**Shanghai Jin Jiang International Hotels (Group) Company Limited***

**上海錦江國際酒店（集團）股份有限公司**

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

**(Stock Code: 02006)**

# 2016 FINAL RESULTS ANNOUNCEMENT

The Board of the Company is pleased to announce the final results of the Group for the year ended 31 December 2016. These results have been reviewed by the Audit Committee. The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the final results announcement were in agreement with the amounts set out in the audited consolidated financial statements of the Group for the year.

Amidst a complicated economic landscape and market circumstances in 2016, the Group made proactive moves to adapt itself to the new normal status of economic development, grasping market opportunities, developing through acquisition, leading to the continual expansion of the scale of our major business: quickened combination and integration, and structure adjustment, improved organizational structure and optimized resource allocation. On the basis of the double-edged approach featuring both the "application of capital and excellent operations", persisting in prudent progress, innovation and transformation, and focusing on strengthening the principal business and improving our mechanism for achieving stable growth, and implementing multiple measures to overcome various hurdles, further enhancing the Group's international competitiveness and brand influence.

During the Reporting Period, the Group realised sales revenue of approximately RMB17,013,125,000, representing an increase of approximately 39.5% as compared to the same period of last year. Operating profit of the Group amounted to approximately RMB2,170,488,000, representing an increase of approximately 8.0% as compared to the same period of last year. Earnings before interests, taxes, depreciation and amortization ("EBITDA") of the Group amounted to approximately RMB4,118,203,000, representing an increase of approximately 21.2% as compared to the same period of last year. Profit attributable to shareholders of the Company amounted to approximately RMB758,446,000, representing a decrease of approximately 12.4%, which was mainly attributable to the decrease in asset yields as compared to the same period of last year. The Board proposed distributing the dividends for the year ended 31 December 2016 of RMB8.0 cents (inclusive of tax) per share, representing an increase of approximately 23.1% as compared to the same period of last year.

As at the end of the Reporting Period, the Group held or managed a total of 5,977 hotels with approximately 602,000 rooms in aggregate in 67 countries over the world. Among the said hotels, a total of 4,751 self-owned or managed hotels were in operation in China with approximately 498,000 rooms. In addition, 1,782 hotels of the Group were under construction over the world with a total of approximately 190,000 rooms.

Jin Jiang Hotels Development's strategic investment in Plateno Group project completed the transaction in February 2016. Plateno Group has been incorporated into the consolidated financial statements of the Group from March 2016.

In April 2016, Jin Jiang Hotels Development entered into the Vienna Hotels equity transfer agreement and the Baisuicun Restaurants equity transfer agreement with Mr. Huang Deman. The transactions were completed on 1 July 2016, upon which Jin Jiang Hotels Development holds 80% equity interests in each of Vienna Hotels and Baisuicun Restaurants.

The successful completions of the projects of GDL, Plateno Group and Vienna Hotels have driven substantial growth in the size of the Group's hotel operations. In terms of the number of hotel guest rooms in operation, the Group ranked 5th in the global hotel group ranking as published by *HOTELS Magazine*, the official publication of The International Hotel & Restaurant Association, in July 2016.

In accordance with the principle of "keeping basic elements unchanged, integrating back offices and complementing comparative advantages for co-development", synergies and complementary effects were realised to create more room for global development and multinational operations. During the Reporting Period, the Group adjusted the organizational structure, established the executive committee of the Board and the global hotel management committee, and constructed a highly effective synergy operational system, systematically advancing with the comprehensive integrating work.

During the Reporting Period, pursuant to the equity acquisition agreement between CG, a wholly-owned subsidiary of the Company, and THAYER (as the vendors) and KIHR BUYER, LLC, an independent third party (as the buyer), the buyer shall acquire from the vendors all equity interests in HAC after segregation of the retained assets. The retained assets shall include 5 retained proprietary hotels in the United States, retained proprietary hotel entities and retained joint ventures, etc.. As at 3 May 2016, the closing relating to the disposal of the HAC hotel management business had been completed. With the purchase consideration received through the transaction and the fund distributed from HAC, CG has recouped its investment costs and realized partial investment gains.

Custodian registration in respect of the private placing of A shares by Jin Jiang Hotels Development amounting to 153,418,700 A shares denominated in RMB was completed in August 2016. This private placing raised total proceeds amounting to approximately RMB4,518,181,000, optimizing capital structure, lowering the scale of borrowings, strengthening its repayment ability and improving its financial position.

In December 2016, the Group issued the announcement to establish a joint venture company known as WeHotel, and in order to expedite the progress of the establishment of WeHotel, a further announcement on the establishment of the joint venture WeHotel was issued in February 2017. The Company and Jin Jiang Hotels Development, Shanghai Jin Jiang Capital Management Company Limited, Shanghai UnionPay Venture Capital Co., Ltd., Hony (Tibet) Mezzanine Investment Management Centre (Limited Partnership), and Shanghai Guosheng Group Investment Co., Ltd co-invested an aggregate capital contribution of RMB1 billion for the establishment of Shanghai Qi Cheng Network Technology Co., Ltd. (上海齊程網絡科技有限公司) (which is the formal name of joint venture WeHotel approved by the authorities of the administration for industry and commerce). Each of the Company and Jin Jiang Hotels Development made a capital contribution of RMB100 million, holding 10% equity interest in WeHotel, respectively. The investment was conducive to the integration of the Group's resources and upgrade of its capabilities, driving the convergence of domestic and international hotel systems, effectively enhancing its operating efficiency and lowering service costs as well as build the shared economic platform based on the mobile internet. During the Reporting Period, the new version of WeHotel's APP "Jin Jiang Trip" (錦江旅行) was launched, which further integrated members' basic information, advancing in the construction of a shared platform.

## OPERATIONAL STATISTICS

| | **2016** | 2015 |
|---|---|---|
| **Average occupancy rate** | | |
| Full Service Hotels | | |
| — 5-star Luxury Hotels | **73%** | 72% |
| — 4-star Luxury Hotels | **72%** | 71% |
| Select Service Hotels | | |
| — Jin Jiang Metropolo | **76%** | 77% |
| — GDL | **61%** | 63% |
| — Plateno Group | **83%** | — |
| — Vienna Hotels | **89%** | — |
| **Average room rate** *(RMB/room)* | | |
| Full Service Hotels | | |
| — 5-star Luxury Hotels | **837** | 842 |
| — 4-star Luxury Hotels | **515** | 512 |
| Select Service Hotels | | |
| — Jin Jiang Metropolo | **186** | 184 |
| — GDL *(EUR/room)* | **58** | 59 |
| — Plateno Group | **152** | — |
| — Vienna Hotels | **253** | — |
| **RevPAR** *(RMB/room)* | | |
| Full Service Hotels | | |
| — 5-star Luxury Hotels | **609** | 603 |
| — 4-star Luxury Hotels | **369** | 363 |
| Select Service Hotels | | |
| — Jin Jiang Metropolo | **142** | 141 |
| — GDL *(EUR/room)* | **35** | 37 |
| — Plateno Group | **126** | — |
| — Vienna Hotels | **225** | — |

Notes:

1. The policy of “replacing business tax with Value-added tax (“VAT”)” has become applicable to hotels in China with effect from May 2016. Hence, figures for the average room rate and RevPar are no longer tax inclusive. If compared on the same basis, there would have been growth in the average room rate and RevPar for 2016.

2. 5-star Luxury Hotels include: Jin Jiang Hotel, Peace Hotel, Wuhan Jin Jiang International Hotel, Beijing Kunlun Hotel, Jin Jiang Tower, Jin Jiang Tomson Hotel and Yangtze Hotel.

