities (note 18)	1,143,860	—	474,743	1,618,603
— Debt securities (note 18)	—	452,269	—	452,269
Total assets	2,919,259	452,269	529,235	3,900,763
Derivative financial instruments				
— Interest rate swaps	—	(940)	—	(940)
Total liabilities	—	(940)	—	(940)
At 31 December 2018				
Financial assets at fair value through other comprehensive income				
— Equity securities (note 14)	1,372,277	—	25,734	1,398,011
Financial assets at fair value through profit or loss				
— Equity securities (note 18)	1,273,828	—	427,383	1,701,211
— Debt securities (note 18)	—	273,986	—	273,986
Total assets	2,646,105	273,986	453,117	3,373,208
Derivative financial instruments				
— Interest rate swaps	—	(2,781)	—	(2,781)
Total liabilities	—	(2,781)	—	(2,781)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (Continued)

Fair value measurements using quoted prices (Level 1)

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

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

Valuation techniques used to derive fair value (Level 2)

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

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

Specific valuation techniques used to value financial instruments include:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (Continued)

Fair value measurements using significant unobservable inputs (Level 3)

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

Valuation inputs

Description	Fair Value at 31 December		Unobservable inputs	Range of inputs	
	2019 RMB'000	2018 RMB'000		**2019**	2018
Unlisted equity securities at FVOCI	**54,492**	25,734	Earning growth rate	**0.0%–2.0%**	0.0%
			Discount rate	**7.9%–11.0%**	7.90%
Unlisted equity securities at FVPL	**414,100**	389,736	Earning growth rate	**0.0%–2.9%**	0%–1.6%
			Discount rate	**10.7%–10.9%**	10.9%–11.0%
Unlisted equity securities at FVPL	**60,643**	37,647	Discount of lack of marketability	**26%**	26%

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

For the year ended 31 December 2019, there were no significant transfers of financial assets among level 1, level 2 and level 3 fair value hierarchy classifications.

The fair value of financial assets at FVOCI and financial assets at FVPL traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair values estimation of non-current borrowings are disclosed in note 23.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

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

(i) Estimated impairment of goodwill

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

For the purposes of impairment testing, goodwill has been allocated to the CGUs of different businesses that is expected to generate future economic benefits. As at 31 December 2019, management determined that the CGUs containing goodwill had suffered no material impairment.

The recoverable amount of the CGUs of the Group are determined based on value-in-use calculations. Detailed information of the basis of recoverable amounts and major underlying assumptions are listed in note 10. Management of the Group believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of the CGUs to fall below its carrying amount.

(ii) Useful lives and estimated impairment of intangible assets — brandnames

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (Continued)

(ii) Useful lives and estimated impairment of intangible assets — brandnames (Continued)

For the purposes of impairment testing, the brandnames have been allocated to CGUs of respective operating businesses related to the brandnames that are expected to generate future economic benefits. The recoverable amount of the CGUs of the Group are determined based on value-in-use calculations. Detailed information of the basis of recoverable amounts and major underlying assumptions are listed in note 10. Management of the Group believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of the CGUs to fall below its carrying amount.

As at 31 December 2019, management determined that the CGUs containing brandnames have not suffered any impairment.

(iii) Useful lives and estimated impairment of intangible assets — license of operating vehicles

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

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

For the purposes of impairment testing, license of operating vehicles has been allocated to the CGU of vehicle operating business that is expected to generate future economic benefits. The recoverable amount of the CGU of the Group is determined based on value-in-use calculation. Detailed information of the basis of recoverable amount and major underlying assumptions are listed in note 10. Management of the Group believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of the CGU to fall below its carrying amount.

As at 31 December 2019, management determined that the CGU containing license of operating vehicles has not suffered any impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (Continued)

(iv) Deferred income tax assets and liabilities

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

The Group's management determines the deferred income tax assets based on the enacted or substantially enacted tax rates and laws and best knowledge of profit projections of the Group for coming years during which the deferred income tax assets are expected to be utilised. Management revises the assumptions and profit projections by the balance sheet date. If the profit projections of the Group had been 10% greater/less with all other variables held constant, profit for the year would have been RMB11,319,000 higher/lower.

(v) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. If the useful lives for property, plant and equipment had been 10% longer/shorter with all other variables held constant, profit for the year would have been RMB102,721,000 higher or RMB125,548,000 lower.

(vi) Impairment of property, plant and equipment, investment properties, right-of-use assets and intangible assets

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

(vii) Impairment of trade receivables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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

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

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

Management consider that the Group has de-facto control in Jin Jiang Investment even though it has less than 50% of the voting rights. The Group is the majority shareholder of Jin Jiang Investment with a 39.26% equity interests, while all other shareholders individually own less than 2% of its equity shares. There is no history of other shareholders forming a group to exercise their votes collectively.

5 SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5 SEGMENT INFORMATION (CONTINUED)

(a) Segment revenue

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Full Service Hotels	**2,046,027**	2,068,451
— Accommodation revenue	**1,003,917**	1,030,741
— Food and beverage sales	**591,894**	600,178
— Rendering of ancillary services	**74,778**	73,239
— Rental revenue	**198,810**	204,152
— Sales of hotel supplies	**6,018**	6,608
— Hotel management	**170,610**	153,533
Select Service Hotels — managed and operated in Mainland China	**10,695,006**	10,356,295
— Accommodation revenue	**5,027,980**	5,358,665
— Food and beverage sales	**287,857**	323,579
— Rendering of ancillary services	**247,225**	311,209
— Rental revenue	**94,516**	136,020
— Sales of hotel supplies	**1,025,030**	967,756
— Hotel management and franchise	**3,667,329**	2,919,987
— Revenue under customer loyalty programme	**345,069**	339,079
Select Service Hotels — managed and operated overseas	**4,103,589**	4,101,830
— Accommodation revenue	**2,454,342**	2,432,518
— Catering and sale of products	**860,044**	869,949
— Hotel management and franchise	**784,396**	796,132
— Others	**4,807**	3,231
Food and Restaurants	**343,602**	346,841
Passenger Transportation Vehicles and Logistics	**2,537,719**	2,428,552
— Vehicle operating	**1,047,232**	1,087,023
— Trading of automobile	**1,306,092**	1,180,767
— Refrigerated logistics	**175,564**	150,608
— Others	**8,831**	10,154
Travel Agency	**1,122,766**	1,188,342
— Travel agency	**1,079,400**	1,147,641
— Others	**43,366**	40,701
Other Operations	**123,033**	140,752
	20,971,742	20,631,063

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 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5 SEGMENT INFORMATION (CONTINUED)

(b) Other segment information

The segment results for the year ended 31 December 2019 are as follows:

	Full Service Hotels RMB'000	Select Service Hotels — managed and operated in Mainland China RMB'000	Select Service Hotels — managed and operated overseas RMB'000	Food and Restaurants RMB'000	Passenger Transportation Vehicles and Logistics RMB'000	Travel Agency RMB'000	Other Operations RMB'000	The Group RMB'000
External sales (note 5(a))	2,046,027	10,695,006	4,103,589	343,602	2,537,719	1,122,766	123,033	20,971,742
Inter-segment sales	12,687	8,187	6,289	18,175	4,018	3,758	82,133	135,247
Total gross segment sales	2,058,714	10,703,193	4,109,878	361,777	2,541,737	1,126,524	205,166	21,106,989
Revenue from contracts with customers:								
— Recognised at a point of time	597,912	1,312,887	860,044	314,842	1,306,092	–	–	4,391,777
— Recognised over time	1,249,305	9,287,603	3,243,545	28,760	1,197,903	1,098,368	123,033	16,228,517
	1,847,217	10,600,490	4,103,589	343,602	2,503,995	1,098,368	123,033	20,620,294
Revenue from other sources:								
— Rental revenue	198,810	94,516	–	–	33,724	24,398	–	351,448
(Loss)/profit for the year	(61,022)	1,051,903	196,548	235,702	314,556	72,958	(168,315)	1,642,330
Other income and gain (note 24)	50,440	312,371	20,308	107,116	135,530	58,143	95,200	779,108
Including: interest income from bank deposits (note 24)	21,312	37,488	3,389	60	16,382	5,135	1,684	85,450
Depreciation of property, plant and equipment (note 6)	(206,444)	(801,856)	(308,045)	(5,726)	(219,209)	(3,687)	(2,083)	(1,547,050)
Impairment of property, plant and equipment (note 6)	–	(30,998)	–	–	–	–	–	(30,998)
Depreciation of right-of-use assets (note 7)	(69,269)	(1,037,626)	(224,227)	(5,671)	(8,275)	(2,746)	(8,341)	(1,356,155)
Depreciation of investment properties (note 8)	(5,792)	(17,744)	–	–	(2,168)	(5,266)	–	(30,970)
Amortisation of intangible assets (note 10)	(3,428)	(128,282)	(9,093)	(101)	–	(286)	–	(141,190)
Impairment of intangible assets (note 10)	–	(320)	–	–	–	–	–	(320)
Reversal of inventories write-down (note 16)	–	3	–	–	–	–	–	3
Reversal of/(provision) for impairment of trade receivables, prepayments and other receivables (note 17)	10,982	(15,994)	4,542	–	(4,324)	(217)	–	(5,011)
Finance costs — net (note 28)	(176,042)	(405,245)	(188,514)	(270)	(4,701)	(5,616)	(184,888)	(965,276)
Share of results of joint ventures and associates accounted for using the equity method (note 29)	(20,540)	(5,234)	10,625	138,556	157,847	(389)	(4,239)	276,626
Income tax expense (note 30)	(25,356)	(300,683)	(168,572)	(1,490)	(53,280)	(8,870)	(24,774)	(583,025)
Additions to non-current assets (other than financial instruments and deferred tax assets)	185,128	866,711	508,752	1,303	143,195	4,548	16,332	1,725,969

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5 SEGMENT INFORMATION (CONTINUED)

(b) Other segment information (Continued)

The segment results for the year ended 31 December 2018 are as follows:

	Full Service Hotels RMB'000	Select Service Hotels — managed and operated in Mainland China RMB'000	Select Service Hotels — managed and operated overseas RMB'000	Food and Restaurants RMB'000	Passenger Transportation Vehicles and Logistics RMB'000	Travel Agency RMB'000	Other Operations RMB'000	The Group RMB'000
External sales (note 5(a))	2,068,451	10,356,295	4,101,830	346,841	2,428,552	1,188,342	140,752	20,631,063
Inter-segment sales	8,404	7,358	13,999	6,930	6,817	4,853	69,548	117,909
Total gross segment sales	2,076,855	10,363,653	4,115,829	353,771	2,435,369	1,193,195	210,300	20,748,972
Revenue from contracts with customers:								
— Recognised at a point of time	606,786	1,291,335	869,949	315,346	1,180,767	—	—	4,264,183
— Recognised over time	1,257,513	8,928,940	3,231,881	31,495	1,210,507	1,166,599	140,752	15,967,687
	1,864,299	10,220,275	4,101,830	346,841	2,391,274	1,166,599	140,752	20,231,870
Revenue from other sources:								
— Rental revenue	204,152	136,020	—	—	37,278	21,743	—	399,193
Profit/(loss) for the year	281,271	908,892	271,418	174,796	223,979	(154,546)	(275,714)	1,430,096
Other income and gain (note 24)	207,518	345,219	20,048	76,833	107,585	36,622	98,953	892,778
Including: interest income from bank deposits (note 24)	15,041	50,762	1,541	71	15,900	4,022	74,552	161,889
Depreciation of property, plant and equipment (note 6)	(227,067)	(824,274)	(336,678)	(7,980)	(231,043)	(6,188)	(2,234)	(1,635,464)
Impairment of property, plant and equipment (note 6)	—	(36,189)	—	—	—	—	—	(36,189)
Depreciation of investment properties (note 8)	(4,977)	—	—	—	(2,131)	(4,529)	—	(11,637)
Amortisation of land use rights (note 9)	(53,561)	(79,561)	—	—	(1,340)	—	(311)	(134,773)
Amortisation of intangible assets (note 10)	(3,241)	(151,117)	(47,121)	(491)	—	(32)	—	(202,002)
Impairment of intangible assets (note 10)	—	(20,545)	—	—	—	—	—	(20,545)
(Provision for)/reversal of inventories write-down (note 16)	—	(3)	1,492	—	—	—	—	1,489
(Provision for)/reversal of impairment of trade receivables, prepayments and other receivables (note 17)	(207)	721	(885)	—	24	—	—	(347)
Finance costs — net (note 28)	(173,820)	(40,613)	(142,519)	—	(812)	—	(265,327)	(623,091)
Share of results of joint ventures and associates accounted for using the equity method (note 29)	(13,476)	(7,351)	6,907	128,149	156,771	1,542	(2,613)	269,929
Income tax expense (note 30)	(29,261)	(307,645)	(26,194)	(461)	(2,779)	(3,637)	(20,203)	(390,180)
Additions to non-current assets (other than financial instruments and deferred tax assets)	170,926	595,204	460,478	4,007	188,051	2,471	1,767	1,422,904

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5 SEGMENT INFORMATION (CONTINUED)

(b) Other segment information (Continued)

The segment assets and liabilities as at 31 December 2019 are as follows:

	Full Service Hotels RMB'000	Select Service Hotels — managed and operated in Mainland China RMB'000	Select Service Hotels — managed and operated overseas RMB'000	Food and Restaurants RMB'000	Passenger Transportation Vehicles and Logistics RMB'000	Travel Agency RMB'000	Other Operations RMB'000	The Group RMB'000
Segment assets	4,832,382	27,643,780	15,852,855	521,015	3,956,944	1,215,217	7,596,391	61,618,584
Investments accounted for using the equity method	577,603	24,294	65,213	262,870	805,131	3,055	74,902	1,813,068
Total assets	5,409,985	27,668,074	15,918,068	783,885	4,762,075	1,218,272	7,671,293	63,431,652
Segment liabilities	2,738,435	13,801,883	14,258,891	243,149	1,009,315	445,767	11,304,622	43,802,062

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

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

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

Profit for the year in the segment of "Full Service Hotels" for the year ended 31 December 2018 included the realised fair value gains on financial assets at FVPL amounted to RMB110,817,000 (for the year ended 31 December 2019: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5 SEGMENT INFORMATION (CONTINUED)

(b) Other segment information (Continued)

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Mainland China	**16,728,872**	16,367,715
Overseas	**4,242,870**	4,263,348
Total	**20,971,742**	20,631,063

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	
	2019	2018
	RMB'000	RMB'000
The total of non-current assets other than financial instruments and deferred income tax assets		
— Mainland China	**31,846,392**	24,296,043
— Overseas	**11,857,105**	11,900,621
Financial instruments	**3,930,364**	2,724,682
Deferred income tax assets	**415,851**	816,888
	48,049,712	39,738,234

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5 SEGMENT INFORMATION (CONTINUED)

(c) Changes in accounting policy

The adoption of the new HKFRS 16 described in note 2.2 had the following impact on the segment disclosures in the current year.

	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
Profit for the year ended 31 December 2019 increase/(decrease)	1,625	7,510	(16,975)	152	263	(24)	1,234	(6,215)
Segment assets as at 31 December 2019 increase/(decrease)	183,198	6,604,619	2,188,816	(575)	28,474	5,285	7,392	9,017,209
Segment liabilities as at 31 December 2019 increase	223,577	7,437,644	2,205,791	4,610	32,127	5,440	624	9,909,813

Comparative segment information has not been restated. As a consequence, the segment information disclosed for the items noted above is not entirely comparable to the information disclosed for the prior year.