3. 4-star Luxury Hotels include: Park Hotel, Jian Guo Hotel, Cypress Hotel, Holiday Inn Downtown Shanghai, Rainbow Hotel, 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.

4. Amongst Select Service Hotels, hotels operated by Jin Jiang Metropolo included all operating chain hotels under the brands of: “Jin Jiang Metropolo”, “Jin Jiang Inn”, “Bestay Hotels Express” and “Jinguang Inn”. Hotels operated by GDL included all operating chain hotels under the four brands of: “Premiere Classe”, “Campanile”, “Kyriad” and “Golden Tulip”. Hotels operated by Plateno Group included all operating chain hotels under the brands of: “Lavande”, “James Joyce Coffetel”, “IU”, “7 Days Inn” and “Pai”. Hotels operated by Vienna Hotels included all operating chain hotels under the brands of: “Venus Royal”, “Vienna International”, “Vienna Classic”, “Vienna Hotels” and “Vienna 3 Best”.

5. The operating data of GDL in 2015 were for the period from March to December. The operating data of Plateno Group represent the period from March to December 2016, and those of Vienna Hotels represent the period from July to December 2016.

## FINANCIAL HIGHLIGHTS

| | **2016** | 2015 (Restated)* | 2014 | 2013 | 2012 (Restated)* |
|---|---|---|---|---|---|
| **Items of Consolidated Income Statement** ***(RMB million)*** | | | | | |
| Revenue | **17,013** | 12,197 | 9,364 | 9,288 | 9,004 |
| Profit attributable to shareholders of the Company | **758** | 866 | 621 | 444 | 317 |
| Earnings per share on profit attributable to shareholders of the Company *(RMB cents)* | **13.63** | 15.55 | 11.16 | 7.97 | 5.70 |
| **Items of Consolidated Balance Sheet** ***(RMB million)*** | | | | | |
| Total assets | **56,771** | 42,298 | 24,163 | 21,836 | 18,129 |
| Total liabilities | **36,631** | 25,520 | 8,787 | 9,886 | 5,994 |
| Total equity | **20,140** | 16,778 | 15,376 | 11,950 | 12,135 |
| Total equity attributable to the shareholders of the Company | **9,357** | 9,296 | 8,619 | 7,566 | 7,312 |
| **Item of Consolidated Statement of Cash Flows** ***(RMB million)*** | | | | | |
| Net cash generated from operating activities | **1,146** | 2,464 | (796) | 2,044 | 898 |
| **Non-HKFRS Financial Information** | | | | | |
| Proposed dividend *(RMB million)* | **445** | 362 | 278 | 250 | 167 |
| Proposed dividend per share *(RMB cents)* | **8.00** | 6.50 | 5.00 | 4.50 | 3.00 |
| Earnings before interests, taxes, depreciation and amortization *(RMB million)* | **4,118** | 3,398 | 2,647 | 2,360 | 1,919 |
| Total equity per share *(RMB)* | **3.62** | 3.01 | 2.76 | 2.15 | 2.18 |
| Total equity per share attributable to the shareholders of the Company *(RMB)* | **1.68** | 1.67 | 1.55 | 1.36 | 1.31 |
| Gearing ratio | **43.9%** | 38.7% | 14.8% | 17.7% | 11.0% |
| Capital expenditure *(RMB million)* | **14,725** | 11,308 | 845 | 2,702 | 727 |

* In 2016, Jin Jiang Investment acquired 30% equity interests in Xintiantian Company, which is regarded as a common control combination and accounted for using the principles of merger accounting in accordance with the Accounting Guideline No. 5 — "Merger Accounting for Common Control Combination" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Comparative figures as at 31 December 2015 and for the year then ended were restated in accordance with above accounting treatment.

** Hong Kong Financial Reporting Standards ("HKFRS") 11 "Joint arrangements" has been adopted by the Group since 1 January 2013. Investments in joint ventures shall be accounted for by using equity method and proportional consolidation of joint ventures is no longer applied. In addition, the financial information for the year ended 31 December 2012 and as at 31 December 2012 has been restated.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION PREPARED IN ACCORDANCE WITH HKFRS

## CONSOLIDATED INCOME STATEMENT

*For the year ended 31 December 2016*

| | | Year ended 31 December | |
|---|---|---|---|
| | | **2016** | 2015 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| | | | (Restated) |
| Revenue | 3 | **17,013,125** | 12,197,158 |
| Cost of sales | 4 | **(13,254,487)** | (9,558,239) |
| Gross profit | | **3,758,638** | 2,638,919 |
| Other income and gain | 10 | **1,207,757** | 1,583,186 |
| Selling and marketing expenses | 4 | **(1,050,169)** | (696,455) |
| Administrative expenses | 4 | **(1,625,799)** | (1,347,533) |
| Other expenses and losses | 11 | **(119,939)** | (167,680) |
| Operating profit | | **2,170,488** | 2,010,437 |
| Finance income | 12 | **178,565** | 148,772 |
| Finance costs | 12 | **(746,375)** | (502,965) |
| Finance costs — net | 12 | **(567,810)** | (354,193) |
| Share of results of joint ventures and associates | | **185,679** | 235,596 |
| Profit before income tax | | **1,788,357** | 1,891,840 |
| Income tax expense | 5 | **(434,053)** | (494,125) |
| Profit for the year | | **1,354,304** | 1,397,715 |
| Attributable to: | | | |
| Shareholders of the Company | | **758,446** | 865,528 |
| Non-controlling interests | | **595,858** | 532,187 |
| | | **1,354,304** | 1,397,715 |
| Earnings per share for profit attributable to shareholders of the Company during the year *(expressed in RMB cents per share)* | | | |
| — basic and diluted | 6 | **13.63** | 15.55 |
| Dividends | 7 | **445,280** | 361,790 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2016*

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| **Profit for the year** | **1,354,304** | 1,397,715 |
| **Other comprehensive income** | | |
| *Items that will not be subsequently reclassified to profit or loss* | | |
| Remeasurements of post-employment benefit obligations | **(4,320)** | 587 |
| *Items that may be subsequently reclassified to profit or loss* | | |
| Fair value changes on available-for-sale financial assets — gross | **(528,930)** | 973,557 |
| Transfer of fair value changes on disposal of available-for-sale financial assets — gross | **(381,442)** | (485,573) |
| Fair value changes on available-for-sale financial assets and transfer of fair value changes on disposal of available-for-sale financial assets — tax | **264,036** | (121,774) |
| Cash flow hedges | **(78)** | 817 |
| Currency translation differences | **(3,028)** | 23,226 |
| Total other comprehensive income for the year | **(653,762)** | 390,840 |
| **Total comprehensive income for the year** | **700,542** | 1,788,555 |
| **Attributable to:** | | |
| Shareholders of the Company | **449,093** | 949,617 |
| Non-controlling interests | **251,449** | 838,938 |
| | **700,542** | 1,788,555 |