(d) Liabilities related to contracts with customers

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

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Contract liabilities — Hotel Related Business	1,225,032	1,471,360
Contract liabilities — Passenger Transportation Vehicles and Logistics Business	86,940	75,951
Contract liabilities — Travel Agency Business	125,289	165,190
Total contract liabilities	1,437,261	1,712,501

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5 SEGMENT INFORMATION (CONTINUED)

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

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

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year:		
Contract liabilities — Hotel Related Business	**1,355,688**	1,073,166
Contract liabilities — Passenger Transportation Vehicles and Logistics Business	**75,951**	65,447
Contract liabilities — Travel Agency Business	**165,190**	159,904
	1,596,829	1,298,517

(iii) Unsatisfied long-term entrance fee contracts

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

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Aggregate amount of the transaction price allocated to long-term entrance fee contracts that are partially or fully unsatisfied as at 31 December	**62,379**	65,594

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6 PROPERTY, PLANT AND EQUIPMENT

	Freehold land RMB'000	Buildings RMB'000	Renovations and leasehold improvements RMB'000	Plant and machinery RMB'000	Operating vehicles RMB'000	Motor vehicles RMB'000	Furniture, fittings and equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost									
At 1 January 2018	1,299,863	8,642,760	6,472,719	2,324,935	1,597,433	66,029	1,138,250	730,181	22,272,170
Additions	946	60,195	40,541	99,761	981	1,294	8,733	978,603	1,191,054
Additions resulting from acquisition through business combination	5,623	38,685	400	2,560	—	108	202	2,024	49,602
Transfers from construction-in-progress	—	132,849	718,096	115,154	165,660	5,530	37,328	(1,174,617)	—
Transferred to investment properties (note 8)	—	(101,577)	—	—	—	—	—	—	(101,577)
Disposals	(10,635)	(53,878)	(70,667)	(227,687)	(226,648)	(6,947)	(28,441)	—	(624,903)
Currency translation differences	3,754	16,877	966	1,127	—	—	—	982	23,706
At 31 December 2018	1,299,551	8,735,911	7,162,055	2,315,850	1,537,426	66,014	1,156,072	537,173	22,810,052
Change of accounting policies — HKFRS 16 (note 2.2)	(121,853)	(798,544)	—	(46,832)	—	—	—	—	(967,229)
At 1 January 2019	1,177,698	7,937,367	7,162,055	2,269,018	1,537,426	66,014	1,156,072	537,173	21,842,823
Additions	5,407	52,998	78,770	93,150	2,993	4,639	4,949	862,199	1,105,105
Transfers from construction-in-progress	—	84,506	555,990	106,835	130,294	3,160	11,585	(892,370)	—
Disposals	(593)	(35,030)	(163,807)	(193,548)	(206,017)	(7,628)	(21,523)	—	(628,146)
Currency translation differences	(4,936)	(18,590)	333	2,946	—	—	—	(737)	(20,984)
At 31 December 2019	**1,177,576**	**8,021,251**	**7,633,341**	**2,278,401**	**1,464,696**	**66,185**	**1,151,083**	**506,265**	**22,298,798**
Accumulated depreciation									
At 1 January 2018	(11,019)	(3,043,134)	(3,449,803)	(1,320,375)	(868,958)	(53,621)	(856,469)	—	(9,603,379)
Depreciation charge for the year (note 26)	(963)	(378,486)	(729,228)	(292,774)	(204,172)	(7,089)	(22,752)	—	(1,635,464)
Disposals	—	46,241	54,600	202,084	205,474	5,475	25,289	—	539,163
Transferred to investment properties (note 8)	—	49,738	—	—	—	—	—	—	49,738
Currency translation differences	(384)	(13,094)	(83)	(708)	—	—	—	—	(14,269)
At 31 December 2018	(12,366)	(3,338,735)	(4,124,514)	(1,411,773)	(867,656)	(55,235)	(853,932)	—	(10,664,211)
Change of accounting policies — HKFRS 16 (note 2.2)	771	700,561	—	27,331	—	—	—	—	728,663
At 1 January 2019	(11,595)	(2,638,174)	(4,124,514)	(1,384,442)	(867,656)	(55,235)	(853,932)	—	(9,935,548)
Depreciation charge for the year (note 26)	(2,454)	(350,157)	(701,020)	(269,774)	(192,670)	(6,997)	(23,978)	—	(1,547,050)
Disposals	—	25,824	45,950	182,919	182,456	5,096	20,255	—	462,500
Currency translation differences	(999)	(2,934)	(911)	(3,829)	—	—	—	—	(8,673)
At 31 December 2019	**(15,048)**	**(2,965,441)**	**(4,780,495)**	**(1,475,126)**	**(877,870)**	**(57,136)**	**(857,655)**	**—**	**(11,028,771)**
Impairment									
At 1 January 2018	(23)	(1,980)	(112,660)	(5,067)	—	—	(63)	(7,948)	(127,741)
Charge for the year (note 26)	—	—	(36,189)	—	—	—	—	—	(36,189)
Disposals	—	114	—	3,704	—	—	—	—	3,818
At 31 December 2018 and 1 January 2019	(23)	(1,866)	(148,849)	(1,363)	—	—	(63)	(7,948)	(160,112)
Charge for the year (note 26)	—	—	(30,998)	—	—	—	—	—	(30,998)
At 31 December 2019	**(23)**	**(1,866)**	**(179,847)**	**(1,363)**	**—**	**—**	**(63)**	**(7,948)**	**(191,110)**
Net book amount									
At 31 December 2019	**1,162,505**	**5,053,944**	**2,672,999**	**801,912**	**586,826**	**9,049**	**293,365**	**498,317**	**11,078,917**
At 31 December 2018	1,287,162	5,395,310	2,888,692	902,714	669,770	10,779	302,077	529,225	11,985,729

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Bank borrowings of Polish Zloty ("PLN") 31,037,000, equivalent to RMB57,009,000 (31 December 2018: PLN35,324,000, equivalent to RMB64,810,000), were secured by the pledge of certain property, plant and equipment of certain subsidiaries of GDL located in Poland with net book amounts totalling RMB173,653,000 (31 December 2018: RMB182,008,000) (note 23).

Depreciation and impairment have been charged to the consolidated income statement as follows (note 26):

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Cost of sales	**1,521,315**	1,528,279
Selling and marketing expenses	**11,916**	11,578
Administrative expenses	**44,817**	131,796
	1,578,048	1,671,653

The net book amount (note 33) of the property, plant and equipment disposed is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Cost	**628,146**	624,903
Less: accumulated depreciation	**(462,500)**	(539,163)
impairment	**–**	(3,818)
	165,646	81,922

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

No borrowing costs arising on the financing for the construction of property, plant and equipment were capitalised during the year ended 31 December 2019 (2018: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2018, freehold land, buildings and plant and machinery included the following amounts where the Group is a lessee under finance leases (note 23):

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Cost — capitalised finance leases		
Freehold land	–	121,853
Buildings	–	798,544
Plant and machinery	–	46,832
Total	–	967,229
Accumulated depreciation		
Freehold land	–	(771)
Buildings	–	(700,561)
Plant and machinery	–	(27,331)
Total	–	(728,663)
Net book amount	–	238,566

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

All freehold land of the Group is located in Europe.

On adoption of HKFRS 16, for leases previously classified as finance leases, the Group recognised the carrying amount of the financial lease assets of RMB238,566,000 and financial lease liabilities of RMB195,201,000 (note 23) immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application. See note 2.2 for further information about the change in accounting policy for leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

7 LEASES

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised on the consolidated balance sheet

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

	As at 31 December 2019 RMB'000	As at 1 January 2019 RMB'000
Freehold land and land use rights	3,217,925	3,354,948
Buildings	8,259,914	8,940,967
Equipment and others	308,379	355,889
Total right-of-use assets	11,786,218	12,651,804
Lease liabilities — current	1,633,990	1,465,665
Lease liabilities — non-current	9,996,397	10,937,111
Total lease liabilities	11,630,387	12,402,776

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

	RMB'000
Right-of-use assets recognised as at 1 January 2019	12,651,804
Additions	466,115
Depreciation and amortisation (note 26)	(1,356,155)
Exchange differences	24,454
Net book amount as at 31 December 2019	11,786,218

In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' as lessee under HKAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings. For the adjustments recognised on adoption of HKFRS 16 on 1 January 2019, please refer to note 2.2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

7 LEASES (CONTINUED)

(b) Amounts recognised in the statement of profit or loss

The consolidated income statement shows the following amounts relating to leases:

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Depreciation of right-of-use assets (note 26)		
Freehold land and Land use rights	**142,542**	—
Buildings	**1,151,040**	—
Equipment and others	**62,573**	—
	1,356,155	—
Finance costs — net (note 28)	**467,245**	—
Expense relating to short-term leases and low value leases	**41,938**	—
Expense relating to variable lease payments not included in lease liabilities	**84,582**	—

For the year ended 31 December 2019, the total cash outflow for leases in 2019 was RMB1,823,410,000.

(c) The Group's leasing activities and how these are accounted for

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

(d) Extension and termination options

Extension and termination options are included in a number of property leases mainly in GDL. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of these extension and termination options are exercisable only by the Group and not by the respective lessors.

(e) Variable lease payments

Some property leases contain variable payment terms that are linked to revenue generated from a hotel. For individual hotels, up to 100% of lease payments are on the basis of variable payment terms. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established hotels. Variable lease payments that depend on selected hotel operation index are recognised in the consolidated income statement in the year in which the conditions that trigger those payments occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

8 INVESTMENT PROPERTIES

	Buildings RMB'000
Cost	
At 1 January 2018	484,953
Transferred from property, plant and equipment (note 6)	101,577
At 31 December 2018	586,530
Change of accounting policies — HKFRS 16 (note 2.2)	336,494
At 1 January 2019	923,024
Transferred to right-of-use assets	(2,442)
At 31 December 2019	**920,582**
Accumulated depreciation	
At 1 January 2018	(194,758)
Charge for the year (note 26)	(11,637)
Transferred from property, plant and equipment (note 6)	(49,738)
At 31 December 2018	(256,133)
Change of accounting policies — HKFRS 16 (note 2.2)	(168,905)
At 1 January 2019	(425,038)
Charge for the year (note 26)	(30,970)
At 31 December 2019	**(456,008)**
Net book amount	
At 31 December 2019	**464,574**
At 31 December 2018	330,397

Depreciation has been charged to the consolidated income statement as follows (note 26):

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Cost of sales	**30,970**	11,637

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

8 INVESTMENT PROPERTIES (CONTINUED)

Amounts recognised in consolidated income statement for investment properties

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Rental revenue	183,238	112,314
Direct operating expenses from properties that generated rental revenue	(58,087)	(14,245)
	125,151	98,069

The land use right and buildings erected thereon, which are held to earn rentals, could not be separated for valuation purpose under income approach. The fair value of the properties as at 31 December 2019, which includes the building and with the carrying amount of RMB443,064,000 (31 December 2018: RMB330,397,000) and the related land use right with the carrying amount of RMB21,510,000 (31 December 2018: RMB22,363,000), was approximately RMB1,706,503,000 (31 December 2018: RMB1,051,473,000).

Leasing arrangements

Certain investment properties are leased to tenants under long-term operating leases with rentals payable monthly.

For minimum future lease rentals under non-cancellable operating leases of investment properties not recognised in the consolidated financial statements, please refer to note 35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

9 LAND USE RIGHTS

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

	RMB'000
Balance as at 1 January 2018	3,296,355
Charge for the year (note 26)	(134,773)
Balance as at 31 December 2018	3,161,582
Change in accounting policy — HKFRS 16 (note 2.2)	(3,161,582)
Balance as at 1 January 2019	—

Amortisation has been charged to the consolidated income statement as follows (note 26):

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Cost of sales	**—**	134,773

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

10 INTANGIBLE ASSETS

	Goodwill RMB'000	Brandnames and trademarks RMB'000	Computer software, patents and other rights RMB'000	Favourable lease contracts RMB'000	Licences of operating vehicles RMB'000	Memberships RMB'000	Total RMB'000
Cost							
At 1 January 2018	11,406,897	6,138,970	780,009	469,360	248,760	335,600	19,379,596
Additions	–	–	83,899	–	–	–	83,899
Additions resulting from acquisition through business combination	78,182	–	19,392	–	775	–	98,349
Disposal	–	(100)	(3,586)	–	(87)	–	(3,773)
Currency translation differences	20,643	9,291	4,392	2,069	–	–	36,395
At 31 December 2018	11,505,722	6,148,161	884,106	471,429	249,448	335,600	19,594,466
Change of accounting policies – HKFRS 16 (note 2.2)	–	–	–	(471,429)	–	–	(471,429)
At 1 January 2019	11,505,722	6,148,161	884,106	–	249,448	335,600	19,123,037
Additions	–	–	153,405	–	–	–	153,405
Adjustments resulting from acquisition in prior year (b)	(25,574)	24,377	–	–	–	–	(1,197)
Disposal	–	–	(190)	–	–	–	(190)
Currency translation differences	(20,755)	(8,694)	(397)	–	–	–	(29,846)
At 31 December 2019	**11,459,393**	**6,163,844**	**1,036,924**	**–**	**249,448**	**335,600**	**19,245,209**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

10 INTANGIBLE ASSETS (CONTINUED)

	Goodwill RMB'000	Brandnames and trademarks RMB'000	Computer software, patents and other rights RMB'000	Favourable lease contracts RMB'000	Licences of operating vehicles RMB'000	Memberships RMB'000	Total RMB'000
Accumulated amortisation							
At 1 January 2018	–	(53)	(371,994)	(121,334)	–	(29,355)	(522,736)
Charge for the year (note 26)	–	(28)	(125,477)	(59,717)	–	(16,780)	(202,002)
Disposal	–	–	808	–	–	–	808
Currency translation differences	–	–	(3,563)	(22)	–	–	(3,585)
At 31 December 2018	–	(81)	(500,226)	(181,073)	–	(46,135)	(727,515)
Change of accounting policies — HKFRS 16 (note 2.2)	–	–	–	181,073	–	–	181,073
At 1 January 2019	–	(81)	(500,226)	–	–	(46,135)	(546,442)
Charge for the year (note 26)	–	(800)	(123,610)	–	–	(16,780)	(141,190)
Disposal	–	–	132	–	–	–	132
Currency translation differences	–	–	605	–	–	–	605
At 31 December 2019	**–**	**(881)**	**(623,099)**	**–**	**–**	**(62,915)**	**(686,895)**
Impairment							
At 1 January 2018	(23,368)	–	–	–	–	–	(23,368)
Charge for the year (note 26) (c)	(20,545)	–	–	–	–	–	(20,545)
At 31 December 2018 and 1 January 2019	(43,913)	–	–	–	–	–	(43,913)
Charge for the year (note 26)	–	–	(320)	–	–	–	(320)
At 31 December 2019	**(43,913)**	**–**	**(320)**	**–**	**–**	**–**	**(44,233)**
Net book amount							
At 31 December 2019	**11,415,480**	**6,162,963**	**413,505**	**–**	**249,448**	**272,685**	**18,514,081**
At 31 December 2018	11,461,809	6,148,080	383,880	290,356	249,448	289,465	18,823,038

(a) Goodwill and brandnames have indefinite useful life and are carried at cost less any subsequent accumulated impairment losses. As at 31 December 2019, the net book amount of brandnames included in Brandnames and trademarks were RMB6,162,834,000 (31 December 2018: RMB6,147,924,000).

(b) For the year ended 31 December 2019, adjustments were made to the fair value of brandnames and therefore the resultant goodwill in relation to the acquisitions of LA HOTELS and Tempting Places in 2018.

(c) For the year ended 31 December 2018, the goodwill in "Select Service Hotels — managed and operated by Jin Jiang GDL Asia" recorded an impairment charge amounted to RMB20,545,000. The goodwill was related to the acquisition of ShanXi Jinguang Inn Company Limited ("Jinguang Inn") back in 2012, which operated the select service hotels in Shanxi City of Mainland China. The management made a decision that it would no longer put a priority on the development of the select service hotels in Jinguang Inn and closed some hotels.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

10 INTANGIBLE ASSETS (CONTINUED)

Amortisation and impairment has been charged to the consolidated income statement as follows (note 26):

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Cost of sales	**141,190**	202,002
Administrative expenses	**320**	20,545
	141,510	222,547

Impairment tests for goodwill

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

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Select Service Hotels — managed and operated by GDL (a)	**4,892,547**	4,938,876
Select Service Hotels — managed and operated by Plateno Group (b)	**5,766,875**	5,766,875
Select Service Hotels — managed and operated by Vienna Hotels (b)	**668,817**	668,817
Select Service Hotels — managed and operated by Jin Jiang GDL Asia (b)	**58,864**	58,864
Full service hotels (b)	**28,377**	28,377
	11,415,480	11,461,809

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

10 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for goodwill (Continued)

(a) The recoverable amount of CGU Select Service Hotels — managed and operated by GDL was determined based on the valuation results from an independent qualified appraisal firm, MKG Hospitality.

The key assumptions used for the value-in-use calculations in 2019 are as follows:

	Select Service Hotels — managed and operated by GDL
Growth rate for revenue from owned hotels	**2.7%**
Discount rate for owned hotels	**7.0%**
Growth rate for revenue from management and franchised contracts	**4.9%**
Discount rate for management and franchised contracts	**13.0%–14.8%**

The decrease of discount rate for owned hotels of "Select Service Hotels — managed and operated by GDL"in 2019 as compared with 2018 as shown below is mainly due to the increase in liability capital in the capital base. Because of the adoption of the HKFRS 16 Leases, the lease liabilities are considered as part of the capital base which results in the decrease of the discount rate.

The key assumptions used for the value-in-use calculations in 2018 are as follows:

	Select Service Hotels — managed and operated by GDL
Growth rate for revenue from owned hotels	2.3%
Discount rate for owned hotels	8.0%
Growth rate for revenue from management and franchised contracts	5.5%
Discount rate for management and franchised contracts	12.9%–15.8%

As at 31 December 2019 and 31 December 2018, in view of the value-in-use calculations of this CGU is larger than the net book amounts of the assets in the CGU, no goodwill impairment loss was considered necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

10 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for goodwill (Continued)

(b) The recoverable amounts of CGUs Select Service Hotels — managed and operated by Plateno Group and Select Service Hotels — managed and operated by Vienna Hotels were determined based on the valuation results from an independent qualified appraisal firm, Shanghai Orient Appraisal Co., Ltd.

The key assumptions used for the value-in-use calculations in 2019 are as follows:

	Full Service Hotels	**Select Service Hotels — managed and operated by Jin Jiang GDL Asia**	**Select Service Hotels — managed and operated by Plateno Group**	**Select Service Hotels — managed and operated by Vienna Hotels**
Gross margin	**38.5%**	**21.5%**	**30.2%**	**25.1%**
Growth rate for room revenue	**2.0%**	**0.0%**	**7.1%**	**6.6%**
Discount rate	**10.0%**	**10.0%**	**10.8%**	**10.8%**

The decreases of discount rates of Select Service Hotels — managed and operated by Plateno Group and Select Service Hotels — managed and operated by Vienna Hotels in 2019 compared with 2018 as shown below are mainly due to the increase in liability capital in the capital base. Because of the adoption of HKFRS 16 Leases, the lease liabilities are considered as part of the capital base which results in the decrease of the discount rate.

As at 31 December 2019, the value-in-use calculations of these CGUs are larger than the net book amounts of the assets in the CGUs, no goodwill impairment loss was considered necessary.