**CONSOLIDATED BALANCE SHEET**
*As at 31 December 2016*

| | Note | As at 31 December 2016 RMB'000 | As at 31 December 2015 RMB'000 (Restated) |
|---|---|---|---|
| **ASSETS** | | | |
| Non-current assets | | | |
| Property, plant and equipment | | **12,515,403** | 10,999,969 |
| Investment properties | | **288,448** | 215,759 |
| Land use rights | | **1,951,609** | 1,904,781 |
| Intangible assets | | **18,259,164** | 6,771,108 |
| Investments in joint ventures | | **1,168,759** | 1,550,497 |
| Investments in associates | | **780,441** | 668,965 |
| Available-for-sale financial assets | | **3,485,450** | 4,079,267 |
| Deferred income tax assets | | **695,490** | 551,689 |
| Trade receivables, prepayments and other receivables | 8 | **434,024** | 265,640 |
| Restricted cash | | **3,306,492** | 3,778,848 |
| Bank deposits with maturities over 12 months | | **—** | 236,000 |
| | | **42,885,280** | 31,022,523 |
| Current assets | | | |
| Financial assets at fair value through profit or loss | | **60,924** | 137,795 |
| Available-for-sale financial assets | | **182,022** | 297,976 |
| Inventories | | **195,781** | 197,253 |
| Trade receivables, prepayments and other receivables | 8 | **2,877,760** | 2,338,055 |
| Restricted cash | | **1,659,753** | 1,114,888 |
| Bank deposits with maturities over 3 months | | **2,350,271** | 2,146,138 |
| Cash and cash equivalents | | **6,559,042** | 5,043,538 |
| | | **13,885,553** | 11,275,643 |
| Total assets | | **56,770,833** | 42,298,166 |

**CONSOLIDATED BALANCE SHEET (CONTINUED)**
*As at 31 December 2016*

| | Note | **As at 31 December 2016** *RMB'000* | As at 31 December 2015 *RMB'000* *(Restated)* |
|---|---|---|---|
| **EQUITY** | | | |
| Capital and reserves attributable to shareholders of the Company | | | |
| Share capital | 1 | **5,566,000** | 5,566,000 |
| Reserves | | **3,790,960** | 3,730,175 |
| | | **9,356,960** | 9,296,175 |
| Non-controlling interests | | **10,783,115** | 7,482,204 |
| Total equity | | **20,140,075** | 16,778,379 |
| **LIABILITIES** | | | |
| Non-current liabilities | | | |
| Borrowings | | **16,388,796** | 11,135,204 |
| Deferred income tax liabilities | | **3,141,998** | 2,229,689 |
| Trade and other payables | 9 | **927,987** | 1,135,670 |
| | | **20,458,781** | 14,500,563 |
| Current liabilities | | | |
| Borrowings | | **8,553,405** | 5,250,089 |
| Derivative financial instruments | | **6,158** | 6,360 |
| Income tax payable | | **279,457** | 236,131 |
| Trade and other payables | 9 | **7,332,957** | 5,526,644 |
| | | **16,171,977** | 11,019,224 |
| Total liabilities | | **36,630,758** | 25,519,787 |
| Total equity and liabilities | | **56,770,833** | 42,298,166 |

## NOTES TO THE SELECTED CONSOLIDATED FINANCIAL INFORMATION

*For the year ended 31 December 2016*

### 1 GENERAL INFORMATION

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

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

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

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

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

The Group are principally engaged in investment and operation of hotels and related businesses (the "Hotel Related Business"), investment and operation of passenger transportation vehicles, logistics and related businesses (the "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 of the Company on 29 March 2017.

### 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 consolidated financial statements of the Group have been prepared in accordance with HKFRSs issued by the HKICPA. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value.

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

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

The following new amendments of Hong Kong Accounting Standards ("HKAS") or HKFRSs are effective for the first time for the financial year beginning on 1 January 2016 and relevant to the Group's operations:

- Annual improvements 2014 include changes from the 2012 — 2014 cycle of the annual improvements project that are effective for relevant transactions executed on or after 1 January 2016:

  — Amendment to HKFRS 5 'Non-current assets held for sale and discontinued operations'

  — Amendment to HKFRS 7 'Financial instruments: Disclosures'

  — Amendment to HKAS 19, 'Employee benefits'

  — Amendment to HKAS 34, 'Interim financial reporting'

- Amendment to HKAS 27 'Equity method in separate financial statements' allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

The Group assessed the adoption of these standards and amendments, and concluded that they did not have a significant impact on the Group's results and financial position.

The following new amendments of HKFRSs and HKAS are effective for the first time for the financial year beginning on 1 January 2016 and not relevant to the Group's operations (although they may affect the accounting for future transactions and events):

- Amendment to HKFRS 14 'Regulatory Deferral Accounts'

- Amendment to HKFRS 11 'Accounting for acquisitions of interests in joint operations'

- Amendments to HKAS 16 and HKAS 38 'Clarification of acceptable methods of depreciation and amortization'

- Amendments to HKFRS 10, HKFRS 12 and HKAS 28 'Investment entities: applying the consolidation exception'

- Amendments to HKAS 1 'Disclosure initiative'

- Amendments to HKAS 16 and HKAS 41 'Agriculture: bearer plants'

**(b) New standards and amendments issued but are not effective for the financial year beginning on 1 January 2016 and have not been early adopted by the Group**

- Amendment to HKAS 7 'Statement of cash flows', effective for annual periods beginning on or after 1 January 2017

- Amendment to HKAS 12 'Income taxes', effective for annual periods beginning on or after 1 January 2017

- Amendments to HKFRS 2 'Classification and Measurement of Share-based Payment Transactions', effective for annual periods beginning on or after 1 January 2018

- HKFRS 9 'Financial Instruments', effective for annual periods beginning on or after 1 January 2018
- HKFRS 15 'Revenue from Contracts with Customers', effective for annual periods beginning on or after 1 January 2018
- HKFRS 16 'Leases', effective for annual periods beginning on or after 1 January 2019
- Amendments to HKFRS 10 and HKAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture', effective date to be determined

The Group is yet to assess the full impact of these new amendments and standards, and intends to adopt the amendments no later than the respective effective dates of the amendments.

**3 TURNOVER AND 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.

Upon the acquisition of 81.0034% equity interest in Keystone Lodging Holdings Limited ("Keystone") and the acquisition of 80% equity interest in Vienna Hotels, the Board integrated Plateno Group and Vienna Hotels into the former segment "Select Service Hotels — managed and operated by Jin Jiang Metropolo" to assess their performance, and renamed it as "Select Service Hotels — managed and operated in Mainland China" segment. The segment "Select Service Hotels — managed and operated by GDL" was renamed as "Select Service Hotels — managed and operated overseas".

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 PRC and under the brands of Jin Jiang Metropolo, Plateno Group, 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 brands 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; and

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

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

### (a) Turnover

The Group's revenue which represents turnover is as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Full Service Hotels | **1,947,430** | 1,962,110 |
| — Accommodation revenue | **936,251** | 933,256 |
| — Food and beverage sales | **567,065** | 605,713 |
| — Rendering of ancillary services | **75,075** | 84,163 |
| — Rental revenue | **208,294** | 188,748 |
| — Sales of hotel supplies | **7,113** | 7,393 |
| — Hotel management | **153,632** | 142,837 |
| Select Service Hotels — managed and operated in Mainland China | **6,888,083** | 2,682,287 |
| — Accommodation revenue | **4,380,908** | 1,973,498 |
| — Food and beverage sales | **255,209** | 162,665 |
| — Rendering of ancillary services | **101,639** | 29,283 |
| — Rental revenue | **71,019** | 47,931 |
| — Sales of hotel supplies | **488,376** | 36,345 |
| — Hotel management and franchise | **1,332,158** | 342,167 |
| — Revenue under customer loyalty programme | **258,774** | 90,398 |
| Select Service Hotels — managed and operated overseas | **3,494,131** | 2,612,268 |
| — Accommodation revenue | **1,939,986** | 1,420,818 |
| — Catering and sale of products | **746,578** | 589,181 |
| — Hotel management and franchise | **799,517** | 592,064 |
| — Others | **8,050** | 10,205 |
| Food and Restaurants | **352,080** | 366,243 |
| Passenger Transportation Vehicles and Logistics | **2,354,893** | 2,225,370 |
| — Vehicle operating | **1,150,171** | 1,181,225 |
| — Trading of automobile | **1,044,725** | 902,470 |
| — Refrigerated logistics | **136,506** | 120,465 |
| — Others | **23,491** | 21,210 |
| Travel Agency | **1,907,387** | 2,280,187 |
| — Travel agency | **1,874,468** | 2,255,328 |
| — Others | **32,919** | 24,859 |
| Other Operations | **69,121** | 68,693 |
| | **17,013,125** | 12,197,158 |

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 year ended 31 December 2016 and 2015.

## (b) Segment information

The segment results for the year ended 31 December 2016 are as follows:

| | Full Service Hotels *RMB'000* | Select Service Hotels-managed and operated in Mainland China *RMB'000* | Select Service Hotels-managed and operated overseas *RMB'000* | Food and Restaurants *RMB'000* | Passenger Transportation Vehicles and Logistics *RMB'000* | Travel Agency *RMB'000* | Other Operations *RMB'000* | The Group *RMB'000* |
|---|---|---|---|---|---|---|---|---|
| External sales | 1,947,430 | 6,888,083 | 3,494,131 | 352,080 | 2,354,893 | 1,907,387 | 69,121 | 17,013,125 |
| Inter-segment sales | 6,892 | 2,999 | — | 7,672 | 1,382 | 144 | 47,879 | 66,968 |
| Total gross segment sales | 1,954,322 | 6,891,082 | 3,494,131 | 359,752 | 2,356,275 | 1,907,531 | 117,000 | 17,080,093 |
| Profit for the year | 291,536 | 343,792 | 165,382 | 104,490 | 283,620 | 64,390 | 101,094 | 1,354,304 |
| Other income and gain *(note 10)* | 308,723 | 75,618 | 83,357 | 49,491 | 86,877 | 120,833 | 482,858 | 1,207,757 |
| Including: interest income *(note 10)* | 11,931 | 19,783 | 1,896 | 92 | 13,130 | 9,413 | 95,653 | 151,898 |
| Depreciation and impairment of property, plant and equipment *(note 4)* | (155,016) | (817,780) | (310,660) | (7,150) | (226,823) | (6,918) | (1,298) | (1,525,645) |
| Depreciation of investment properties *(note 4)* | (4,386) | — | — | — | (513) | (4,140) | — | (9,039) |
| Amortization of land use rights *(note 4)* | (18,491) | (39,699) | — | — | (1,080) | — | (311) | (59,581) |
| Amortization and impairment of intangible assets *(note 4)* | (2,837) | (129,191) | (34,203) | (980) | — | (560) | — | (167,771) |
| Provision for inventories write-down *(note 4)* | (443) | (73) | — | — | — | — | — | (516) |
| (Provision for)/reversal of impairment of trade receivables, prepayments and other receivables *(note 4)* | (782) | (14,521) | (8,061) | — | (2,393) | 1,513 | — | (24,244) |
| Finance costs — net *(note 12)* | (147,320) | (54,941) | (162,850) | (1,620) | (2,315) | — | (198,764) | (567,810) |
| Share of results of joint ventures and associates | (60,428) | (2,002) | 6,589 | 91,203 | 145,848 | 1,609 | 2,860 | 185,679 |
| Income tax expense *(note 5)* | (103,393) | (198,028) | (33,184) | (1,870) | (36,385) | (12,402) | (48,791) | (434,053) |
| Capital expenditure | 46,887 | 13,797,474 | 561,356 | 23,285 | 290,729 | 851 | 4,123 | 14,724,705 |

The restated segment results for the year ended 31 December 2015 are as follows:

| | Full Service Hotels *RMB'000* | Select Service Hotels-managed and operated in Mainland China *RMB'000* | Select Service Hotels-managed and operated overseas *RMB'000* | Food and Restaurants *RMB'000* | Passenger Transportation Vehicles and Logistics *RMB'000* | Travel Agency *RMB'000* | Other Operations *RMB'000* | The Group *RMB'000* |
|---|---|---|---|---|---|---|---|---|
| External sales | 1,962,110 | 2,682,287 | 2,612,268 | 366,243 | 2,225,370 | 2,280,187 | 68,693 | 12,197,158 |
| Inter-segment sales | 9,508 | 2,413 | — | 8,223 | 3,319 | 52 | 42,961 | 66,476 |
| Total gross segment sales | 1,971,618 | 2,684,700 | 2,612,268 | 374,466 | 2,228,689 | 2,280,239 | 111,654 | 12,263,634 |
| Profit for the year | 429,836 | 188,555 | 153,752 | 31,404 | 264,691 | 56,918 | 272,559 | 1,397,715 |
| Other income and gain *(note 10)* | 820,367 | 37,845 | 7,942 | 33,094 | 81,046 | 97,638 | 505,254 | 1,583,186 |
| Including: interest income *(note 10)* | 29,692 | 9,308 | 1,385 | 272 | 13,851 | 12,736 | 30,863 | 98,107 |
| Depreciation and impairment of property, plant and equipment *(note 4)* | (178,556) | (395,555) | (227,628) | (13,073) | (223,444) | (7,416) | (1,199) | (1,046,871) |
| Depreciation of investment properties *(note 4)* | (1,433) | — | — | — | (513) | (4,140) | — | (6,086) |
| Amortization of land use rights *(note 4)* | (18,369) | (37,374) | — | — | (1,080) | — | (311) | (57,134) |
| Amortization and impairment of intangible assets *(note 4)* | (3,271) | (10,687) | (25,940) | (1,188) | — | (533) | (142) | (41,761) |
| Reversal for inventories write-down *(note 4)* | 24 | 41 | — | — | — | — | — | 65 |
| (Provision for)/reversal of impairment of trade receivables, prepayments and other receivables *(note 4)* | (1,585) | (2,824) | (19,306) | — | (108) | 638 | — | (23,185) |
| Finance costs — net *(note 12)* | (182,954) | (3,458) | (116,537) | (203) | (4,028) | — | (47,013) | (354,193) |
| Share of results of joint ventures and associates | 37,353 | — | 11,588 | 38,104 | 148,465 | 273 | (187) | 235,596 |
| Income tax expense *(note 5)* | (191,244) | (68,473) | (74,007) | (1,574) | (39,192) | (7,720) | (111,915) | (494,125) |
| Capital expenditure | 64,074 | 526,200 | 10,407,890 | 11,187 | 295,741 | 1,557 | 1,608 | 11,308,257 |

The segment assets as at 31 December 2016 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 | **4,554,496** | **22,109,605** | **12,600,026** | **195,327** | **3,618,979** | **1,591,858** | **10,151,342** | **54,821,633** |
| Investments in joint ventures | **793,352** | **—** | **—** | **—** | **373,617** | **—** | **1,790** | **1,168,759** |
| Investments in associates | **39,189** | **25,249** | **83,271** | **221,706** | **378,305** | **17,304** | **15,417** | **780,441** |
| Total assets | **5,387,037** | **22,134,854** | **12,683,297** | **417,033** | **4,370,901** | **1,609,162** | **10,168,549** | **56,770,833** |

The restated segment assets as at 31 December 2015 are as follows:

| | Full Service Hotels | Select Service Hotels-managed and operated by Jin Jiang in Mainland China | Select Service Hotels-managed and operated overseas | Food and Restaurants | Passenger Transportation Vehicles and Logistics | Travel Agency | Other Operations | The Group |
|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Segment assets | 4,456,595 | 6,301,541 | 12,163,891 | 126,339 | 4,057,863 | 1,728,367 | 11,244,108 | 40,078,704 |
| Investments in joint ventures | 1,158,186 | — | — | — | 390,523 | — | 1,788 | 1,550,497 |
| Investments in associates | 43,348 | — | 81,040 | 160,712 | 356,215 | 15,846 | 11,804 | 668,965 |
| Total assets | 5,658,129 | 6,301,541 | 12,244,931 | 287,051 | 4,804,601 | 1,744,213 | 11,257,700 | 42,298,166 |

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.