The key assumptions used for the value-in-use calculations in 2018 are as follows:

	Full Service Hotels	Select Service Hotels — managed and operated by Jin Jiang GDL Asia	Select Service Hotels — managed and operated by Plateno Group	Select Service Hotels — managed and operated by Vienna Hotels
Gross margin	38.5%	21.5%	29.9%	23.3%
Growth rate for room revenue	2.0%	0.0%	7.2%	7.0%
Discount rate	10.0%	10.0%	11.3%	13.0%

As at 31 December 2018, the recoverable amount of CGU included in "Select Service Hotels — managed and operated by Jin Jiang GDL Asia" was lower than its corresponding book amount of the CGU by RMB20,545,000, and the corresponding impairment was recognised in "administrative expenses". Apart from this impairment loss, no impairment loss was considered necessary for the goodwill related to other CGUs as at 31 December 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

10 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for licenses of operating vehicles

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

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

	2019	2018
Gross margin	20.7%	23.6%
Growth rate for revenue	0.0%	0.0%
Discount rate	5.6%	5.5%

As at 31 December 2019, in view of the value-in-use calculations of this CGU, no impairment loss was considered necessary.

Impairment tests for brandnames

	At 31 December	
	2019 RMB'000	2018 RMB'000
Select Service Hotels — managed and operated by GDL (a)	2,439,134	2,424,124
Select Service Hotels — managed and operated by Plateno Group (b)	2,965,600	2,965,700
Select Service Hotels — managed and operated by Vienna Hotels (b)	758,100	758,256
	6,162,834	6,148,080

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

10 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for brandnames (Continued)

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

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

The recoverable amount of the brandnames in the CGU Select Service Hotels — managed and operated by GDL was determined based on the valuation results from an independent qualified appraisal firm, MKG Hospitality.

The key assumptions used for value-in-use calculations as at 31 December 2019 are as follows:

	Première Classe	**Campanile**	**Kyriad series**	**Golden Tulip series**	**Sarovar**
Royalty rate	**3.0%–3.7%**	**2.8%–3.4%**	**1.8%–2.2%**	**0.4%–0.5%**	**2.0%**
Growth rate for revenue	**1.9%**	**6.0%**	**9.3%**	**8.2%**	**3.5%**
Discount rate	**14.8%**	**11.8%**	**13.3%**	**13.0%**	**11.9%**

The key assumptions used for value-in-use calculations as at 31 December 2018 are as follows:

	Première Classe	Campanile	Kyriad series	Golden Tulip series	Sarovar
Royalty rate	3.0%–3.7%	2.8%–3.4%	1.8%–2.2%	0.4%–0.5%	2.0%
Growth rate for revenue	2.3%	6.4%	10.0%	5.1%	3.3%
Discount rate	15.8%	12.9%	13.9%	13.9%	12.2%

As at 31 December 2019 and 31 December 2018, in view of the value-in-use calculations of these CGUs, no impairment loss was considered necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

10 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for brandnames (Continued)

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

The recovery amounts of the brandnames in the CGUs Select Service Hotels — managed and operated by Plateno Group and Select Service Hotels — managed and operated by Vienna Hotels were determined based on the valuation results from an independent qualified appraisal firm Shanghai Orient Appraisal Co., Ltd.

The key assumptions used for value-in-use calculations as at 31 December 2019 are as follows:

	Plateno Group	**Vienna Hotels**
Royalty rate	**0.7%–1.6%**	**1.3%**
Growth rate for revenue	**9.0%**	**7.0%**
Discount rate	**12.2%–12.5%**	**18.4%**

The key assumptions used for value-in-use calculations as at 31 December 2018 are as follows:

	Plateno Group	Vienna Hotels
Royalty rate	0.8%–1.9%	1.6%
Growth rate for revenue	7.2%	7.0%
Discount rate	12.4%–12.7%	19.2%

As at 31 December 2019 and 31 December 2018, in view of the value-in-use calculations of these CGUs, no impairment loss was considered necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

11 SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 40.

Summarised financial information on subsidiaries with material non-controlling interests

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

Summarised balance sheet

	Jin Jiang Hotels At 31 December		Jin Jiang Travel At 31 December		Jin Jiang Investment At 31 December	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Non-current assets	**39,295,650**	30,679,736	**883,252**	732,208	**3,238,238**	3,033,462
Current assets	**8,496,018**	9,835,192	**430,195**	716,272	**1,683,593**	1,463,376
Total assets	**47,791,668**	40,514,928	**1,313,447**	1,448,480	**4,921,831**	4,496,838
Non-current liabilities	**(26,309,498)**	(18,438,065)	**(90,613)**	(95,108)	**(337,149)**	(299,707)
Current liabilities	**(8,186,988)**	(8,050,040)	**(347,406)**	(489,297)	**(671,773)**	(660,882)
Total liabilities	**(34,496,486)**	(26,488,105)	**(438,019)**	(584,405)	**(1,008,922)**	(960,589)
Net assets	**13,295,182**	14,026,823	**875,428**	864,075	**3,912,909**	3,536,249

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

11 SUBSIDIARIES (CONTINUED)

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

Summarised statement of comprehensive income

	Jin Jiang Hotels Year ended 31 December		Jin Jiang Travel Year ended 31 December		Jin Jiang Investment Year ended 31 December	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Revenue	**15,106,062**	14,697,420	**1,126,524**	1,519,627	**2,541,806**	2,435,409
Profit/(loss) before income tax expense	**1,741,037**	1,403,933	**74,468**	(160,569)	**366,130**	229,194
Income tax expense	**(475,235)**	(361,082)	**(8,870)**	(3,637)	**(54,307)**	(2,779)
Profit/(loss) for the year	**1,265,802**	1,042,851	**65,598**	(164,206)	**311,823**	226,415
Other comprehensive income	**4,060**	(245,336)	**(22,838)**	(318,482)	**137,635**	(247,891)
Total comprehensive income/(loss)	**1,269,862**	797,515	**42,760**	(482,688)	**449,458**	(21,476)
Total comprehensive income/(loss) allocated to non-controlling interests	**630,867**	494,022	**21,290**	(125,490)	**273,001**	42,592
Dividends paid to non-controlling interests	**375,345**	336,893	**15,840**	15,444	**133,735**	126,022

Summarised cash flows

	Jin Jiang Hotels Year ended 31 December		Jin Jiang Travel Year ended 31 December		Jin Jiang Investment Year ended 31 December	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Net cash generated from/(used in) operating activities	**4,068,744**	3,515,211	**(70,435)**	(72,720)	**249,367**	115,622
Net cash (used in)/generated from investing activities	**(885,925)**	(605,243)	**36,431**	211,247	**131,382**	106,296
Net cash used in financing activities	**(4,626,184)**	(5,443,688)	**(41,613)**	(31,018)	**(63,824)**	(180,489)
Exchange gains on cash and cash equivalents	**2,055**	7,318	**312**	392	**–**	–
Net (decrease)/increase in cash and cash equivalents	**(1,441,310)**	(2,526,402)	**(75,305)**	107,901	**316,925**	41,429

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	At 31 December	
	2019 RMB'000	2018 RMB'000
Investments in joint ventures (a)	915,224	943,069
Investments in associates (b)	897,844	902,087
	1,813,068	1,845,156

(a) Investments in joint ventures

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
At 1 January	943,069	1,006,445
Share of results (note 29)	28,196	9,390
— Profit before income tax	47,018	22,499
— Income tax expense	(18,822)	(13,109)
Declaration of dividends	(56,178)	(71,075)
Currency translation differences	137	(1,691)
At 31 December	915,224	943,069

Particulars of the Group's principal joint ventures are set out in note 40.

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

Commitments and contingent liabilities in respect of joint ventures

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

	At 31 December	
	2019 RMB'000	2018 RMB'000
Proportionate interests in joint ventures' capital and lease commitments	15,831	21,228

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Investments in joint ventures (Continued)

Summarised financial information for joint ventures

All joint ventures of the Group as at 31 December 2019 are not significant to the Group. A summary of the financial information of the Group's joint ventures, attributable to the shares of the Group and in aggregate, is as follows:

Summarised statement of comprehensive income

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit for the year	**28,196**	9,390
Other comprehensive income	**137**	(1,691)
Total comprehensive income	**28,333**	7,699

Reconciliation of summarised financial information

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Opening net assets	**943,069**	1,006,445
Profit for the year (note 29)	**28,196**	9,390
Declaration of dividends	**(56,178)**	(71,075)
Currency translation differences	**137**	(1,691)
Closing net assets	**915,224**	943,069
Carrying value	**915,224**	943,069

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Investments in associates

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At beginning of the year	**902,087**	903,304
Change in accounting policy — HKFRS 16 (note 2.2)	**(4,927)**	—
Additions	**2,675**	—
Share of results (note 29)	**248,430**	260,539
— Profit before income tax	**326,104**	335,041
— Income tax expense	**(77,674)**	(74,502)
Declaration of dividends	**(250,291)**	(247,437)
Disposals	**—**	(11,224)
Impairment losses (note 25)	**(1,645)**	(2,259)
Step-up acquisition to a subsidiary	**—**	(3,254)
Currency translation differences	**1,515**	2,418
At end of the year	**897,844**	902,087

Particulars of the Group's principal associates are set of in note 40.

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

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

Summarised financial information for associates

All associates of the Group as at 31 December 2019 are not significant to the Group. A summary of the financial information of the Group's associates attributable to the shares of the Group and in aggregate is as follows:

Summarised statement of comprehensive income

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit for the year	**248,430**	260,539
Other comprehensive income	**1,515**	2,418
Total comprehensive income	**249,945**	262,957

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Investments in associates (Continued)

Reconciliation of summarised financial information

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Opening net assets	**902,087**	903,304
Change in accounting policy — HKFRS 16 (note 2.2)	**(4,927)**	—
Additions	**2,675**	—
Share of results (note 29)	**248,430**	260,539
Declaration of dividends	**(250,291)**	(247,437)
Disposal	**—**	(11,224)
Impairment losses (note 25)	**(1,645)**	(2,259)
Step-up acquisition to a subsidiary	**—**	(3,254)
Currency translation differences	**1,515**	2,418
Closing net assets	**897,844**	902,087
Carrying value	**897,844**	902,087

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

13 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables at amortised costs RMB'000	Financial assets at fair value through the profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Total RMB'000
31 December 2019				
Financial assets at fair value through other comprehensive income (note 14)	—	—	1,829,891	1,829,891
Trade receivables, prepayments and other receivables excluding non-financial assets	3,436,759	—	—	3,436,759
Financial assets at fair value through profit or loss (note 18)	—	2,070,872	—	2,070,872
Restricted cash and bank deposits (note 19)	814,772	—	—	814,772
Cash and cash equivalents (note 20)	9,958,728	—	—	9,958,728
	14,210,259	2,070,872	1,829,891	18,111,022

	Financial liabilities at amortised cost RMB'000	Derivatives used for hedging RMB'000	Total RMB'000
31 December 2019			
Borrowings (note 23)	17,285,510	—	17,285,510
Lease liabilities (note 7)	11,630,388	—	11,630,388
Derivative financial instruments	—	940	940
Trade and other payables and accruals excluding non-financial liabilities	8,526,817	—	8,526,817
	37,442,715	940	37,443,655

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

13 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Loans and receivables at amortised costs RMB'000	Financial assets at fair value through the profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Total RMB'000
31 December 2018				
Financial assets at fair value through other comprehensive income (note 14)	—	—	1,398,011	1,398,011
Trade receivables, prepayments and other receivables excluding non-financial assets	3,070,984	—	—	3,070,984
Financial assets at fair value through profit or loss (note 18)	—	1,975,197	—	1,975,197
Restricted cash and bank deposits (note 19)	848,145	—	—	848,145
Cash and cash equivalents (note 20)	11,442,949	—	—	11,442,949
	15,362,078	1,975,197	1,398,011	18,735,286

	Financial liabilities at amortised cost RMB'000	Derivatives used for hedging RMB'000	Total RMB'000
31 December 2018			
Borrowings (excluding finance lease liabilities) (note 23)	19,846,248	—	19,846,248
Finance lease liabilities (note 23)	195,201	—	195,201
Derivative financial instruments	—	2,781	2,781
Trade and other payables and accruals excluding non-financial liabilities	9,727,003	—	9,727,003
	29,768,452	2,781	29,771,233

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At beginning of the year	**1,398,011**	2,735,749
Additions	**273,844**	6,377
Fair value changes (recorded under other comprehensive income)	**158,522**	(457,623)
Disposals	**—**	(886,492)
Currency translation differences	**(486)**	—
At end of the year	**1,829,891**	1,398,011

(i) Classification of financial assets at fair value through other comprehensive income

Financial assets at FVOCI are equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

(ii) Equity investments at fair value through other comprehensive income

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Listed securities, at fair value		
— Equity securities, listed in Mainland China	**1,775,399**	1,372,277
Unlisted securities, at fair value		
— Equity securities	**54,492**	25,734
	1,829,891	1,398,011
Market value of listed equity investments	**1,775,399**	1,372,277

On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(iii) Disposal of equity investments

For the year ended 31 December 2018, the Group realised a gain of RMB732,867,000 on sales its investments in certain equity securities, and the shares sold had a fair value of RMB886,492,000 when they were sold. The gain attributable to shareholders of the Company included in the OCI was RMB354,871,000. This gain was transferred to retained earnings, net of tax of RMB50,514,000 (for the year ended 31 December 2019: nil).

(iv) Amounts recognised in profit or loss and other comprehensive income

During the year, the following gains/(losses) were recognised in profit or loss and other comprehensive income.

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Gains/(losses) recognised in other comprehensive income		
— Related to equity investments	**158,522**	(457,623)
Dividends from equity investments held at FVOCI recognised in profit or loss		
— Related to investments derecognised during the year	**—**	11,187
— Related to investments held at each balance sheet date	**55,954**	53,531

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

15 DEFERRED INCOME TAX

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

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Deferred income tax assets		
— Deferred income tax assets to be recovered after more than 12 months	**331,509**	741,860
— Deferred income tax assets to be recovered within 12 months	**84,342**	75,028
	415,851	816,888
Deferred income tax liabilities		
— Deferred income tax liabilities to be settled after more than 12 months	**(1,972,515)**	(2,641,712)
— Deferred income tax liabilities to be settled within 12 months	**(66,412)**	(69,152)
	(2,038,927)	(2,710,864)
	(1,623,076)	(1,893,976)

The movement on the deferred income tax account is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At beginning of the year	**(1,893,976)**	(2,322,958)
Impact of changes in accounting policies	**182,212**	(64,435)
Credited to consolidated income statement	**112,299**	206,177
Credited to other comprehensive income (note 30)	**(36,946)**	191,600
Directly to equity	**—**	107,295
Currency translation differences	**13,335**	(11,655)
At end of the year	**(1,623,076)**	(1,893,976)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

15 DEFERRED INCOME TAX (CONTINUED)

The movement in deferred income tax assets and liabilities during the year ended 31 December 2019, without taking into consideration of the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets:

	Impairment of assets RMB'000	Accelerated accounting depreciation RMB'000	Tax losses RMB'000	Provisions RMB'000	Asset basis differences (i) RMB'000	Fair value changes on financial instruments RMB'000	Other temporary differences(ii) RMB'000	Total RMB'000
At 1 January 2018	51,576	5,986	641,985	80,781	80,688	–	211,274	1,072,290
Credited/(charged) to consolidated income statement	930	(821)	(37,916)	53,255	–	9,528	(5,088)	19,888
Currency translation differences	–	–	(2,906)	113	–	–	145	(2,648)
At 31 December 2018	52,506	5,165	601,163	134,149	80,688	9,528	206,331	1,089,530
Change in accounting policy – HKFRS 16 (note 2.2)	–	–	–	–	–	–	182,212	182,212
At 1 January 2019	52,506	5,165	601,163	134,149	80,688	9,528	388,543	1,271,742
Credited/(charged) to consolidated income statement	605	(142)	64,199	14,241	–	(2,647)	28,439	104,695
Currency translation differences	–	–	2,027	(200)	–	–	3,112	4,939
At 31 December 2019	**53,111**	**5,023**	**667,389**	**148,190**	**80,688**	**6,881**	**420,094**	**1,381,376**

(i) The amounts as at 31 December 2019 and 31 December 2018 represent the land appreciation tax in connection with reorganisation with Jin Jiang Hotels, which can be deducted against future appreciation when the related land use right and properties are sold out of the Group. However, these appreciation of the related land use right and properties were eliminated in the consolidated balance sheet under intercompany transactions, which resulted in a deferred income tax asset.

(ii) The amount mainly includes the deferred income tax effect for leases and deferred revenue under customer loyalty program.

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For the year ended 31 December 2019

15 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities:

	Impairment of assets (i) RMB'000	Accelerated tax depreciation RMB'000	Fair value changes on financial instruments RMB'000	Fair value adjustments on other assets RMB'000	Other temporary differences RMB'000	Total RMB'000
At 1 January 2018	(16,989)	(82,023)	(618,909)	(2,686,586)	(55,176)	(3,459,683)
(Charged)/credited to consolidated income statement	(3,068)	10,074	(16,877)	172,455	23,705	186,289
Credited to other comprehensive income	—	—	189,410	—	2,190	191,600
Directly to equity	—	—	107,295	—	—	107,295
Currency translation differences	—	(204)	—	(7,681)	(1,122)	(9,007)
At 31 December 2018	(20,057)	(72,153)	(339,081)	(2,521,812)	(30,403)	(2,983,506)
(Charged)/credited to consolidated income statement	(2,377)	3,930	(44,835)	63,245	(12,359)	7,604
(Charged)/credited to other comprehensive income	—	—	(39,551)	—	2,605	(36,946)
Currency translation differences	—	114	—	8,009	273	8,396
At 31 December 2019	**(22,434)**	**(68,109)**	**(423,467)**	**(2,450,558)**	**(39,884)**	**(3,004,452)**

(i) Certain provisions for impairment of loans granted to subsidiaries were deductible for PRC current income tax purpose. However, these provisions were eliminated at the consolidated balance sheet, which resulted in a deferred income tax liability.