Other income in the segment of "Full Service Hotels" for the year ended 31 December 2016 mainly includes a gain on partially disposal of a joint venture of RMB280,115,000 (for the year ended 31 December 2015: a gain on disposal of a subsidiary of RMB716,701,000). Other income in the segment of "Other Operations" for the year ended 31 December 2016 mainly includes gain on disposal of available-for-sale financial assets of RMB302,871,000 (for the year ended 31 December 2015: RMB426,496,000).

Capital expenditure comprises additions to property, plant and equipment, investment properties, land use rights, intangible assets, which include additions resulting from acquisition through business combination and prepayment for capital expenditure.

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

| | **At 31 December** | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| The total of non-current assets other than financial instruments and deferred income tax assets | | |
| — Mainland China | **24,192,249** | 11,235,152 |
| — Overseas countries | **11,029,639** | 11,004,856 |
| Financial instruments | **6,967,902** | 8,230,826 |
| Deferred income tax assets | **695,490** | 551,689 |
| | **42,885,280** | 31,022,523 |

## 4 EXPENSES BY NATURE

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

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Employee benefit expenses | **4,829,243** | 3,461,461 |
| Changes in inventories | **3,876,693** | 3,620,393 |
| Operating leases — land and buildings | **1,568,318** | 600,616 |
| Depreciation and impairment of property, plant and equipment | **1,525,645** | 1,046,871 |
| Utility cost and consumables | **979,433** | 722,976 |
| Repairs and maintenance | **550,037** | 400,818 |
| Commissions paid to travel agencies | **388,656** | 197,346 |
| Business tax, property tax, VAT through a simplified method and other tax surcharges | **366,864** | 399,414 |
| Advertising costs | **250,408** | 135,718 |
| Laundry costs | **203,510** | 94,027 |
| Amortisation and impairment of intangible assets | **167,771** | 41,761 |
| Consulting fee | **106,770** | 83,097 |
| Transportation expenses | **105,070** | 58,482 |
| Telecommunication expenses | **91,377** | 15,403 |
| Amortisation of land use rights | **59,581** | 57,134 |
| Entertainment expenses | **51,530** | 3,049 |
| Auditors' remuneration | **30,275** | 26,664 |
| — Audit service | **28,311** | 25,224 |
| — Non-audit service | **1,964** | 1,440 |
| Provision for impairment of trade receivables, prepayments and other receivables | **24,244** | 23,185 |
| Depreciation of investment properties | **9,039** | 6,086 |
| Pre-operation expenses | **7,508** | 6,220 |
| Provision for/(Reversal of) inventories write-down | **516** | (65) |
| Others | **737,967** | 601,571 |
| | **15,930,455** | 11,602,227 |

## 5 INCOME TAX EXPENSE

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| Current tax: | | |
| Mainland China current corporate income tax ("CIT") | **392,511** | 286,294 |
| Overseas current corporate tax | **84,530** | 37,553 |
| Deferred tax: | | |
| Mainland China deferred income tax | **(21,647)** | 104,575 |
| Overseas deferred income tax | **(21,341)** | 65,703 |
| | **434,053** | 494,125 |

Other than the subsidiary 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 2016 (2015: 25%) in accordance with the Corporate Income Tax Law of PRC and its Detail Implementation Regulations.

The Group's subsidiary registered in Hong Kong is subject to a rate of 16.5% on the estimated assessable profits for the year ended 31 December 2016 (2015: 16.5%). For the year ended 31 December 2016, the Group's subsidiary incorporated in Hong Kong did not have assessable profit and therefore has not provided for any Hong Kong profits tax.

GDL is mainly operated in France and subject to income tax at 34.43% for the year ended 31 December 2016 (2015: 34.43%)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of 25% (2015: 25%) in the Mainland China as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Profit before income tax | **1,788,357** | 1,891,840 |
| Cotisation sur la Valeur Ajoutée des Enterprises ("CVAE") deducted (i) | **(19,118)** | (15,684) |
| | **1,769,239** | 1,876,156 |
| Tax calculated at a tax rate of 25% (2015: 25%) | **442,310** | 469,039 |
| Effect of different taxation rates | **7,991** | 2,674 |
| Income not subject to tax | **(39,864)** | (30,472) |
| Expenses not deductible for tax purposes | **27,861** | 5,967 |
| Tax losses and tax credit for which no deferred income tax assets were recognised | **96,588** | 88,272 |
| Utilization and recognition of previous unrecognised tax losses | **(70,259)** | (9,546) |
| Effect of exclusion of share of profit tax of joint ventures and associates | **(49,692)** | (59,181) |
| Withholding tax on distributed profit and unremitted earnings | **—** | 11,688 |
| CVAE | **19,118** | 15,684 |
| | **434,053** | 494,125 |

(i) CVAE tax of GDL is calculated and paid based on the value added contribution subject to tax rate from 0% to 1.5% for the year ended 31 December 2016 (2015: 0% to 1.5%), and it is deductible for CIT and recognised in income tax expense.

## 6 EARNINGS PER SHARE

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Profit attributable to shareholders of the Company | **758,446** | 865,528 |
| Weighted average number of ordinary shares in issue *(thousands)* | **5,566,000** | 5,566,000 |
| Basic earnings per share *(RMB cents)* | **13.63** | 15.55 |

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

## 7 DIVIDENDS

A final dividend in respect of the year ended 31 December 2015 of RMB6.5 cents per share, totalling RMB361,790,000 (final dividend in respect of the year ended 31 December 2014: RMB5.0 cents per share, totalling RMB278,300,000) was paid in July 2016.

On 29 March 2017, the Directors recommended the payment of a final dividend of RMB8.0 cents per share, totalling RMB445,280,000 in respect of the year ended 31 December 2016. 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 | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| Proposed final dividend of RMB8.0 cents (2015: RMB6.5 cents) per share | **445,280** | 361,790 |

## 8 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

| | At 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Trade receivables | **999,476** | 766,021 |
| Less: provision for impairment of trade receivables | **(135,060)** | (104,227) |
| Trade receivables — net | **864,416** | 661,794 |
| Prepayments and deposits | **1,105,008** | 501,114 |
| Loans to related parties by Finance Company | **422,000** | 788,000 |
| Interest receivables | **359,670** | 129,519 |
| Other prepaid and recoverable tax | **203,318** | 131,757 |
| Other amounts due from related parties | **133,674** | 116,651 |
| Loans to related parites by the Group other than Finance Company | **130,820** | 209,000 |
| Accrued rental revenue | **49,694** | 38,062 |
| Loans to third parties | **28,422** | — |
| VAT recoverable | **3,157** | 7,642 |
| Others | **68,024** | 50,413 |
| Less: provision for impairment of other receivables | **(56,419)** | (30,257) |
| Prepayments and other receivables — net | **2,447,368** | 1,941,901 |
| | **3,311,784** | 2,603,695 |
| Less: non-current portion of trade receivables, prepayments and other receivables | **(434,024)** | (265,640) |
| | **2,877,760** | 2,338,055 |
| Non-current portion of trade receivables, prepayments and other receivables: | **434,024** | 265,640 |

The majority of the Group's sales in Hotel Related Business, Passenger Transportation Vehicle and Logistics Business and Travel Agency Business are retail sales, with immediate cash settlement and no credit terms granted. For certain corporate or travel agency customers, the sales are made generally with credit terms ranging from 30 to 90 days. Ageing analysis of trade receivables based on invoice date at respective balance sheet dates are as follows:

| | At 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| 0 to 3 months | **792,645** | 511,085 |
| 3 months to 1 year | **97,567** | 176,572 |
| Over 1 year | **109,264** | 78,364 |
| | **999,476** | 766,021 |

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

## 9 TRADE AND OTHER PAYABLES

| | At 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Trade payables | **1,698,379** | 844,658 |
| Employee benefit payables | **1,572,740** | 1,290,566 |
| Advances from customers | **1,173,430** | 636,295 |
| Deposits from related parties in Finance Company | **1,041,098** | 1,947,610 |
| Payables for purchases of property, plant and equipment, and intangible assets | **634,678** | 392,430 |
| Deposits from lessees and constructors | **395,797** | 372,786 |
| Advances on behalf of the franchises | **393,491** | — |
| Other tax payable | **303,105** | 288,990 |
| Accrued expenses | **188,892** | 113,938 |
| Deferred payment of acquisition of subsidiaries | **187,642** | 34,345 |
| Other amounts due to related parties | **167,155** | 182,103 |
| Provisions for other liabilities and charges | **61,392** | 68,575 |
| Interest payable | **54,283** | 25,007 |
| Deferred government grants | **50,123** | 61,910 |
| Defined benefit plan of GDL | **49,010** | 161,863 |
| Deferred revenue for customer loyalty programme | **47,721** | 1,043 |
| Marketing fund | **43,361** | 57,878 |
| Payables related to the disposal of Galaxy Hotel | **36,962** | 36,962 |
| Dividend payable to non-controlling interests | **21,763** | 21,923 |
| Deposits for private placing share | **—** | 45,167 |
| Others | **139,922** | 78,265 |
| | **8,260,944** | 6,662,314 |
| Less: non-current portion of trade payables, provisions and other payables | **(927,987)** | (1,135,670) |
| | **7,332,957** | 5,526,644 |
| Non-current portion of trade payables, provisions and other payables: | **927,987** | 1,135,670 |

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

| | At 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| 0 to 3 months | **1,518,892** | 702,961 |
| 3 months to 1 year | **117,283** | 129,555 |
| Over 1 year | **62,204** | 12,142 |
| | **1,698,379** | 844,658 |

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

## 10 OTHER INCOME AND GAIN

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Gain on disposal of available-for-sale financial assets | **381,274** | 486,692 |
| Gain on partially disposal of investment in a joint venture | **280,115** | — |
| Interest income | **151,898** | 98,107 |
| Dividend income | **144,516** | 103,500 |
| — Unlisted equity investments | **56,442** | 41,620 |
| — Listed equity investments | **88,074** | 61,880 |
| Government grants income (i) | **97,511** | 80,568 |
| Gain on disposal of financial assets at fair value through profit or loss | **35,287** | 5,105 |
| Gain on business combination | **26,384** | — |
| Gain on disposal of property, plant and equipment | **9,818** | 9,558 |
| Gain on disposal of investments in a subsidiary | **—** | 716,701 |
| Gain on foreign exchange forward contract | **—** | 14,300 |
| Others | **80,954** | 68,655 |
| | **1,207,757** | 1,583,186 |

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

## 11 OTHER EXPENSES AND LOSSES

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Bank charges | **78,821** | 55,444 |
| Loss on foreign exchanges forward contract | **14,300** | — |
| Loss on disposal of property, plant and equipment | **5,639** | 10,273 |
| Impairment of investments in associates | **4,859** | — |
| Impairment of available-for-sale financial assets | **508** | 87,725 |
| Compensation charge on lease termination due to the disposal of Galaxy Hotel | **—** | 1,847 |
| Others | **15,812** | 12,391 |
| | **119,939** | 167,680 |

## 12 FINANCE COSTS — NET

| | Year ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| **Finance cost** | | |
| Interest expenses | **751,459** | 410,573 |
| — Bank borrowings | **743,911** | 360,819 |
| — Borrowings from related parties | **2,212** | 40,506 |
| — Finance lease liabilities | **5,336** | 9,248 |
| Net foreign exchange (gain)/loss on borrowings | **(5,084)** | 92,392 |
| Total finance costs | **746,375** | 502,965 |
| **Finance income** | | |
| Interest income | | |
| — Interest income resulting from the deposits pledged for the borrowings | **(178,565)** | (148,772) |
| Total finance income | **(178,565)** | (148,772) |
| **Finance costs — net** | **567,810** | 354,193 |

## 13 COMMITMENTS

### (a) Capital commitments

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

| | At 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| Acquisition of property, plant and equipment | **171,322** | 118,123 |

### (b) Operating lease commitments

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

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

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

| | At 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| Not later than 1 year | **186,358** | 196,834 |
| Later than 1 year and not later than 5 years | **663,945** | 511,474 |
| Later than 5 years | **595,695** | 708,917 |
| | **1,445,998** | 1,417,225 |

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

| | At 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| Not later than 1 year | **1,718,799** | 540,482 |
| Later than 1 year and not later than 5 years | **6,466,977** | 2,254,060 |
| Later than 5 years | **6,862,189** | 3,702,892 |
| | **15,047,965** | 6,497,434 |

**(c) Loan commitments**

Loan commitments of RMB451,500,000(31 December 2015: RMB297,000,000) represent undrawn loan facilities offered by Finance Company and granted to related parties.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

#### *Full Service Hotels*

The operation and management of Full Service Hotels represents one of the major sources of revenue for the Group. During the Reporting Period, operation of Full Service Hotels contributed approximately RMB1,947,430,000 to the Group's revenue, representing a decrease of approximately 0.7% as compared to the same period of last year. It was mainly due to the structural changes in the components of the operating revenue of our Full Service Hotels, with a decrease in food and beverage sales while there was an increase in rental revenue. The implementation of "replacing business tax with VAT" for hotels in China with effect from May 2016 also had an impact on our operating revenue.

The continual increase of activities such as business and exhibitions in Shanghai, and the opening of Shanghai Disneyland continued to drive and benefit the tourism development of Shanghai and the surrounding areas, hence leading to the continuously expanding hotel market demand. If the effect of "replacing business tax with VAT" were not considered, the Group's high Star-rating Full Service Hotels in Shanghai reported an approximately 8.3% year-on-year growth in RevPAR, among which the Average Room reported an approximately 7.0% year-on-year growth.

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:

| | **2016 Group's Full Service Hotels in Shanghai** | | | 2015 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 | **77%** | **897** | **687** | 77% | 841 | 646 |
| 4-star | **74%** | **605** | **448** | 72% | 568 | 412 |

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, Rainbow Hotel, Shanghai Hotel, Shanghai Jing An Hotel and Shanghai Sofitel Hotel.

3. Excluding the effect of "replacing business tax with VAT", the Average Room and RevPAR were compared in the same caliber.

As at the end of the Reporting Period, the Group owned and managed 109 Full Service Hotels which were in operation across the globe, offering approximately 33,000 guest rooms, among which 83 hotels were owned by third parties but managed by the Group.