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For the year ended 31 December 2019

15 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets for tax losses of RMB1,966,739,000 (2018: RMB1,622,759,000), as the Directors believe it is more likely than not that such tax losses would not be realised before their expiry. The expiry of related unrecognised tax losses is analysed as follows:

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Within 1 year	**256,959**	187,322
Between 1 and 2 years	**253,458**	272,658
Between 2 and 3 years	**351,517**	263,366
Between 3 and 4 years	**521,692**	355,890
Between 4 and 5 years	**522,503**	512,772
Over 5 year (i)	**60,610**	30,751
	1,966,739	1,622,759

(i) The amount represents the unrecognised tax loss of GDL, whose tax losses have no expiry date.

16 INVENTORIES

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Raw materials	**105,577**	106,452
Finished goods and merchandise	**190,255**	182,683
Consumables and supplies	**23,078**	19,592
	318,910	308,727

As at 31 December 2019, bank borrowings of RMB37,908,000 (note 23) was pledged by certain inventories with the carrying amount of RMB46,500,000, and notes payables (note 22) were pledged by certain inventories with the carrying amount of RMB40,000,000 (as at 31 December 2018：nil).

The cost of inventories recognised as expense and included in cost of sales amounted to RMB4,202,341,000 (2018: RMB4,133,159,000) (note 26).

The Group reversed inventory write-down of RMB3,000 for the year ended 31 December 2019 (2018: reversed inventory write-down of RMB1,489,000) (note 26).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

17 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December	
	2019 RMB'000	2018 RMB'000
Trade receivables	1,557,482	1,337,959
Less: provision for impairment of trade receivables	(210,340)	(176,872)
Trade receivables — net	1,347,142	1,161,087
Other receivables		
— Loans to related parties by Finance Company (note 37(b))	917,800	1,129,900
— Lease receivable	579,030	—
— Deposits	323,809	321,782
— Other amounts due from related parties (note 37(b))	178,702	368,426
— Accrued rental revenue	45,156	45,044
— Loans to related parties by the Group other than Finance Company (note 37(b))	33,700	34,400
— Interest receivables	10,935	9,390
— Others	66,903	84,829
Less: provision for impairment of other receivables	(66,116)	(83,874)
	2,089,919	1,909,897
Prepayments		
— Prepayments to suppliers	601,895	834,797
— Other prepaid and recoverable tax	188,729	229,912
— Value-added tax ("VAT") recoverable	138,085	112,552
	928,709	1,177,261
Prepayments and other receivables — net	3,018,628	3,087,158
	4,365,770	4,248,245
Less: non-current portion of trade receivables, prepayments and other receivables	(758,786)	(188,919)
	3,606,984	4,059,326
Non-current portion of trade receivables, prepayments and other receivables:		
— Lease receivable	549,574	—
— Prepayments and deposits	164,056	143,874
— Accrued rental revenue	45,156	45,045
	758,786	188,919

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17 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

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

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

The majority of the Group's sales in Hotel Related Business, Passenger Transportation Vehicle and Logistics Business and Travel Agency Business are retail sales, with immediate cash settlement and no credit terms are granted. For certain corporate or travel agency customers, the sales are made generally with credit terms ranging from 30 to 180 days. Ageing analysis of trade receivables based on invoice date at respective balance sheet dates is as follows:

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Less than 6 months	**1,298,238**	1,091,261
6 months to 1 year	**84,018**	114,711
Over 1 year	**175,226**	131,987
	1,557,482	1,337,959

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Note 3(a)(ii) provides for details about the calculation of the allowance.

Information about the impairment of trade receivables, prepayments and other receivables the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 3(a)(ii).

The carrying amounts of the Group's trade receivables, prepayments and other receivables are denominated in the following currencies:

	At 31 December	
	2019	2018
	RMB'000	RMB'000
RMB	**3,271,697**	3,269,047
EUR	**898,087**	802,068
US$	**44,697**	54,747
PLN	**35,285**	36,696
Other foreign currencies	**116,004**	85,687
	4,365,770	4,248,245

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17 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

Movements on the provision for impairment of trade receivables, prepayments and other receivables are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At beginning of the year	**(260,746)**	(254,360)
Additions resulting from acquisition through business combination	**–**	(4,550)
Provision for impairment of trade receivables, prepayments and other receivables (note 26)	**(5,011)**	(347)
Receivables written off as uncollectible	**819**	1,077
Currency translation differences	**(11,518)**	(2,566)
At end of the year	**(276,456)**	(260,746)

The creation and usage of provision for impaired receivables have been included in "administrative expenses" in the consolidated income statement (note 26).

The maximum exposure of the Group to credit risk at the balance sheet date was the carrying value of trade receivables, prepayments and other receivables as mentioned above.

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At beginning of the year	**1,975,197**	1,347,612
Additions	**668,974**	953,316
Additions resulting from acquisition through business combinations	**–**	387
Fair value changes transferred to profit or loss	**212,458**	233,003
Disposals	**(785,757)**	(559,141)
Currency translation differences	**–**	20
At end of the year	**2,070,872**	1,975,197

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For the year ended 31 December 2019

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(i) Classification of financial assets at fair value through profit or loss

The Group classifies the following financial assets at FVPL:

- debt investments that do not qualify for measurement at either amortised cost or FVOCI,
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

Financial assets mandatorily measured at FVPL include the following:

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Non-current assets		
Listed securities, at fair value		
— Equity securities	**800,593**	707,212
Unlisted securities, at fair value		
— Equity securities	**474,743**	427,383
— Debt securities	**81,990**	53,919
	1,357,326	1,188,514
Current assets		
Listed securities, at fair value		
— Equity securities	**343,267**	566,616
Unlisted securities, at fair value		
— Debt securities	**370,279**	220,067
	713,546	786,683
Market value of listed equity investments	**1,143,860**	1,273,828

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18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(ii) Amounts recognised in profit or loss

During the year, the following gains were recognised in profit or loss:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Fair value gains on equity investments at FVPL recognised in profit or loss	**196,616**	258,019
Fair value losses on equity investments at FVPL recognised in profit or loss	**–**	(38,252)
Fair value gains on debt instruments at FVPL recognised in profit or loss	**15,842**	13,236

19 RESTRICTED CASH AND BANK DEPOSITS

(a) Restricted cash

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Mandatory reserve deposit (i)	**417,472**	491,622
Other restricted cash (ii)	**110,954**	112,854
	528,426	604,476
Restricted cash denominated in		
— RMB	**528,126**	604,181
— US$	**300**	295
	528,426	604,476

(i) As at 31 December 2019, mandatory reserve deposit of Finance Company, a subsidiary and a non-bank finance company, was placed with the People's Bank of China, the central bank of the Mainland China. The weighted average effective interest rate on the mandatory reserve deposit was 1.62% (31 December 2018: 1.62%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

19 RESTRICTED CASH AND BANK DEPOSITS (CONTINUED)

(a) Restricted cash (Continued)

(ii) As at 31 December 2019, other restricted cash included:

(1) Deposit pledged for bank acceptance drafts of RMB94,795,000 (31 December 2018: RMB93,731,000) with effective annual interest rate of 0.35% (31 December 2018: 0.35%);

(2) Restricted cash deposits for issuance of letters of guarantee of RMB6,811,000 (31 December 2018: RMB13,912,000) with effective annual interest rate of 0.35% (31 December 2018: 0.35%);

(3) Deposits for litigation of RMB4,948,000 with effective annual interest rate of 0.35% (31 December 2018: nil);

(4) Guarantee fund for providing travel agency services of RMB4,400,000 (31 December 2018: RMB3,000,000) as required by National Tourism Administration of the People's Republic of China with effective annual interest rate of 1.50% (31 December 2018: 3.25%).

As at 31 December 2018, other restricted cash included:

(1) Deposit pledged for issuance of letters of credit of RMB2,211,000 with effective annual interest rate of 0.35% (31 December 2019: nil).

(b) Bank deposits with maturities over 3 months

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Bank deposits with maturities ranging from 3 months to 12 months	**255,346**	243,669
Bank deposits with maturities over 12 months	**31,000**	—
	286,346	243,669
Denominated in:		
— RMB	**261,484**	220,000
— US$	**24,862**	23,669
	286,346	243,669

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20 CASH AND CASH EQUIVALENTS

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Cash at bank and in hand	**8,464,550**	10,069,727
Bank deposits with maturities within 3 months	**1,494,178**	1,373,222
	9,958,728	11,442,949
Cash and cash equivalents denominated in		
— RMB	**7,174,093**	9,979,397
— EUR	**1,720,101**	686,329
— US$	**873,533**	517,318
— Other foreign currencies	**191,001**	259,905
	9,958,728	11,442,949

As at 31 December 2019, the weighted average effective interest rate on bank deposits with maturities within 3 months was 2.37% (31 December 2018: 2.51%) per annum.

21 SHARE CAPITAL AND RESERVES

(a) Share capital

	Share capital	
	Number of shares '000	Amount RMB'000
At 1 January 2018, 31 December 2018 and 2019	5,566,000	5,566,000

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21 SHARE CAPITAL AND RESERVES (CONTINUED)

(b) Reserves

	Other reserves									
	Capital surplus (i) RMB'000	Statutory and discretionary surplus reserve (ii) RMB'000	Merger reserve (iii) RMB'000	Available-for-sale financial assets RMB'000	Financial assets at FVOCI (iv) RMB'000	Currency translation differences RMB'000	Others RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
At 31 December 2017	1,913,038	729,477	(2,880,680)	931,826	–	14,276	(973)	706,964	3,212,060	3,919,024
Change in accounting policy – HKFRS 9	–	–	–	(931,826)	861,850	–	–	(69,976)	211,117	141,141
Change in accounting policy – HKFRS 15	–	–	–	–	–	–	–	–	(26,042)	(26,042)
At 1 January 2018	1,913,038	729,477	(2,880,680)	–	861,850	14,276	(973)	636,988	3,397,135	4,034,123
Profit for the year	–	–	–	–	–	–	–	–	761,701	761,701
Changes in fair value of equity investments at fair value through other comprehensive income – gross	–	–	–	–	(207,955)	–	–	(207,955)	–	(207,955)
Changes in fair value of equity investments at fair value through other comprehensive income – tax	–	–	–	–	89,819	–	–	89,819	–	89,819
Remeasurements of post-employment benefit obligations	–	–	–	–	–	–	(2,635)	(2,635)	–	(2,635)
Cash flow hedges	–	–	–	–	–	–	537	537	–	537
Currency translation differences	–	–	–	–	–	11,769	–	11,769	–	11,769
Transfer of fair value changes on disposal of equity investments at fair value through other comprehensive income – gross	–	–	–	–	(354,871)	–	–	(354,871)	354,871	–
Transfer of fair value changes on disposal of equity investments at fair value through other comprehensive income – tax	–	–	–	–	50,514	–	–	50,514	(50,514)	–
Profit appropriation	–	53,834	–	–	–	–	–	53,834	(53,834)	–
Dividends declared (note 32)	–	–	–	–	–	–	–	–	(445,280)	(445,280)
Acquisition of equity interests in subsidiaries from non-controlling equity holders	(335,573)	–	–	–	–	–	–	(335,573)	–	(335,573)
At 31 December 2018	1,577,465	783,311	(2,880,680)	–	439,357	26,045	(3,071)	(57,573)	3,964,079	3,906,506

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21 SHARE CAPITAL AND RESERVES (CONTINUED)

(b) Reserves (Continued)

	Other reserves								
	Capital surplus (i) RMB'000	Statutory and discretionary surplus reserve (ii) RMB'000	Merger reserve (iii) RMB'000	Financial assets at FVOCI (iv) RMB'000	Currency translation differences RMB'000	Others RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
At 31 December 2018	1,577,465	783,311	(2,880,680)	439,357	26,045	(3,071)	(57,573)	3,964,079	3,906,506
Change in accounting policy – HKFRS 16 (note 2.2)	–	–	–	–	–	–	–	(441,090)	(441,090)
At 1 January 2019	1,577,465	783,311	(2,880,680)	439,357	26,045	(3,071)	(57,573)	3,522,989	3,465,416
Profit for the year	–	–	–	–	–	–	–	675,964	675,964
Changes in fair value of equity investments at fair value through other comprehensive income – gross	–	–	–	61,368	–	–	61,368	–	61,368
Changes in fair value of equity investments at fair value through other comprehensive income – tax	–	–	–	(15,466)	–	–	(15,466)	–	(15,466)
Remeasurements of post-employment benefit obligations	–	–	–	–	–	(3,713)	(3,713)	–	(3,713)
Cash flow hedges	–	–	–	–	–	597	597	–	597
Currency translation differences	–	–	–	–	12,534	–	12,534	–	12,534
Profit appropriation	–	37,126	–	–	–	–	37,126	(37,126)	–
Dividends declared (note 32)	–	–	–	–	–	–	–	(445,280)	(445,280)
Acquisition of equity interests in subsidiaries from non-controlling equity holders (note 36)	(90,270)	–	–	–	–	–	(90,270)	–	(90,270)
At 31 December 2019	1,487,195	820,437	(2,880,680)	485,259	38,579	(6,187)	(55,397)	3,716,547	3,661,150

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21 SHARE CAPITAL AND RESERVES (CONTINUED)

(b) Reserves (Continued)

(i) Capital surplus represents premium arising from shareholders' contribution in excess of paid-in capital or from the issue of shares at a price in excess of their par value per share, and the effect for transactions with non-controlling interests on changes in equity attributable to shareholders of the Company.

(ii) Pursuant to the Company Law of the Mainland China and the articles of association of certain group companies, the Company is required to transfer 10% of its net profit, as determined under the Mainland China accounting regulations, to statutory surplus reserve until the fund aggregates to 50% of their share capital; after the transfer of statutory surplus reserves, the Company can appropriate profit, subject to respective shareholders' approval, to discretionary surplus reserve.

The transfer to statutory and discretionary reserves must be made before distribution of dividends to shareholders. These reserves shall only be used to make up previous years' losses, to expand production operations, or to increase the capital of the Company. The Company may transfer the statutory surplus reserve into share capital, provided that the balance of the statutory surplus reserve after such transfer is not less than 25% of the registered capital.

(iii) Merger reserve represents the net effect arising from the application of merger accounting for business combinations resulting from transactions among entities under common control. It includes (1) the paid-in capital of certain subsidiaries, which were transferred to the Group in the Reorganisation and Acquisition, and their retained earnings/(accumulated losses) before acquisitions by Jin Jiang International, which were credited/(debited) to merger reserve and (2) the considerations and other settlements paid by the Group in the Reorganisation and Acquisition to obtain the interests in these subsidiaries, which were debited to merger reserve.

(iv) Financial assets at FVOCI

The Group has elected to recognise changes in the fair value of certain investments in equity securities in OCI, as explained in note 2.14. These changes are accumulated within the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

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22 TRADE AND OTHER PAYABLES AND ACCRUALS

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Trade payables	**1,209,747**	1,808,309
Deposits from related parties in Finance Company (note 37(b))	**4,266,699**	3,981,082
Employee benefit payables (i)	**2,010,898**	2,145,941
Advances on behalf of the franchises	**730,281**	835,100
Deposits from lessees and constructors	**479,681**	459,132
Other tax payable	**433,891**	306,618
Payables for purchases of property, plant and equipment, and intangible assets	**428,168**	554,655
Accrued expenses	**279,409**	350,375
Other amounts due to related parties (note 37(b))	**150,609**	147,134
Notes payables (ii)	**120,735**	119,000
Financial liabilities due to put options granted to holders of non-controlling interests	**95,521**	92,160
Dividend payable to non-controlling interests	**94,623**	22,458
Defined benefit plan of GDL (iii)	**89,587**	73,865
Provisions for other liabilities and charges (iv)	**52,189**	77,197
Payables related to the disposal of Shanghai Galaxy Hotel Company Limited ("Galaxy Hotel")	**36,962**	36,962
Payables for acquisition of the non-controlling interests of Keystone (note 36)	**35,610**	3,000
Deferred government grants	**31,118**	44,089
Interest payable	**21,692**	36,422
Deferred payment of acquisition of subsidiaries	**13,938**	18,788
Payables for purchases of land use rights (note 2.2)	**—**	917,400
Others	**473,556**	271,161
	11,054,914	12,300,848
Less: non-current portion of trade and other payables and accruals	**(2,354,089)**	(1,645,948)
Current portion of trade and other payables and accruals	**8,700,825**	10,654,900
Non-current portion of trade and other payables and accruals:		
Employee benefits payables	**579,930**	595,301
Deposits from related parties in Finance Company	**1,562,500**	191,500
Financial liabilities due to put options granted to holders of non-controlling interests	**95,521**	92,160
Provisions for other liabilities and charges (iv)	**52,189**	77,197
Deferred government grants	**30,955**	33,873
Deposits from lessees and constructors	**17,150**	4,500
Deferred payment of acquisition of a subsidiary	**13,938**	18,788
Payables for purchases of land use rights	**—**	611,600
Others	**1,906**	21,029
	2,354,089	1,645,948

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22 TRADE AND OTHER PAYABLES AND ACCRUALS (CONTINUED)

(i) The balance as at 31 December 2019 included the employee benefits payables of RMB528,763,000 (31 December 2018: RMB601,667,000) incurred for early retirement plan, termination benefits, post-employment benefits and employee benefits for the redundant employees during hotel renovations.