The hotel assets management centre of the Group steadily developed the operation and management of its hotel assets to enhance asset efficiency. The Full Service Hotels continued to report progress in asset liquidity, business transformation and lease operation. During the Reporting Period, the wholesale leasing of Great Wall Tower of Holiday Inn Downtown Shanghai had a prominent effect in increasing the efficiency of our hotels, greatly contributing to the improvement of the liquidity and financial position of our hotel assets. The operation of the wholesale leasing of Jinsha Hotel was transferred to Vienna Hotels, with the hotel infrastructure now under construction. The Group had achieved notable results in its effort to introduce innovations, drive the adjustment of asset mix, optimise staff allocation and increase asset efficiency and shareholders' interests. During the Reporting Period, profits attributable to the Full Service Hotels held by the Group (with equity interests) showed a remarkable increase as compared to the same period of last year.

***Select Service Hotels***

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

During the Reporting Period, the Group made strategic investment in 81.0034% ownership in the equity interest in Keystone and 80% ownership in the equity interest in Vienna Hotels, both of which had been incorporated into the consolidated financial statements of the Group. Significant growth in the business scale and revenue of Select Service Hotels contributed approximately RMB10,382,214,000 to the revenue of the Group, an increase of approximately 96.1% as compared to the same period of last year and accounting for approximately 61.0% of the Group's turnover.

As at the end of the Reporting Period, there were a total of 5,868 Select Service Hotels in operation offering a total of 569,363 guest rooms, comprising 1,142 Jin Jiang Metropolo hotels in operation offering 135,252 guest rooms in aggregate; 1,223 GDL hotels in operation offering 104,583 guest rooms in aggregate; 3,039 Plateno Group hotels in operation offering 255,994 guest rooms in aggregate; and 464 Vienna Hotels in operation offering 73,534 guest rooms in aggregate.

As at the end of the Reporting Period, a total of 5,868 Select Service Hotels were in operation, comprising 43 hotels under Jin Jiang Metropolo, 1,011 hotels under Jin Jiang Inn, 60 Bestay Hotels Express hotels, 28 Jinguang Inn hotels, 264 Premiere Classe hotels, 379 Campanile hotels, 259 Kyriad hotels, 321 Golden Tulip hotels, 169 Lavande hotels, 63 James Joyce Coffetel hotels, 135 IU hotels, 2,424 7 Days Inn hotels, 163 Pai hotels, 85 hotels under other brands, 3 Venus Royal hotels, 140 Vienna International hotels, 150 Vienna Classic hotels, 130 Vienna Hotels and 41 Vienna 3 Best hotels.

Out of 5,868 Select Service Hotels in operation, 1,093 were self-managed hotels, accounting for approximately 19%, while 4,775 were franchised hotels, accounting for approximately 81%. Select Service Hotels in operation offered a total of 569,363 guest rooms, including 122,219 rooms or approximately 21% in self-managed hotels in operation and 447,144 rooms or approximately 79% in franchised hotels in operation.

During the Reporting Period, progress was achieved in a proactive manner based on the information technology system for the integration of the back office systems used by Jin Jiang Metropolo, GDL, Plateno Group and Vienna Hotels in order to make use of their complementary advantages and leverage on the synergy effect. Jin Jiang Metropolo steadily developed its pilot project in implementing the performance excellence management model and constructing operation systems for performance excellence management.

***Food and Restaurants***

During the Reporting Period, the Group reported stable development of food and restaurant operations through several food and restaurant chain companies invested by Jin Jiang Hotels Development, generating revenue of approximately RMB352,080,000 for the Group, which represented a decrease of approximately 3.9% as compared to the same period of last year and accounting for approximately 2.1% of the Group's turnover.

During the Reporting Period, Jin Jiang Hotels Development made a major effort to develop the group catering business, managing 55 group catering restaurants as at the end of the Reporting Period, as compared to 49 at the end of last year. As at the end of the Reporting Period, Shanghai Kentucky Fried Chicken Company Limited, Shanghai Jin Ya Catering Management Co., Ltd. (上海錦亞餐飲管理有限公司) ("Jin Ya Catering", formerly known as Shanghai New Asia Café de Coral Company Limited) and "Shanghai Yoshinoya" had a total of 306, 42 and 8 outlets, respectively. "Chinoise Story" currently operates 2 feature restaurants. In addition, 1 "Ting Mei Yuen" (鼎味源) restaurant was managed by Shanghai Jinzhu Catering Management Co., Ltd.

Jin Jiang Catering Investment Company established a research and development ("R&D") centre to develop processed food with input from the national-grade chefs of the Company, and started to market food products under the Jin Jiang brand to other customers, in addition to direct supply to our hotels.

***Passenger Transportation Vehicles and Logistics***

During the Reporting Period, the revenue of passenger transportation vehicles and logistics was approximately RMB2,354,893,000, representing an increase of approximately 5.8% as compared to same period of last year and accounting for approximately 13.8% of the Group's turnover.

During the Reporting Period, the Group successfully completed a number of major assignments for escort vehicles for guests to conferences including the G20 meeting for finance ministers and central bank governors, G20 trade ministers' meeting, and G20 Youth Summit, as well as for the reception of national guests who visited Shanghai en route during the summit. As at the end of the Reporting Period, 1,109 assignments for the reception of national guests and over 540 assignments for receptions in major conferences, exhibitions and tournaments were completed. Shanghai Jin Jiang Automobile Service Co., Ltd. captured the new market opportunities arising from Shanghai Disneyland and the Shanghai Free-Trade Zone, providing an additional 40 vehicles for the theme park in Shanghai Disneyland and 1,088 vehicles for incoming cruises, and rendered reception service for 30 overseas cruises counting over 40,000 tourists served, claiming leadership in the cruise reception business in Shanghai.

Jin Jiang Cold became the wholly-owned subsidiary of Jin Jiang Investment following the completion of acquisition of the 49% equity interest in Jin Jiang Cold by Jin Jiang Investment. Xintiantian Company became a controlled subsidiary of Jin Jiang Investment following the completion of acquisition of the 30% equity interest in Xintiantian Company. The acquisitions were beneficial for the Group's efforts in further integrating its cold logistics resources, pursuing for total coverage of the industry chain of logistics and laying a solid foundation for further integration and development of our logistics business.

Based on the existing operational platform of Jin Jiang's cold logistics business, Jin Jiang Cold embarked on the distribution business and established a comprehensive supply chain management business model pursuant to the customers' demands combining food import, customs declaration and inspection, storage and delivery with the support of the logistics service line. Xintiantian Company, which is subordinate to Jin Jiang Cold, focused on developing distribution business for restaurant chains, and seized upon the opportunities of the inauguration of Shanghai Disneyland by creating a business model based on shared distribution for restaurant chains, exploring market potential and expanding business scale. Currently customers using both our storage and delivery services accounted for 61.2% of our total customers.

***Travel Agency***

For 2016, revenue from the travel agency amounted to approximately RMB1,907,387,000, representing a decrease of approximately 16.3% as compared to the same period of last year and accounting for approximately 11.2% of the Group's turnover.

During the Reporting Period, Jin Jiang Travel made flexible adjustments to its operation strategies for inbound travel in response to market changes, enhancing the appeal of its offerings through feature hotels and feature food and beverages in order to accommodate and shape consumers' demands, resulting in continued growth in sales. For inbound and outbound travel, the number of tours organised and tourists received decreased as a result of the influence of the global political and economic landscape. Relevant business divisions of Jin Jiang Travel were accelerating the pace for transformation, aiming to overcome the impact of exchange gains and losses, while actively developing new customers in overseas markets, reinventing its function from offering conventional reception for incoming tours to a comprehensive MICE (meetings, incentives, conferencing and exhibitions) service provider.