The table below outlines the Group's termination benefits, early retirement welfare and long-term employee benefits for the redundant employees during hotel renovations that are included in the consolidated balance sheet and consolidated income statement.

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Consolidated balance sheet obligations for:		
— Early retirement welfare, termination benefits and post-employment benefits (a)	**480,843**	534,607
— Employee benefits for the redundant employees during hotel renovations (b)	**47,920**	67,060
	528,763	601,667
Less: current portion	**(105,860)**	(135,706)
Non-current portion	**422,903**	465,961

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Consolidated income statement charge included employee benefit expenses for:		
Employee benefit expenses for early retirement welfare and redundant employee during hotel renovation	**18,372**	155,521

(a) Early retirement welfare, termination benefits and post-employment benefit plan

In 2014, the Group announced a series of detailed non-cancellable formal plan (the "Early Retirement Plan") to early retire certain redundant employees. In 2015, the Group disposed of 50% equity interests in Galaxy Hotel, and some employees of Galaxy Hotel were also brought into the Early Retirement Plan. Under the Early Retirement Plan, the Group is obliged to make monthly payment of wages, salaries and social welfare to these early retired employees from the date of early retirement to the regulated retirement date. In 2018, Jin Jiang Investment and Jin Jiang Travel announced a series of detailed non-cancellable formal plan ("2018 Early Retirement Plan,Termination Plan and Post-employment Benefit Plan") to the related employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

22 TRADE AND OTHER PAYABLES AND ACCRUALS (CONTINUED)

(i) (Continued)

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

Since 2014, certain hotels under the Group have stopped or will stop operations in order to implement renovation of the whole hotel properties for certain periods. The Group announced a series of detailed formal plan (the "Redundant Employee Plan for Hotel Renovation") and the Group is obliged to make monthly payment of wages, salaries and social welfare to these redundant employees during the renovation period. The Redundant Employee Plan for Hotel Renovation is non-cancellable.

The movement in the obligations for Early Retirement Plan, Termination Plan and Post-employment Benefit Plan and Redundant Employee Plan for Hotel Renovation over the year is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At beginning of the year	**601,667**	481,310
Employee benefit expenses recognised in consolidated income statement (note 27)	**18,372**	155,521
Benefit payments during the year	**(91,276)**	(35,164)
At end of the year	**528,763**	601,667

The above obligations were determined based on actuarial valuations performed by an independent qualified actuarial firm, Towers Perrin Consulting Company Limited (member of the Society of Actuaries and the China Association of Actuaries).

The significant actuarial assumptions were as follows:

	At 31 December	
	2019	2018
Discount rate	**2.25%–3.75%**	2.25%–4.00%
Mortality rate	**Chinese residents ordinary life span**	Chinese residents ordinary life span
Benefit increase rate	**5%–10%**	5%–10%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

22 TRADE AND OTHER PAYABLES AND ACCRUALS (CONTINUED)

(i) (Continued)

The sensitivity of the employee benefit obligations to changes in the weighted principal assumptions is:

	Change in assumption	Increase in obligations balance RMB'000	Decrease in obligations balance RMB'000
Discount rate	0.25%	9,741	9,241
Benefit increase rate	0.25%	8,567	8,974

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the employee benefit obligations to significant actuarial assumptions, the calculation method is the same as that used in the calculation of liability recognised in the consolidated financial statements (i.e. present value of the employee benefit obligations calculated with the projected unit credit method at each balance sheet date).

Expected maturity analysis of undiscounted employee benefits of Early Retirement Plan, 2018 Early Retirement Plan,Termination Plan and Post-employment Benefit Plan and Redundant Employee Plan for Hotel Renovation:

	At 31 December	
	2019 RMB'000	2018 RMB'000
Within 1 year	**106,488**	135,706
Between 1 year and 2 years	**71,749**	99,053
Between 2 years and 5 years	**153,587**	179,056
Over 5 years	**499,402**	418,090
	831,226	831,905

The retirement termination payment plans pursuant to collective bargaining agreements and/or company-wide agreements provide for the payment of an amount on retirement based on length of service and salary.

(ii) As at 31 December 2019, notes payables were pledged by certain inventories with the carrying amount of RMB40,000,000 (note 16) and secured by the bank deposits with carrying amount of RMB94,795,000 (note 19) (as at 31 December 2018：notes payables were secured by the bank deposits with the carrying amount of RMB93,731,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

22 TRADE AND OTHER PAYABLES AND ACCRUALS (CONTINUED)

(iii) The defined benefit plan is determined by GDL on the basis of the geographical location, industry, and salary agreement, length of service and salary levels of employees.

	Present value of obligation Year ended 31 December	
	2019 **RMB'000**	2018 RMB'000
Beginning balance	**73,865**	59,113
Additions resulting from acquisition through business combination	**—**	125
Current service cost (note 27)	**8,256**	6,428
Settle gains	**—**	875
Interest cost	**824**	217
Remeasurement gain	**9,374**	7,987
Benefits payments	**(2,812)**	(1,181)
Currency translation differences	**80**	301
Ending balance	**89,587**	73,865

The actuarial valuations of the present value of the defined benefit obligation were carried out at 31 December 2019 by a qualified actuarial firm. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	At 31 December	
	2019	2018
Discount rates	**0.75%**	1.60%
Long-term rate of inflation	**1.75%**	1.50%
Welfare increase rate	**2.50%–4.00%**	2.50%–4.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

22 TRADE AND OTHER PAYABLES AND ACCRUALS (CONTINUED)

(iii) (Continued)

As at 31 December 2019, the sensitivity of the defined benefit obligations to changes in the weighted principal assumptions is:

	Change in assumption	Increase in obligations balance RMB'000	Decrease in obligations balance RMB'000
Discount rate	0.50%	6,236	6,909
Long-term rate of inflation	0.50%	156	168
Welfare increase rate	0.50%	5,885	6,441

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognised within the statement of financial position.

(iv) The movement in the provisions for other liabilities and charges over the year is as follows:

	Year ended 31 December	
	2019 **RMB'000**	2018 RMB'000
Beginning balance	**77,197**	58,598
(Reversal)/additions	**(854)**	32,904
Payment	**(22,906)**	(14,596)
Currency translation differences	**(1,248)**	291
Ending balance	**52,189**	77,197

As at 31 December 2019, the balance mainly represented a provision for certain legal claims and disputes brought against GDL and Keystone by third parties. The provision charge is recognised in profit or loss. The balance at 31 December 2019 is not expected to be utilised in 2020. After considering appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided for as at 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

22 TRADE AND OTHER PAYABLES AND ACCRUALS (CONTINUED)

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

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Less than 3 months	**1,088,556**	1,652,888
3 months to 1 year	**80,359**	104,055
Over 1 year	**40,832**	51,366
	1,209,747	1,808,309

(vi) The carrying amount of the financial liabilities of trade and other payables and accruals approximates their fair value. The carrying amounts of the Group's trade and other payables and accruals are denominated in the following currencies:

	At 31 December	
	2019	2018
	RMB'000	RMB'000
RMB	**8,948,315**	10,330,740
EUR	**1,871,705**	1,784,669
PLN	**51,964**	56,294
US$	**46,581**	27,866
Great Britain Pound ("GBP")	**29,903**	36,646
Other foreign currencies	**106,446**	64,633
	11,054,914	12,300,848

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

23 BORROWINGS

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings — secured	**9,946,372**	10,650,536
Bank borrowings — unsecured	**1,309,839**	3,698,633
Borrowings from related parties (note 37(b))	**4,412,250**	4,423,650
Finance lease liabilities	**—**	195,201
	15,668,461	18,968,020
Less: current portion of long-term secured bank borrowings	**(1,021,879)**	(523,855)
current portion of long-term unsecured bank borrowings	**(18,224)**	(1,221,163)
current portion of long-term borrowings from related parties (note 37(b))	**(104,500)**	(300,000)
current portion of long-term finance lease liabilities	**—**	(15,763)
	14,523,858	16,907,239
Borrowings included in current liabilities:		
Bank borrowings — secured	**37,908**	5,000
Bank borrowings — unsecured	**1,508,141**	1,038,429
Borrowings from related parties (note 37(b))	**71,000**	30,000
Current portion of long-term secured bank borrowings	**1,021,879**	523,855
Current portion of long-term unsecured bank borrowings	**18,224**	1,221,163
Current portion of long-term borrowings from related parties (note 37(b))	**104,500**	300,000
Current portion of long-term finance lease liabilities	**—**	15,763
	2,761,652	3,134,210

As at 31 December 2019, the secured bank borrowings included:

(a) Bank borrowings of EUR746,000,000, equivalent to RMB5,830,363,000 (31 December 2018: EUR768,000,000, equivalent to RMB6,026,726,000), which were guaranteed by Jin Jiang International;

(b) Bank borrowings of PLN31,037,000, equivalent to RMB57,009,000 (31 December 2018: PLN35,324,000, equivalent to RMB64,810,000), which were pledged by the property, plant and equipment of certain subsidiaries of GDL located in Poland;

(c) Bank borrowings of RMB4,059,000,000 (31 December 2018: RMB4,559,000,000), which were pledged by the equity interests in a subsidiary of the Group;

(d) Bank borrowings of RMB37,908,000 (31 December 2018: nil), which were pledged by the inventories of a subsidiary of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

23 BORROWINGS (CONTINUED)

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

(a) Bank borrowings of RMB5,000,000 (31 December 2019: nil), which were guaranteed by a non-controlling shareholder of a subsidiary of the Group.

(i) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity whichever is the earlier date are as follows:

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Within 6 months	**9,666,173**	11,591,133
Between 6 and 12 months	**230,131**	1,213,355
Between 1 and 5 years	**7,389,206**	7,236,961
	17,285,510	20,041,449

(ii) The maturity of the borrowings included in non-current liabilities is as follows:

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Between 1 and 2 years	**1,717,780**	2,151,346
Between 2 and 5 years	**12,806,078**	14,638,595
Over 5 years	**—**	117,298
	14,523,858	16,907,239

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

	At 31 December	
	2019	2018
Borrowings denominated in RMB	**3.7419%**	3.7292%
Borrowings denominated in EUR	**1.2468%**	1.2480%
Borrowings denominated in other foreign currencies	**4.2255%**	4.2256%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

23 BORROWINGS (CONTINUED)

(iv) The carrying amounts and fair values of non-current bank borrowings are as follows:

	Carrying amounts RMB'000	Fair values RMB'000
At 31 December 2019		
— Bank borrowings	14,523,858	14,190,565
At 31 December 2018		
— Bank borrowings	16,727,801	16,321,504
— Finance lease liabilities	179,438	179,438
	16,907,239	16,500,942

The fair values of non-current borrowings are estimated based on discounted cash flow approach using the market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates.

The carrying amounts of current borrowings approximate their fair values.

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

	At 31 December	
	2019 RMB'000	2018 RMB'000
RMB	**7,419,688**	9,783,764
EUR	**9,748,403**	10,124,805
PLN	**116,513**	131,794
Other foreign currencies	**906**	1,086
	17,285,510	20,041,449

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

23 BORROWINGS (CONTINUED)

(vi) Finance lease liabilities — 2018

Finance lease liabilities with carrying amount of RMB195,201,000 as at 31 December 2018 were effectively secured by the leased assets with carrying amount of RMB238,566,000 (note 6). Finance lease liabilities were included in borrowings until 31 December 2018, but were reclassified to lease liabilities on 1 January 2019 when the new leasing accounting standard was adopted. See note 2.2 for further information about the change in accounting policy for leases.

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Gross finance lease liabilities — minimum lease payments		
Within 1 year	–	18,322
Between 1 year and 2 years	–	17,352
Between 2 years and 5 years	–	50,557
Over 5 years	–	191,062
	–	277,293
Future finance charges on finance leases	–	(82,092)
Present value of finance lease liabilities	–	195,201
The present value of finance lease liabilities is as follows:		
Within 1 year	–	15,763
Between 1 year and 2 years	–	15,566
Between 2 years and 5 years	–	46,574
Over 5 years	–	117,298
	–	195,201

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

24 OTHER INCOME AND GAIN

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Unrealised fair value gain on financial assets at FVPL	**183,679**	143,204
Dividend income	**157,232**	150,048
— Unlisted equity investments	**87,723**	87,722
— Listed equity investments	**69,509**	62,326
Government grants income (i)	**131,925**	81,442
Gain on disposal of property, plant and equipment (ii)	**112,773**	42,003
Interest income from bank deposits	**85,450**	161,889
Realised fair value gain on financial assets at FVPL	**28,779**	128,051
Foreign exchange gain — net	**108**	1,840
Government compensation for expropriation of hotel land use rights and properties	**—**	66,806
Gain on disposal of investment in associates	**—**	9,582
Others	**79,162**	107,913
	779,108	892,778

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

(ii) The gain on disposal of property, plant and equipment for the year ended 31 December 2019 included the gain on disposal of the property, plant and equipment of 5 hotels in the segment of in "Select Service Hotels — managed and operated in Mainland China" amounted to RMB64,910,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

25 OTHER EXPENSES AND LOSSES

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Bank charges	60,045	57,952
Termination loss	7,982	—
Loss on disposal of property, plant and equipment	5,491	16,099
Impairment of investments in associates	1,645	2,259
Pending litigations	530	872
Unrealised fair value losses on financial assets at FVPL	—	38,252
Loss on disposal of investment in associates	—	1,714
Others	40,935	31,198
	116,628	148,346

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

26 EXPENSES BY NATURE

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Employee benefit expense (note 27)	**6,725,718**	6,796,136
Changes in inventories (note 16)	**4,202,341**	4,133,159
Depreciation of property, plant and equipment (note 6)	**1,547,050**	1,635,464
Depreciation of right-of-use assets (note 7)	**1,356,155**	—
Utility cost and consumables	**931,139**	974,228
Repairs and maintenance	**641,955**	661,329
Commissions paid to travel agencies	**562,925**	514,870
Advertising costs	**412,346**	382,760
Consulting fee	**333,965**	312,289
Property tax, VAT through a simplified method and other tax surcharges	**252,845**	268,665
Operating leases and property services	**246,507**	1,918,526
Laundry costs	**238,287**	250,144
Transportation expenses	**167,875**	150,827
Amortisation of intangible assets (note 10)	**141,190**	202,002
Telecommunication expenses	**87,442**	101,893
Entertainment expenses	**32,657**	58,317
Auditors' remuneration	**31,535**	31,800
— Audit service	**29,578**	29,580
— Non-audit service	**1,957**	2,220
Impairment loss of property, plant and equipment and intangible assets (note 6 and 10)	**31,318**	56,734
Depreciation of investment property (note 8)	**30,970**	11,637
Provision for impairment of trade receivables, prepayments and other receivables (note 17)	**5,011**	347
Pre-operation expenses	**2,373**	8,353
Amortisation of land use rights (note 9)	**—**	134,773
Reversal of inventories written-down (note 16)	**(3)**	(1,489)
Others	**738,616**	599,293
	18,720,217	19,202,057

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

27 EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Employee benefit expenses for in-service employees	**6,699,090**	6,634,187
— Wages and salaries	**4,826,551**	4,779,790
— Retirement and housing benefits (a)	**1,206,638**	1,194,948
— Welfare and other expenses	**665,901**	659,449
Employee benefit expenses for Early Retirement Plan, 2018 Early Retirement Plan, Termination Plan and Post-employment Benefit Plan and Redundant Employee Plan for Hotel Renovation (note 22)	**18,372**	155,521
Defined benefit plan of GDL (note 22)	**8,256**	6,428
	6,725,718	6,796,136
Number of employee	**55,926**	57,490

(a) Retirement benefit and housing benefits schemes

The employees of the Group participate in various pension plans organised by the relevant municipal and provincial governments under which the Group is obliged to make monthly defined contributions to these plans based on percentages of the employees' monthly salaries and wages, subject to a certain ceiling. The employees of the Group companies in Mainland China are also entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds.

The Group had no further obligation for post-retirement benefits or housing funds beyond the payments above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

27 EMPLOYEE BENEFIT EXPENSE (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the years 2019 and 2018 do not include any directors of the Company. The emoluments payable to these individuals during the years ended 31 December 2019 and 2018 are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Discretionary bonuses	**12,845**	8,949
Salary and allowances	**10,195**	9,970
Retirement scheme contributions	**112**	498
	23,152	19,417

The emoluments fell within the following bands:

	Year ended 31 December	
	2019	2018
	Number	Number
RMB2,015,505 (equivalent to HK$2,250,000) to RMB2,239,450 (equivalent to HK$2,500,000)	**—**	1
RMB2,239,450 (equivalent to HK$2,500,000) to RMB2,463,395 (equivalent to HK$2,750,000)	**1**	2
RMB2,463,395 (equivalent to HK$2,750,000) to RMB2,687,340 (equivalent to HK$3,000,000)	**1**	1
RMB2,687,340 (equivalent to HK$3,000,000) to RMB4,926,790 (equivalent to HK$5,500,000)	**2**	—
RMB8,957,800 (equivalent to HK$10,000,000) to RMB11,197,250 (equivalent to HK$12,500,000)	**1**	1
	5	5

(c) During the year 2019, no directors, supervisors, senior management or the five highest paid individuals of the Group waived any emoluments and no other emoluments were paid by the Group to any of the directors, supervisors, senior management or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

28 FINANCE COSTS — NET

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Finance cost:		
Interest expenses	**966,531**	618,922
— Bank borrowings	**436,925**	545,346
— Lease liabilities	**467,245**	—
— Borrowings from related parties	**62,361**	67,348
— Finance lease liabilities	**—**	6,228
Net foreign exchange (gain)/loss on borrowings	**(1,255)**	4,169
Finance costs — net	**965,276**	623,091

29 SHARE OF RESULTS OF JOINT VENTURES AND ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Share of results of joint ventures (note 12)	**28,196**	9,390
Share of results of associates (note 12)	**248,430**	260,539
	276,626	269,929

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

30 INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Current tax:		
Mainland China current corporate income tax ("CIT")	**585,105**	505,057
Overseas current corporate income tax	**110,219**	91,300
Deferred tax:		
Mainland China deferred income tax (note 15)	**(90,871)**	(176,816)
Overseas deferred income tax (note 15)	**(21,428)**	(29,361)
	583,025	390,180

Other than the subsidiaries registered in Tibet with preferential income tax rate of 15%, provision for Mainland China CIT is calculated based on the statutory income tax rate of 25% on the assessable income of the group companies operating in Mainland China for the year ended 31 December 2019 (2018: 25%) in accordance with the Corporate Income Tax Law of PRC and its Detail Implementation Regulations.

The Group's subsidiaries registered in Hong Kong are subject to a rate of 16.5% on the estimated assessable profits for the year ended 31 December 2019 (2018: 16.5%). For the year ended 31 December 2019, the Group's subsidiaries incorporated in Hong Kong did not have assessable profit and therefore have not provided for any Hong Kong profits tax.

GDL Group mainly operates in France and is subject to income tax at 34.43% (2018: 34.43%) for the year ended 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

30 INCOME TAX EXPENSE (CONTINUED)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of 25% (2018: 25%) in the Mainland China as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before income tax	**2,225,355**	1,820,276
Tax calculated at a tax rate of 25% (2018: 25%)	**556,339**	455,069
Effect of different taxation rates	**(4,157)**	(25,024)
Income not subject to tax	**(49,463)**	(53,731)
Expenses not deductible for tax purposes	**20,114**	20,280
Tax losses and tax credit for which no deferred income tax assets were recognised	**124,640**	99,875
Utilisation of tax losses and tax credit for which deferred income tax assets were not recognised previously	**(15,511)**	—
Effect of exclusion of share of profit tax of joint ventures and associates	**(71,166)**	(71,084)
Changes in opening balance of deferred tax assets/liabilities due to adjustment in tax rate (i)	**—**	(56,612)
Others	**22,229**	21,407
	583,025	390,180

(i) According to the French Fiscal Law promulgated in 2018, the effective income tax rate for GDL will decrease from 28.92% to 25.83% in 2020. The Group assessed the impact on the deferred tax assets and liabilities that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted. The reassessed deferred tax impact amounted to RMB56,612,000 was recognised as credit to the "income tax expense" for the year ended 31 December 2018 (for the year ended 31 December 2019: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

30 INCOME TAX EXPENSE (CONTINUED)

The tax credit/(charge) relating to other comprehensive income is as follow:

	2019			2018		
	Before tax RMB'000	Tax (charge)/ credit RMB'000	After tax RMB'000	Before tax RMB'000	Tax credit/ (charge) RMB'000	After tax RMB'000
Fair value changes on financial assets at FVOCI	158,522	(39,551)	118,971	(457,623)	189,410	(268,213)
Remeasurements on the net defined benefit liabilities or assets	(10,253)	3,227	(7,026)	(7,987)	2,750	(5,237)
Cash flow hedges net of tax	1,809	(622)	1,187	1,627	(560)	1,067
Currency translation differences	16,523	—	16,523	(4,904)	—	(4,904)
Other comprehensive income	166,601	(36,946)	129,655	(468,887)	191,600	(277,287)

31 EARNINGS PER SHARE

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Profit attributable to shareholders of the Company	675,964	761,701
Weighted average number of ordinary shares in issue (thousands)	5,566,000	5,566,000
Basic earnings per share (RMB cents)	12.14	13.68

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

32 DIVIDENDS

A final dividend in respect of the year ended 31 December 2018 of RMB8.0 cents per share, totalling RMB445,280,000 (final dividend in respect of the year ended 31 December 2017: RMB8.0 cents per share, totalling RMB445,280,000) was paid in second half of 2019.

On 31 March 2020, the Directors recommended the payment of a final dividend of RMB6.2 cents per share, totalling RMB345,092,000 in respect of the year ended 31 December 2019. Such dividend is to be approved by the shareholders at the annual general meeting. The consolidated financial statements do not reflect this dividend payable.

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Proposed final dividend of RMB6.2 cents (2018: RMB8.0 cents) per share	**345,092**	445,280

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

33 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit for the year to cash generated from operations:

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Profit before income tax		**2,225,355**	1,820,276
Adjustments for:			
— depreciation of property, plant and equipment	26	**1,547,050**	1,635,464
— depreciation of investment properties	26	**30,970**	11,637
— depreciation of right-of-use assets	26	**1,356,155**	—
— amortisation of land use rights	26	**—**	134,773
— amortisation of intangible assets	26	**141,190**	202,002
— Impairment loss of property, plant and equipment and intangible assets	26	**31,318**	56,734
— gain on disposal of property, plant and equipment	24	**(112,773)**	(42,003)
— government compensation for expropriation of hotel land use right and properties	24	**—**	(66,806)
— loss on disposal of property, plant and equipment	25	**5,491**	16,099
— net gain on disposal of investment in associates	24, 25	**—**	(7,868)
— unrealised fair value gain on financial assets at FVPL	24, 25	**(183,679)**	(104,952)
— realised fair value gain on financial assets at FVPL	24	**(28,779)**	(128,051)
— provision for impairment of trade receivables, prepayments and other receivables	26	**5,011**	347
— reversal of inventories write-down	26	**(3)**	(1,489)
— impairment of investments in associates	25	**1,645**	2,259
— interest income from bank deposits	24	**(85,450)**	(161,889)
— interest expenses	28	**966,531**	618,922
— net foreign exchange (gain)/loss on borrowings	28	**(1,255)**	4,169
— share of results of joint ventures and associates accounted for by the equity method	29	**(276,626)**	(269,929)
— dividend income	24	**(157,232)**	(150,048)
Changes in working capital:			
— restricted cash		**76,050**	(141,701)
— inventories		**(10,180)**	(49,759)
— trade receivables, prepayments and other receivables		**54,730**	(148,348)
— trade and other payables and accruals		**(428,782)**	652,182
Cash generated from operations		**5,156,737**	3,882,021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

33 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Reconciliation of profit for the year to cash generated from operations: (Continued)

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Net book amount (note 6)	**165,646**	81,922
Gain on disposal of property, plant and equipment (note 24)	**112,773**	42,003
Loss on disposal of property, plant and equipment (note 25)	**(5,491)**	(16,099)
Proceeds from disposal of property, plant and equipment	**272,928**	107,826

(b) Principal non-cash transactions

The principal non-cash transactions include:

(i) The purchases of property, plant and equipment, and intangible assets not been settled as at 31 December 2019 and 2018 were disclosed in note 22.

(ii) The additions of right-of-use assets were disclosed in note 7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

33 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(c) Net debt reconciliation

	Borrowings RMB'000	Leases RMB'000	Total RMB'000
At 31 December 2017	23,604,370	179,304	23,783,674
Cash flows			
— Inflow from financing activities	2,997,196	8,465	3,005,661
— Outflow from financing activities	(6,800,136)	(13,444)	(6,813,580)
— Addition to loans through business combination	738	—	738
Currency translation differences	44,080	20,876	64,956
At 31 December 2018	19,846,248	195,201	20,041,449
Change in accounting policy — HKFRS 16 (note 2.2)	—	12,207,575	12,207,575
At 1 January 2019	19,846,248	12,402,776	32,249,024
Cash flows			
— Additions of right-of-use assets	—	466,115	466,115
— Inflow from financing activities	3,310,969	—	3,310,969
— Outflow from financing activities	(5,675,466)	(1,229,645)	(6,905,111)
Currency translation differences	(196,241)	(8,859)	(205,100)
At 31 December 2019	17,285,510	11,630,387	28,915,897

34 FINANCIAL GUARANTEE CONTRACTS

	At 31 December	
	2019 RMB'000	2018 RMB'000
Not later than 1 year	**3,000**	—

The Group provides guarantees for bank borrowings of joint ventures and associates of the Group. Under the terms of the financial guarantee contracts, the Group will make payments to reimburse the lenders upon failure of the guaranteed entities to make payments when due.

The financial guarantee contracts have not been recognised in the consolidated financial statements as the Group considered that the possibility of failure of the guaranteed entities to make payments when the bank borrowings due is remote and the fair value of the guarantees contract was insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

35 COMMITMENTS

(a) Capital commitments

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

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Acquisition of property, plant and equipment	**78,882**	88,750

(b) Operating lease commitments

The Group leases out space in hotels under non-cancellable operating lease agreements. The rental revenue recognised in the consolidated income statement for the year ended 31 December 2019 are disclosed in notes 5(a).

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

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

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Not later than 1 year	**174,240**	174,766
Later than 1 year and not later than 5 years	**417,849**	425,134
Later than 5 years	**191,785**	265,446
	783,874	865,346

The Group leases various premises, offices and machinery under non-cancellable operating lease agreements. Leases with different lessors are negotiated for terms ranging from 1 year to 20 years with different renewal options, escalation clauses and restrictions on subleasing. When certain lease payments of properties are based on the higher of minimum guaranteed rentals or revenue level based rentals, the minimum guaranteed rentals have been used to arrive at the commitments below.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 2.2 and 7 for further information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

35 COMMITMENTS (CONTINUED)

(b) Operating lease commitments (Continued)

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

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Not later than 1 year	–	1,676,551
Later than 1 year and not later than 5 years	–	6,263,331
Later than 5 years	–	4,968,060
	–	12,907,942

(c) Loan commitments

As at 31 December 2019, loan commitments of RMB177,000,000 (31 December 2018: RMB75,100,000) represent undrawn loan facilities offered by Finance Company and granted to related parties (note 37(c)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

36 ACQUISITION OF NON-CONTROLLING INTERESTS IN A SUBSIDIARY

On 14 January 2019, Jin Jiang Hotels, a subsidiary of the Company in which the Company holds 50.32% equity interest, acquired a further 3.49825% equity interest of Keystone from its non-controlling interests at a consideration of RMB351,216,000. Therefore Jin Jiang Hotels has 96.50175% equity interest of Keystone.

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

Details of purchase consideration are as follows:

	RMB'000
Purchase consideration:	
— Cash paid	315,606
— Cash to be paid (note 22)	35,610
	351,216

The effect of changes on the equity attributable to the shareholders of the Company and non-controlling equity holders as at 14 January 2019 is summarised as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

37 SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group is controlled by Jin Jiang International (incorporated in Mainland China), which owns 75% of the Company's share. The remaining 25% of the shares are widely held. The ultimate parent and controlling party of the Group is Jin Jiang International.

(a) Related party transactions

The Group had the following significant related party transactions during the year ended 31 December 2019:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Transactions with Jin Jiang International		
— Deposits received/(repaid)	**1,043**	(1,662,462)
— Provision of vehicle operating services	**12,816**	285
— Provision of exhibition support services	**10,141**	—
— Provision of hotel services	**38**	5
— Interest income received	**6,041**	10,598
— Provision of food and beverage service	**48**	1
	30,127	(1,651,573)
— (Repayment of lending)/provision of lending	**(250,000)**	350,000
— Rental expenses paid	**11,942**	9,671
— Interest expenses paid	**2,324**	10,114
— Receipt of food and beverage service	**170**	169
— Receipt of other services	**127**	160
	(235,437)	370,114
Transactions with subsidiaries, associates and joint ventures of Jin Jiang International		
— Deposits received	**262,401**	342,899
— Provision of vehicle operating services	**40,968**	54,888
— Provision of hotel services	**33,862**	32,583
— Provision of hotel revenue settlement services	**27,096**	24,927
— Sales of membership package	**16,088**	31,427
— Sales of fixed assets	**14,902**	—
— Provision of tourism services	**5,725**	3,786
— Rental income received	**2,524**	3,090
— Sales of hotel supplies	**1,894**	2,131
— Provision of other services	**1,006**	1,542
— Hotel franchise fees	**100**	1,188
	406,566	498,461

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

37 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related party transactions (Continued)

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Transactions with subsidiaries, associates and joint ventures of Jin Jiang International (Continued)		
— Repayment of lending	**—**	(350,000)
— Interest expenses paid	**109,401**	110,851
— Rental expenses paid	**43,318**	40,890
— Receipt of tourism services	**27,455**	29,750
— Receipt of electronic commerce service	**20,078**	16,465
— Purchase of membership package	**15,361**	31,531
— Receipt of other services	**1,212**	8,902
— Purchase of food and beverage	**832**	791
	217,657	(110,820)
Transactions with joint ventures of the Group		
— Deposits received/(repaid)	**44,120**	(30,884)
— Interest income received	**18,017**	18,228
— Sales of hotel supplies	**13,281**	937
— Provision of other services	**47**	501
— Management fees received	**—**	—
	75,465	(11,218)
— Provision of lending/(repayment of lending)	**38,000**	(4,500)
— Interest expenses paid	**8,642**	8,707
— Purchase of goods	**510**	1,833
— Receipt of other services	**45**	57
	47,197	6,097

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

37 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related party transactions (Continued)

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Transactions with associates of the Group		
— Deposits received/(repaid)	3,153	(7,677)
— Interest income received	2,650	2,778
— Management fees received	2,315	2,551
— Rental income received	1,363	3,508
— Provision of tourism services	49	—
— Sales of hotel supplies	26	157
— Sales of property, plant and equipment	—	505
	9,556	1,822
— Purchase of vehicles and related parts	192	22,127
— Receipt of travelling services	57	—
— Rental expense paid	21	770
— Interest expenses paid	1	3
— Repayment of lending	(100)	(100)
	171	22,800

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

37 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Amounts due from/due to related parties

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Loan to related parties by Finance Company (note 17)		
— Jin Jiang International (i)	**400,000**	650,000
— Joint ventures of the Group (ii)	**463,000**	425,000
— Associates of the Group (iii)	**54,800**	54,900
	917,800	1,129,900
Loan to related parties by the Group other than Finance Company (note 17)		
— Joint ventures of the Group (iv)	**32,500**	30,500
— Associates of the Group (v)	**1,200**	3,900
	33,700	34,400
Other amounts due from related parties (note 17)		
— Jin Jiang International	**820**	993
— Subsidiaries, joint ventures and associates of Jin Jiang International	**115,645**	275,418
— Joint ventures of the Group	**48,936**	48,097
— Associates of the Group	**13,301**	43,918
	178,702	368,426
Deposits from related parties in Finance Company (note 22)		
— Jin Jiang International (vi)	**(32,244)**	(31,201)
— Subsidiaries, joint ventures and associates of Jin Jiang International (vii)	**(3,957,469)**	(3,683,595)
— Joint ventures of the Group (viii)	**(267,870)**	(260,323)
— Associates of the Group (ix)	**(9,116)**	(5,963)
	(4,266,699)	(3,981,082)
Other amounts due to related parties (note 22)		
— Jin Jiang International	**(10,518)**	(14,515)
— Subsidiaries, joint ventures and associates of Jin Jiang International	**(38,238)**	(44,118)
— Joint ventures of the Group	**(67,899)**	(69,968)
— Associates of the Group	**(33,954)**	(18,533)
	(150,609)	(147,134)
Borrowings from related parties (note 23)		
— A subsidiary of Jin Jiang International (x)	**(4,483,250)**	(4,453,650)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

37 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Amounts due from/due to related parties (Continued)

(i) The balance includes unsecured loans to Jin Jiang International of RMB400,000,000 as 31 December 2019 (31 December 2018: RMB650,000,000) with effective interest rate of 3.92% (31 December 2018: 3.92%) per annum.

(ii) The balance includes secured loans to a joint venture of RMB460,000,000 as at 31 December 2019 (31 December 2018: RMB410,000,000) with effective interest rate of 4.20% (31 December 2018: 4.21%) per annum which were guaranteed by its properties, and an unsecured loan to a joint venture of RMB3,000,000 as at 31 December 2019 (31 December 2018: RMB15,000,000) with effective interest rate of 3.92% (31 December 2018: 3.92%) per annum.

(iii) The balance includes secured loans to an associate of the Group of RMB54,800,000 as at 31 December 2019 (31 December 2018: RMB54,900,000) with effective interest rate of 4.75% (31 December 2018: 4.75%) per annum which were guaranteed by their properties.

(iv) The balance includes unsecured loans to joint ventures of RMB32,500,000 as at 31 December 2019 (31 December 2018: RMB30,500,000) with effective interest rate of 4.29% (31 December 2018: 4.36%) per annum.

(v) The balance includes unsecured loans to associates of the Group of RMB1,200,000 as at 31 December 2019 (31 December 2018: RMB3,900,000) with effective interest rate of 4.35% (31 December 2018: 4.35%) per annum.

(vi) The balance includes deposits from Jin Jiang International of RMB32,244,000 as at 31 December 2019 (31 December 2018: RMB31,201,000) with effective interest rate of 0.39% (31 December 2018: 0.39%) per annum.

(vii) The balance includes deposits from subsidiaries, joint ventures and associates of Jin Jiang International of RMB3,957,469,000 as at 31 December 2019 (31 December 2018: RMB3,683,595,000) with effective interest rate of 1.15% (31 December 2018: 0.61%) per annum.

(viii) The balance includes deposits from joint ventures of RMB267,870,000 as at 31 December 2019 (31 December 2018: RMB260,323,000) with effective interest rate of 3.17% (31 December 2018: 3.33%) per annum.

(ix) The balance includes deposits from associates of the Group of RMB9,116,000 as at 31 December 2019 (31 December 2018: RMB5,963,000) with effective interest rate of 1.40% (31 December 2018: 1.19%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

37 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Amounts due from/due to related parties (Continued)

(x) The balance includes an unsecured borrowing from a subsidiary of Jin Jiang International of RMB575,500,000 as at 31 December 2019 (31 December 2018: RMB530,000,000) with effective interest rate of 3.50% (31 December 2018: 3.50%) per annum, and a subsidiary of Jin Jiang International of EUR500,000,000, equivalent to RMB3,907,750,000 as at 31 December 2019 (31 December 2018: EUR500,000,000, equivalent to RMB3,923,650,000) with effective interest rate of 1.17% (31 December 2018: 1.17%).

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

(c) Loan commitments and financial guarantees

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Loan commitments (note 35)		
— Jin Jiang International	**100,000**	—
— Joint ventures of the Group	**77,000**	75,000
— Associates of the Group	**—**	100
	177,000	75,100
Financial guarantees provided to related parties (note 34)		
— Joint ventures of the Group	**3,000**	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

37 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Key management compensation

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Salary and other allowances	**1,680**	1,899
Discretionary bonus	**621**	669
Retirement scheme contributions	**615**	633
	2,916	3,201

The emoluments fell within following bands:

	Year ended 31 December	
	2019	2018
	Number	Number
Nil to RMB447,890 (equivalent to HK$500,000)	**–**	2
RMB447,890 (equivalent to HK$500,000) to RMB895,780 (equivalent to HK$1,000,000)	**6**	4
	6	6

(e) Balances and transactions with stated-owned enterprises in China other than Jin Jiang International and its subsidiaries, joint ventures and associates ("Other State-owned Enterprises")

As at 31 December 2019, majority of the Group's bank balances and borrowings are with state-owned banks. The Group also has transactions with Other State-owned Enterprises in China including but not limited to sales of products, purchases of raw material, utilities and services. The Directors of the Company are of the opinion that these transactions are conducted in the ordinary business of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

38 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and supervisors' emoluments

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Directors and supervisors		
— Basic salaries, housing allowances, other allowances	1,457	1,976
— Contributions to retirement plans	188	280
	1,645	2,256

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

38 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and supervisors' emoluments (Continued)

The emoluments of every director and supervisor for the year ended 31 December 2019, on a named basis, are set out as below:

(i) For the year ended 31 December 2019:

	Directors'/ Supervisors' fee RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Estimated money value of other benefits (note (7)) RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Directors							
Mr. Yu Minliang	–	–	–	–	–	–	–
Ms. Guo Lijuan	–	–	–	–	–	–	–
Mr. Chen Liming	–	–	–	–	–	–	–
Mr. Ma Mingju (note (1))	–	–	–	–	–	–	–
Ms. Zhou Wei (note (2))	–	–	–	–	–	–	–
Mr. Sun Yu (note (2))	–	–	–	–	–	–	–
Mr. Zhang Qian (note (3))	–	–	–	–	–	–	–
Mr. Ji Gang	–	–	–	–	–	–	–
Dr. Rui Mingjie	120	–	–	–	–	–	120
Mr. Shen Liqiang (note (2))	60	–	–	–	–	–	60
Dr. Tu Qiyu (note (3))	–	–	–	–	–	–	–
Dr. Xu Jianxin (note (3))	60	–	–	–	–	–	60
Mr. Xie Hongbing (note (3))	60	–	–	–	–	–	60
Dr. He Jianmin (note (3))	60	–	–	–	–	–	60
	360	–	–	–	–	–	360
Supervisors							
Mr. Wang Guoxing	–	–	–	–	–	–	–
Mr. Chen Yinghao	–	264	104	34	59	123	584
Mr. Kuang Ke (note (4))	–	–	–	–	–	–	–
Mr. He Yichi (note (5))	–	254	321	16	9	65	665
Mr. Zhou Qiquan (note (5))	18	–	–	–	–	–	18
Ms. Zhou Yi (note (5))	18	–	–	–	–	–	18
	36	518	425	50	68	188	1,285
	396	518	425	50	68	188	1,645

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

38 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and supervisors' emoluments (Continued)

(ii) For the year ended 31 December 2018:

	Directors'/ Supervisors' fee RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Estimated money value of other benefits (note (7)) RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Directors							
Mr. Yu Minliang	–	–	–	–	–	–	–
Ms. Guo Lijuan	–	–	–	–	–	–	–
Mr. Chen Liming	–	–	–	–	–	–	–
Mr. Zhang Qian	–	–	–	–	–	–	–
Mr. Han Min (note (6))	–	214	16	9	29	43	311
Mr. Ji Gang	120	–	–	–	–	–	120
Dr. Rui Mingjie	120	–	–	–	–	–	120
Dr. Tu Qiyu	–	–	–	–	–	–	–
Dr. Xu Jianxin	120	–	–	–	–	–	120
Mr. Xie Hongbing	120	–	–	–	–	–	120
Dr. He Jianmin	120	–	–	–	–	–	120
	600	214	16	9	29	43	911
Supervisors							
Mr. Wang Guoxing	–	–	–	–	–	–	–
Mr. Ma Mingju (note (1))	–	–	–	–	–	–	–
Mr. Zhou Qiquan	36	–	–	–	–	–	36
Ms. Zhou Yi	36	–	–	–	–	–	36
Mr. Chen Yinghao	–	265	94	29	59	113	560
Mr. He Yichi	–	508	52	29	–	124	713
	72	773	146	58	59	237	1,345
	672	987	162	67	88	280	2,256

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

38 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and supervisors' emoluments (Continued)

Notes:

(1) The Supervisor resigned on 16 November 2018, and has been nominated as an executive director of the Company on 30 January 2019.

(2) The Directors were appointed on 28 June 2019.

(3) The Directors retired upon expiration of the term of office of the fourth session of the Board on 28 June 2019.

(4) The Supervisor was appointed on 28 June 2019.

(5) The Supervisors were retired upon expiration of the term of office of the fourth session of the Supervisory Committee on 28 June 2019.

(6) The Director retired on 27 April 2018.

(7) Other benefits include medical and life insurance premium.

(8) The Company does not have a chief executive who is not a director of the Company (2018: same).

(9) For the years ended 31 December 2019 and 2018, no directors of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	At 31 December	
	2019	2018
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	**463,723**	471,223
Right-of-use assets	**172,015**	—
Investment properties	**90,210**	23,574
Land use rights	**—**	252,683
Intangible assets	**354**	114
Investments in subsidiaries	**12,324,454**	12,324,454
Investments in joint venture and associates	**963,330**	963,330
Financial assets at fair value through other comprehensive income	**15,600**	15,600
Financial assets at fair value through profit or loss	**15,700**	15,700
Trade receivables, prepayments and other receivables	**32,111**	33,000
	14,077,497	14,099,678
Current assets		
Financial assets at fair value through profit or loss	**—**	42
Inventories	**2,443**	1,971
Trade receivables, prepayments and other receivables	**715,953**	835,961
Cash and cash equivalents	**238,999**	361,281
	957,395	1,199,255
Total assets	**15,034,892**	15,298,933

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

	At 31 December	
	2019	2018
	RMB'000	RMB'000
EQUITY		
Capital and reserves attributable to shareholders of the Company		
Share capital	**5,566,000**	5,566,000
Reserves (note (a))	**4,747,231**	4,856,050
Total equity	**10,313,231**	10,422,050
LIABILITIES		
Non-current liabilities		
Borrowings	**2,219,600**	1,989,000
Deferred income tax liabilities	**535,566**	565,287
Lease liability	**51,421**	—
	2,806,587	2,554,287
Current liabilities		
Borrowings	**1,530,000**	1,530,000
Trade and other payables and accruals	**372,615**	784,639
Contract liability	**7,102**	7,957
Lease liability	**5,357**	—
	1,915,074	2,322,596
Total liabilities	**4,721,661**	4,876,883
Total equity and liabilities	**15,034,892**	15,298,933

The balance sheet of the Company was approved by the Board of Directors on 31 March 2020 and was signed on its behalf by:

Yu Minliang
Chairman and Executive Director

Ma Mingju
Executive President and Executive Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (a) Reserve movement of the Company

	Other reserves					
	Capital surplus RMB'000	Statutory surplus reserve RMB'000	Financial assets at FVOCI RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2018	1,554,645	483,268	943	2,038,856	2,708,104	4,746,960
Profit for the year	—	—	—	—	554,370	554,370
Profit appropriation	—	53,834	—	53,834	(53,834)	—
Dividends declared (note 32)	—	—	—	—	(445,280)	(445,280)
Balance at 31 December 2018	1,554,645	537,102	943	2,092,690	2,763,360	4,856,050
Balance at 31 December 2018	1,554,645	537,102	943	2,092,690	2,763,360	4,856,050
Change in accounting policy — HKFRS 16	—	—	—	—	(59,426)	(59,426)
Balance at 1 January 2019	1,554,645	537,102	943	2,092,690	2,703,934	4,796,624
Profit for the year	—	—	—	—	395,887	395,887
Profit appropriation	—	37,126	—	37,126	(37,126)	—
Dividends declared (note 32)	—	—	—	—	(445,280)	(445,280)
Balance at 31 December 2019	1,554,645	574,228	943	2,129,816	2,617,415	4,747,231

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For the year ended 31 December 2019

40 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

As at 31 December 2019, the Company had direct and indirect interests in the following principal subsidiaries, joint ventures and associates:

Company name	Country and date of incorporation	Issued/registered and paid in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operation	Type of legal entity
		'000	2019	2018	2019	2018		
(a) Subsidiaries								
Jin Jiang Hotel Company Limited 上海錦江飯店有限公司	Mainland China, 30 May 1982	RMB206,920	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Park Hotel Company Limited 上海錦江國際飯店有限公司	Mainland China, 21 December 1979	RMB91,583	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Cypress Hotel Company Limited 上海龍柏飯店有限公司	Mainland China, 28 January 1984	RMB84,182	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Pacific Hotel Company Limited 上海錦江金門大酒店有限公司	Mainland China, 21 December 1979	RMB40,649	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Marvel Hotel 上海商悅青年會大酒店有限公司	Mainland China, 23 October 1984	RMB40,000	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Rainbow Hotel Company Limited 上海虹橋賓館有限公司	Mainland China, 9 February 1988	RMB21,951	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Hua Ting Guest House Company Limited 上海南華亭酒店有限公司	Mainland China, 15 July 2002	RMB26,099	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Hotel Company Limited 上海市上海賓館有限公司	Mainland China, 23 August 1991	RMB88,000	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jing An Hotel Company Limited 上海靜安賓館有限公司	Mainland China, 31 December 2010	RMB46,886	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Jinsha Hotel Company Limited 上海金沙江大酒店有限公司	Mainland China, 22 January 2003	RMB68,000	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Magnolia Hotel Company Limited 上海白玉蘭賓館有限公司	Mainland China, 25 March 1998	RMB59,166	100.0%	100.0%	–	–	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Da Hua Hotel Company Limited 上海錦江達華賓館有限公司	Mainland China, 18 February 1982	RMB31,704	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company

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For the year ended 31 December 2019

40 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/registered and paid in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operation	Type of legal entity
		'000	2019	2018	2019	2018		
(a) Subsidiaries (Continued)								
Shanghai New Asia Plaza Great Wall Hotel Company Limited 上海新亞廣場長城酒店有限公司	Mainland China, 26 April 1994	RMB120,000	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Peace Hotel Company Limited 上海和平飯店有限公司	Mainland China, 11 November 1998	RMB345,460	100.0%	100.0%	–	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Linqing Hotel Company Limited 上海臨青賓館有限公司	Mainland China, 18 November 1999	RMB16,600	100.0%	100.0%	–	–	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Kunming Jin Jiang Hotel Company Limited 昆明錦江大酒店有限公司	Mainland China, 7 December 1985	US$8,000	100.0%	100.0%	–	–	Hotel ownership and operations, Kunming, Mainland China	Limited liability company
Finance Company 錦江國際集團財務有限責任公司	Mainland China, 16 October 1997	RMB500,000	100.0%	100.0%	–	–	Provision of intra-group treasury and financing services, Shanghai, Mainland China	Limited liability company
Jin Jiang Inn Company Limited 錦江之星旅館有限公司	Mainland China, 17 May 1996	RMB179,712	100.0%	100.0%	–	–	Budget hotel ownership, operations and franchising, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang International Hotel Investment Company Limited 上海錦江國際旅館投資有限公司	Mainland China, 20 December 2004	RMB1,225,000	100.0%	100.0%	–	–	Budget hotel ownership, operations and franchising, Shanghai, Mainland China	Limited liability company
Wuhan Jin Jiang International Hotel Company Limited 武漢錦江國際大酒店有限公司	Mainland China, 22 November 2004	RMB220,000	100.0%	100.0%	–	–	Hotel ownership and operations, Wuhan, Mainland China	Limited liability company
Shanghai Jin Jiang International Hotels Company Limited 上海錦江國際酒店股份有限公司	Mainland China, 9 June 1993	RMB957,936	50.3%	50.3%	49.7%	49.7%	Hotel and restaurant ownership and operations, Shanghai, Mainland China	Joint stock limited company
Shanghai New Asia Food Company Limited 上海新亞食品有限公司	Mainland China, 1 November 1996	RMB11,415	100.0%	100.0%	–	–	Food manufacturing, Shanghai, Mainland China	Limited liability company
Jin Jiang International Hotel Management Company Limited 錦江國際酒店管理有限公司	Mainland China, 1 December 1992	RMB200,000	100.0%	100.0%	–	–	Star-rated hotel management, Shanghai, Mainland China	Limited liability company

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40 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/registered and paid in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operation	Type of legal entity
		'000	2019	2018	2019	2018		
(a) Subsidiaries (Continued)								
Shanghai Jin Jiang International Catering Investment Company Limited 上海錦江國際餐飲投資管理有限公司	Mainland China, 1 December 1992	RMB149,930	100.0%	100.0%	–	–	Investment in and operation of restaurants, Shanghai, Mainland China	Limited liability company
Shanghai Jin Ya Hotel Company Limited 上海錦亞旅館有限公司	Mainland China, 1 December 1992	RMB18,000	100.0%	100.0%	–	–	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Tianjin Jin Jiang Inn Company Limited 天津錦江之星旅館有限公司	Mainland China, 1 July 2003	RMB40,000	100.0%	100.0%	–	–	Budget hotel ownership and operations, Tianjin, Mainland China	Limited liability company
Qingdao Jin Jiang Inn Company Limited 青島錦江之星旅館有限公司	Mainland China, 21 March 2005	RMB20,000	100.0%	100.0%	–	–	Budget hotel ownership and operations, Qingdao, Mainland China	Limited liability company
Beijing Jin Jiang Inn Investment and Management Company Limited 北京錦江之星旅館投資管理有限公司	Mainland China, 22 July 2003	RMB28,000	100.0%	100.0%	–	–	Budget hotel ownership and operations, Beijing, Mainland China	Limited liability company
Xi'an Jin Jiang Inn Company Limited 西安錦江之星旅館有限公司	Mainland China, 24 June 2005	RMB20,000	100.0%	100.0%	–	–	Budget hotel ownership and operations, Xi'an, Mainland China	Limited liability company
Zhengzhou Jin Jiang Inn Company Limited 鄭州錦江之星旅館有限公司	Mainland China, 5 July 2005	RMB20,000	100.0%	100.0%	–	–	Budget hotel ownership and operations, Zhengzhou, Mainland China	Limited liability company
Shanghai Di Shui Hu Jin Jiang Inn Company Limited 上海滴水湖錦江之星旅館有限公司	Mainland China, 22 September 2005	RMB20,000	100.0%	100.0%	–	–	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Min Hotel Company Limited 上海錦閔旅館有限公司	Mainland China, 5 July 2005	RMB40,000	100.0%	100.0%	–	–	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai YuJin Hotel Management Company Limited 上海豫錦酒店管理有限公司	Mainland China, 30 October 2008	RMB20,000	60.0%	60.0%	40.0%	40.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Tianjin Hedong District Jin Jiang Inn Company Limited 天津河東區錦江之星旅館有限公司	Mainland China, 15 January 2008	RMB21,000	100.0%	100.0%	–	–	Budget hotel ownership and operations, Tianjin, Mainland China	Limited liability company

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40 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/registered and paid in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operation	Type of legal entity
		'000	2019	2018	2019	2018		
(a) Subsidiaries (Continued)								
Shenyang Songhua River Street Jin Jiang Inn Company Limited 瀋陽松花江街錦江之星旅館有限公司	Mainland China, 21 February 2008	RMB20,000	100.0%	100.0%	–	–	Budget hotel ownership and operations, Shenyang, Mainland China	Limited liability company
Shanghai Jin Jiang International Hotels Group (HK) Company Limited 上海錦江國際酒店集團(香港)有限公司	Hong Kong, 14, February 2000	HK$70,736	100.0%	100.0%	–	–	Hotel reservation, Hong Kong	Limited liability company
Shanghai Jian Guo Hotel Company Limted 上海建國賓館有限公司	Mainland China, 30 October 1986	RMB80,000	65.0%	65.0%	35.0%	35.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Sofitel Hyland Shanghai Company Limted 上海海侖賓館有限公司	Mainland China, 22 November 1985	RMB62,626	66.7%	66.7%	33.3%	33.3%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
West Capital International Hotel Company Limited 西安西京國際飯店有限公司	Mainland China, 17 May 2005	RMB80,000	100.0%	100.0%	–	–	Hotel ownership and operations, Xi'an, Mainland China	Limited liability company
Shanghai Jin Ya Catering Company Limited 上海錦亞餐飲有限公司	Mainland China, 12 December 1997	RMB68,670	100.0%	100.0%	–	–	Fast food operations, Shanghai, Mainland China	Limited liability company
Capital Gathering LLC 上海錦江酒店集團(美國)有限公司	USA 15 May 2009	US$39,600	100.0%	100.0%	–	–	Investment operations, Wilmington, USA	Limited liability company
ShanXi Jinguang Inn Company Limited 山西金廣快捷酒店管理有限公司	China Mainland, 15 August,2006	RMB68,333	100.0%	100.0%	–	–	Budget hotel ownership and operations, Shanxi, Mainland China	Limited liability company
Jing An Bakery Holding Co., Ltd 靜安麵包房控股有限公司	British Virgin islands Britain, 21 April 2009	RMB41,692	60.0%	60.0%	40.0%	40.0%	Investment operations, Hong Kong, China	Limited liability company
Shanghai Jin Jiang International Travel Co., Ltd 上海錦江國際旅遊股份有限公司	Mainland China, 24 September 1994	RMB132,556	50.2%	50.2%	49.8%	49.8%	Travel agency, Shanghai, Mainland China	Joint stock limited company
Shanghai Jin Jiang International Industrial Investment Co., Ltd (i) 上海錦江國際實業投資股份有限公司	Mainland China, 24 February 1993	RMB551,610	39.26%	39.26%	60.74%	60.74%	Passenger transportation vehicle and logistics, Shanghai, Mainland China	Joint stock limited company

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40 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/registered and paid in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operation	Type of legal entity
		'000	2019	2018	2019	2018		
(a) Subsidiaries (Continued)								
Shanghai Jing An Bakery Company Limited 上海靜安麵包房有限公司	Mainland China, 1 January 1993	US$1,000	65.9%	65.9%	34.1%	34.1%	Fast food operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang International Cold Logistics Development Co., Ltd. 上海錦江國際低溫物流發展有限公司	Mainland China, 28 August 2006	RMB83,338	100.0%	100.0%	–	–	Provision of logistics management and relevant business services, Shanghai, Mainland China	Limited liability company
Shanghai Shanghai Food Co., Ltd. 上海尚海食品有限公司	Mainland China, 20 February 2010	RMB25,000	100.0%	100.0%	–	–	Trading of food, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Auto Service Co., Ltd. 上海錦江汽車服務有限公司	Mainland China, 3 May 1993	RMB338,480	95.0%	95.0%	5.0%	5.0%	Provision of vehicle rental services, Shanghai, Mainland China	Limited liability company
Shanghai CITS International Travel Services Co., Ltd. 上海國旅國際旅行社有限公司	Mainland China, 29 December 1993	RMB20,000	100.0%	100.0%	–	–	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Tourism Co., Ltd. 上海錦江旅遊有限公司	Mainland China, 25 August 1993	RMB24,990	100.0%	100.0%	–	–	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Travel Agency Co., Ltd. 上海旅行社有限公司	Mainland China, 2 September 1992	RMB2,000	100.0%	100.0%	–	–	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Jin Cai Association Co., Ltd. 上海錦琛會務有限公司	Mainland China, 1 November 2013	RMB10,000	100.0%	100.0%	–	–	Investment operation, Shanghai, Mainland China	Limited liability company
Shanghai Ji Gan Industrial Investment Co., Ltd. 上海佶苷實業投資有限公司	Mainland China, 26 November 2013	RMB1,000	100.0%	100.0%	–	–	Investment operation, Shanghai, Mainland China	Limited liability company
Shenzhen Overseas Chinese Town City Inn Co., Ltd. 深圳市都之華酒店管理有限公司	Mainland China, 23 April 1993	RMB131,400	100.0%	100.0%	–	–	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang JTB International Exhibition Co., Ltd. ("Jin Jiang JTB") (ii) 上海錦江國際JTB會展有限公司	Mainland China, 11 April 2005	US$1,000	50.0%	50.0%	50.0%	50.0%	Budget hotel ownership and operations, Shanghai Mainland China	Limited liability company

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40 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/registered and paid in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operation	Type of legal entity
		'000	2019	2018	2019	2018		
(a) Subsidiaries (Continued)								
Shanghai Jin Yan Enterprise Investment Management Co., Ltd. 上海錦琰企業投資管理有限公司	Mainland China, 30 November 2012	RMB78,150	100.0%	100.0%	–	–	Investment operation, Shanghai, Mainland China	Limited liability company
GDL 盧浮集團	France, 27 July 2005	EUR262,037	100%	100%	–	–	Hotel and restaurant ownership and operations, France	Limited liability company
Keystone Lodging Holdings Limited 鉑濤集團	Mainland China, 17 July 2013	RMB73,434	96.5018%	93.0035%	3.4982%	6.9965%	Hotel ownership and operations, Guangzhou, Mainland China	Limited liability company
Vienna Hotels Group Co., Ltd 維也納酒店有限公司	Mainland China, 12 April 2014	RMB116,392	80.0%	80.0%	20.0%	20.0%	Hotel ownership and operations, Shenzhen, Mainland China	Limited liability company
Shenzhen Bai Sui Cun Restaurant Chain Co., Ltd 深圳市百歲村餐飲連鎖有限公司	Mainland China, 6 March 2008	RMB1,000	80.0%	80.0%	20.0%	20.0%	Fast food operations, Shenzhen, Mainland China	Limited liability company
Shanghai Xintiantian Cold Logistics Co., Ltd 上海新天天低溫物流有限公司	Mainland China, 31 July 2003	RMB66,179	65.0%	65.0%	35.0%	35.0%	Provision of logistics management and relevant business services, Shanghai, Mainland China	Limited liability company
Shanghai Yangtze Hotel Limited 上海揚子江大酒店有限公司	Mainland China, 4 February 1985	RMB451,812	66.67%	66.67%	33.33%	33.33%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Auto Trading Service Company Ltd. ("Jin Jiang Auto Trading Service") (iii) 上海錦江汽車銷售服務有限公司(「錦江汽車銷售服務」)	Mainland China, 14 January 2004	RMB5,000	30.0%	30.0%	70.0%	70.0%	Trading of automobile and related parts, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang GPP Supply Chain Co., Ltd. 上海錦江聯採供應鏈有限公司	Mainland China, 14 November 2019	RMB300,000	80.0%	–	20.0%	–	Supply chain management, storage and postal service, Shanghai, Mainland China	Limited liability company

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40 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/registered and paid in capital	% of ownership interest 2019	% of ownership interest 2018	Principal activities and place of operation	Type of legal entity
(b) Joint ventures (iv)						
Shanghai Galaxy Hotel Company Limited 上海銀河賓館有限公司	Mainland China, 22 August 1990	RMB19,885	50.0%	50.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Beijing Kunlun Hotel Company Limited 北京崑崙飯店有限公司	Mainland China, 24 May 1988	US$34,167	47.5%	47.5%	Hotel ownership and operations, Beijing, Mainland China	Limited liability company
Shanghai Jin Jiang Tomson Hotel Company Limited 上海錦江湯臣大酒店有限公司	Mainland China, 10 July 1993	US$24,340	50.0%	50.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Thayer Jin Jiang Interactive Co., Ltd. 上海錦江德爾互動有限公司	Mainland China, 31 October 2005	US$3,000	50.0%	50.0%	Software development and related services, Shanghai, Mainland China	Limited liability company
Shanghai Tower Jin Jiang Hotel Asset Management Co.,Ltd 上海中心大廈錦江酒店資產管理有限公司	Mainland China, 16 May 2011	RMB60,000	50.0%	50.0%	Hotel management, Shanghai, Mainland China	Limited liability company
JHJ International Transportation Co.,Ltd. 錦海捷亞國際貨運有限公司	Mainland China, 6 December 1992	US$10,000	50.0%	50.0%	Transportation and logistics, Shanghai, Mainland China	Limited liability company
Shanghai Dazhong New Asia Co., Ltd. 上海大眾新亞出租汽車有限公司	Mainland China, 27 April 2000	RMB30,000	49.5%	49.5%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Jiayou Automobile Services Co., Ltd. 上海錦江佳友汽車服務有限公司	Mainland China, 08 September 1993	RMB24,700	50.0%	50.0%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Vehicle Driver Training Centre Co., Ltd. 上海市機動車駕駛員培訓中心有限公司	Mainland China, 25 August 1989	RMB4,340	33.33%	33.33%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Zhendong Automobile Services Co., Ltd. 上海振東汽車服務有限公司	Mainland China, 25 June 1991	US$7,900	50.0%	50.0%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Jinmao Jin Jiang Automobile Services Co., Ltd. 上海金茂錦江汽車服務有限公司	Mainland China, 11 January 1996	RMB22,000	50.0%	50.0%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Wubei Parking Garage Co.,Ltd 上海烏北停車庫有限公司	Mainland China, 20 July 2016	RMB3,000	50.0%	50.0%	Parking Service, Shanghai, Mainland China	Limited liability company
INCA Hotel Holdings Company LLC	Delaware, USA 2 May, 2016	USD28,238	50.0%	50.0%	Hotel Investment, USA	Limited liability company

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40 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/registered and paid in capital	% of ownership interest 2019	% of ownership interest 2018	Principal activities and place of operation	Type of legal entity
(c) Associates (iv)						
Wuxi Jin Jiang Grand Hotel Company Limited 無錫錦江大酒店有限公司	Mainland China, 16 December1994	RMB67,570	25.0%	25.0%	Hotel ownership and operations, Wuxi, Mainland China	Limited liability company
Shanghai Kentucky Fried Chicken Company Limited 上海肯德基有限公司	Mainland China, 5 May 1989	US$27,010	42.0%	42.0%	Fast food operations, Shanghai, Mainland China	Limited liability company
Shanghai New Asia Fulihua Catering Company Limited 上海新亞富麗華餐飲股份有限公司	Mainland China, 25 June 1992	RMB35,000	42.0%	42.0%	Restaurant operations, Shanghai, Mainland China	Limited liability company
Shanghai Yoshinoya Company Limited 上海吉野家快餐有限公司	Mainland China, 3 June 2002	US$12,300	42.8%	42.8%	Fast food operations, Shanghai, Mainland China	Limited liability company
Jiangsu Jin Jiang Nanjing Hotel Company Limited 江蘇錦江南京飯店有限公司	Mainland China, 12 October 1982	RMB34,640	40.0%	40.0%	Hotel ownership and operations, Nanjing, Mainland China	Limited liability company
Jiangsu Nanjing Long Distance Passenger Transport Group Co., Ltd. 江蘇南京長途汽車客運集團有限公司	Mainland China, 4 June 1991	RMB110,000	23.0%	23.0%	Transportation services, Nanjing, Mainland China	Limited liability company
Limited liability company Shanghai Pudong International Airport Cargo Terminal Co., Ltd 上海浦東國際機場貨運站有限公司	Mainland China, 08 October 1999	RMB311,610	20.0%	20.0%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Yongda Fengdu Automobile Distribution and Services Co., Ltd. 上海永達風度汽車銷售服務有限公司	Mainland China, 21 January 2002	RMB15,000	40.0%	40.0%	Trading of automobile and related parts, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Passenger Transport Co., Ltd. 上海錦江客運有限公司	Mainland China, 24 February 2003	RMB10,000	30.0%	30.0%	Transportation services, Shanghai, Mainland China	Limited liability company
China Oriental International Travel & Transport Co., Ltd. 上海東方航空國際旅遊運輸有限公司	Mainland China, 16 August 1990	RMB8,000	49.0%	49.0%	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Waihang International Travel Service Co., Ltd. 上海外航國際旅行社有限公司	Mainland China, 25 May 1993	RMB3,500	30.0%	30.0%	Travel agency, Shanghai, Mainland China	Limited liability company

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40 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/registered and paid in capital	% of ownership interest 2019	% of ownership interest 2018	Principal activities and place of operation	Type of legal entity
(c) Associates (iv) (Continued)						
Shanghai Oneday Travel Service Co., Ltd. 上海一日旅行社有限公司	Mainland China, 4 May 1999	RMB3,500	22.9%	22.9%	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Juxing Real Estate Management Co., Ltd. 上海聚星物業管理有限公司	Mainland China, 10 January 2000	RMB1,000	24.7%	24.7%	Property management, Shanghai, Mainland China	Limited liability company
Shanghai Qi Cheng Network Technology Co., Ltd. 上海齊程網絡科技有限公司	Mainland China, 16 February 2017	RMB1,000,000	20.0%	20.0%	Network Technology and E-Commerce, Shanghai, Mainland China	Limited liability company
Shanghai Hailun Construction Development Co., Ltd. 上海海侖建設發展有限公司	Mainland China, 29 June 1993	RMB5,000	41.0%	–	Construction, Shanghai, Mainland China	Limited liability company

(i) Although the Company holds less than half of the equity interests in Jin Jiang Investment and therefore has less than half of its voting rights, the Director concludes that the Company has de facto control over Jin Jiang Investment and accounts for it as a subsidiary after taking into consideration, among the things: (a) the dispersed shareholder structure excluding those interests directly and indirectly held by the Company; (b) the ability to demonstrate effective control during the shareholders' meetings and board meetings; and (c) the extent of involvement of directors of Jin Jiang Investment nominated by the Company in its operational and financial policy setting and decision making.

(ii) Although Jin Jiang Travel holds 50% equity interests in Jin Jiang JTB, it is concluded that Jin Jiang Travel has control over the Jin Jiang JTB and accounts for it as a subsidiary, after taking into consideration that a majority (2 out of 3) of the board of Jin Jiang JTB can be appointed by the Company, and Jin Jiang Travel is exposed to or has rights to variable returns from its involvement with Jin Jiang JTB and has the ability to affect those returns through its power over Jin Jiang JTB.

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40 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

(iii) In accordance with the Concerted Action Agreement between Jin Jiang Investment and Shanghai Jin Jiang Passenger Transport Company Ltd. ("Jin Jiang Passenger Transport"), another shareholder of Jin Jiang Auto Trading Service, Jin Jiang Passenger Transport will conduct consistent actions with Jin Jiang Investment when the exercise of the shareholders' voting rights. After considering the Concerted Action Agreement, Jin Jiang Investment is exposed to or has rights to variable returns from its involvement with Jin Jiang Auto Trading Service and has the ability to affect those returns through its power over Jin Jiang Auto Trading Service. As a result, although Jin Jiang Investment holds 30% equity interests in Jin Jiang Auto Trading Service, it is concluded that Jin Jiang Investment has control over the Jin Jiang Auto Trading Service and accounts for it as a subsidiary.

(iv) All investments in joint ventures and associates are accounted for using equity method in the consolidated financial statements of the Group. All the principal joint ventures and associates provide products and services in connection with Hotel Related Businesses, Passenger Transportation Vehicle and Logistics Businesses or Travel Agency Businesses, and are the strategic partnerships of the Group.

41 EVENTS OCCURRING AFTER THE REPORTING PERIOD

(i) After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020 and the spread of the virus worldwide, a series of precautionary and control practices have been and continued to be implemented by government across the world. The Chinese government has taken drastic control measures and launched a number of policy notices, while other countries have also implemented travel restrictions and similar actions, which have varying degrees of impact on the Group's revenue of various businesses.

Hotel Related Business — In order to vigorously cooperate with the epidemic prevention practices and to fulfill its social responsibility, the Group adopted measures such as waiving or reducing the franchise fee, properly handling the requisition and temporary closure of hotels, and strengthening hotel disinfection and cleaning. Since late January 2020, over 800 hotels owned, managed or franchised by the Group with more than 80,000 rooms have been temporarily expropriated. At the same time, many domestic and overseas hotels, especially those in Hubei Province, were affected by the epidemic, and the occupancy rate declined that affected the accommodation revenue, hotel management and franchise revenue of the Group.

Passenger Transportation Vehicles and Logistics Business — Due to the epidemic, the Group's sales of automobiles from January to February 2020 slightly decreased compared with the same period of last year; meanwhile, according to the relevant notification policies issued by the Shanghai Taxicab and Livery Association, the Group provided certain subsidies to taxi drivers who continued on duty during the epidemic period, and the Group offset against the sharing of revenue from taxi income to a certain extent.

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41 EVENTS OCCURRING AFTER THE REPORTING PERIOD (CONTINUED)

(i) (Continued)

Travel Agency Business — According to the relevant policies of the General Office of the Ministry of Culture and Tourism of the People's Republic of China and the China Association of Travel Services, the Group offered free cancellation or deferral of travels for customers. For the 3 months ended 31 March 2020, 1,210 tour groups were cancelled, which had certain impact on the Group's travel agency revenue.

Meanwhile, since the outbreak of COVID-19 has impact on the overall economic environment, the Group is still assessing the impairment of goodwill and brandnames and the expected credit loss on the financial assets held by the Group. Management of the Group has reviewed the liquidity and financing condition and confirmed that the Group has sufficient liquidity to support its operation.

The Group will pay close attention to the development of the COVID-19 outbreak and continuously evaluate its impact on the financial position and operating results of the Group, and will take proactive measures. As at the date on which this set of financial statements is authorised for issue, the assessment is still in progress.