During the Reporting Period, with the official launch of the Shanghai Disneyland, travel agencies under Jin Jiang Travel, being a cooperating partner with the tourism industry in the Shanghai Disneyland Resort, actively engaged in various online marketing activities, and organized and promoted products in connection with the "Jin Jiang Travel Shanghai Disneyland Resort Shuttle Bus".

During the Reporting Period, the travel agencies under Jin Jiang Travel held a signing ceremony for the strategic cooperation agreement with Shanghai Proton and Heavy Ion Center in respect with the development of high-end medical tourism market in the PRC, inventing personalized medical tourism products jointly. We had participated in major conferences and meetings including 2016 Shanghai World Travel Fair, 2016 China International Travel Mart, the 9th Global Conference on Health Promotion and the Fourth UK-China High-Level People to People Dialogue, where relevant conference services were rendered and gained public acclaims.

During the Reporting Period, as part of the reform on the travel agency business of Jin Jiang Travel, Shanghai Jin Jiang Tours Co., Ltd (上海錦江旅遊控股有限公司) was established to coordinate the management of all the brands whose operations were now united under the same brand name "Jin Jiang Travel". Internal resources were actively consolidated, with the synergy between online and offline business activities especially emphasised in order to explore complementary development with the hotel and passenger transportation segments.

***Information Technology***

In 2016, the Group further accelerated the consolidation of its information-based resources and support was provided for upgrading the operational functions of the Group. Connections with domestic and international hotel systems were promoted and the call center of the Group was encouraged to be further integrated. "Jin Jiang Travel", the integrated direct sales mobile platform of the Group, was uploaded, achieving the upgraded experience of its 100 million-strong membership. The Group placed emphasis on the development of operation support for business units from the information systems, effectively increased operational efficiency and reduced costs of service.

## FINANCIAL REVIEW

### Revenue

The Group's financial information during the Reporting Period as compared to the same period in 2015 is set out as follows:

| | **12 months ended 31 December 2016** | | 12 months ended 31 December 2015 (Restated) | |
|---|---|---|---|---|
| | ***RMB in million*** | ***% of turnover*** | *RMB in million* | *% of turnover* |
| Full Service Hotels | **1,947.4** | **11.5%** | 1,962.1 | 16.1% |
| Select Service Hotels — managed and operated in Mainland China | **6,888.1** | **40.5%** | 2,682.3 | 22.0% |
| Select Service Hotels — managed and operated overseas | **3,494.1** | **20.5%** | 2,612.3 | 21.4% |
| Food and Restaurants | **352.1** | **2.1%** | 366.2 | 3.0% |
| Passenger Transportation Vehicles and Logistics | **2,354.9** | **13.8%** | 2,225.4 | 18.2% |
| Travel Agency | **1,907.4** | **11.2%** | 2,280.2 | 18.7% |
| Other Operations | **69.1** | **0.4%** | 68.7 | 0.6% |
| Total | **17,013.1** | **100.0%** | 12,197.2 | 100.0% |

**Full Service Hotels**

The following table sets out the percentage of contribution from the Group's Full Service Hotels segment and different types of business to the Group's turnover for the Reporting Period and the same period in 2015:

| | **12 months ended 31 December 2016** | | 12 months ended 31 December 2015 | |
|---|---|---|---|---|
| | ***RMB in million*** | ***% of turnover*** | *RMB in million* | *% of turnover* |
| Accommodation revenue | **936.2** | **48.1%** | 933.3 | 47.5% |
| Food and beverage sales | **567.1** | **29.1%** | 605.7 | 30.9% |
| Rendering of ancillary services | **75.1** | **3.8%** | 84.2 | 4.3% |
| Rental revenue | **208.3** | **10.7%** | 188.7 | 9.6% |
| Sales of hotel supplies | **7.1** | **0.4%** | 7.4 | 0.4% |
| Hotel management | **153.6** | **7.9%** | 142.8 | 7.3% |
| Total | **1,947.4** | **100.0%** | 1,962.1 | 100.0% |

*Accommodation revenue*

Accommodation revenue was mainly determined by the number of Available Rooms, Occupancy Rate and ADR of the Group's hotels. Accommodation revenue of the Full Service Hotels for the Reporting Period was approximately RMB936,251,000, representing an increase of approximately 0.3% or approximately RMB2,995,000 as compared to the same period in 2015. The aforesaid change mainly reflected the continual increase of activities such as business in Shanghai and exhibitions in Shanghai and the opening of Shanghai Disneyland which continued to drive and benefit the tourism development of Shanghai and the surrounding areas, hence leading to the continuously expanding hotel market demand. The Group seized onto various advantages and market opportunities and adopted a series of fee increase initiatives, while achieving a good hotel revenue management, resulting in increases in both the average room prices and Occupancy Rate which offset the effect of the implementation of the policy of "replacing business tax with VAT" upon our operating revenue.

*Food and beverage sales*

Food and beverage sales in the Group's hotels comprised catering for wedding banquets and conferences, room catering services for guests and other sales in restaurants and bars in the hotels. During the Reporting Period, the food and beverage sales in Full Service Hotels amounted to approximately RMB567,065,000, representing a decrease of approximately 6.4% or approximately RMB38,648,000 from the same period of last year. The aforesaid changes were mainly attributable to the increase in public demands for catering services and the sustained effect of policies implemented which had a greater impact on sales of food and beverages and catering for wedding banquets of the Full Service Hotels, and the implementation of the policy of "replacing business tax with VAT" had a considerable impact upon the revenue from food and beverage sales. In contrast, catering services and spaces for conferences showed a positive growth.

*Rendering of ancillary services*

Revenue from rendering ancillary services was mainly generated from gift shops, entertainment, laundry services and other guest services. During the Reporting Period, revenue from the rendering of ancillary services amounted to approximately RMB75,075,000, representing a decrease of approximately 10.8% or approximately RMB9,088,000 from the same period of last year, which was mainly attributable to the decrease in revenue from certain hotel shopping malls.

*Rental revenue*

Rental revenue was mainly generated from the leasing of shops at the Group's Full Service Hotels for retail, exhibition and other purposes and the outsourcing lease of certain catering space. During the Reporting Period, rental revenue amounted to approximately RMB208,294,000, representing a increase of approximately 10.4% or approximately RMB19,546,000. The increase was mainly attributable to the wholesale leasing of Great Wall Tower of Holiday Inn Downtown Shanghai.

*Sales of hotel supplies*

Turnover from guest supplies and hotel products decreased by approximately RMB280,000 as compared to the same period of last year. Such decrease was mainly attributable to adjustments in the business model of the supplies company to transform from a merchandise supplier to a system platform service provider.

*Hotel management revenue*

The revenue of hotel management was mainly generated from the management fees received for the provision of management services to Full Service Hotels not controlled by the Group. Management fee income of the hotel management business amounted to approximately RMB153,632,000 during the Reporting Period, representing an increase of approximately 7.6% or approximately RMB10,795,000 as compared to the same period of last year. The increase was mainly attributable to the fact that supply and demand for hotels approach an equilibrium, leading to a slight increase in the income of management fee for hotel management projects.

**Select Service Hotels — managed and operated in Mainland China**

The Select Service Hotels business in the PRC mainly comprised the turnover from the Select Service Hotels managed and operated by the Group within the PRC. The revenue of Select Service Hotels in the PRC for the Reporting Period amounted to approximately RMB6,888,083,000, representing an increase of approximately RMB4,205,796,000 or approximately 156.8% as compared to the same period of last year. The increase was mainly attributable to the additional revenue from the Select Service Hotels business of approximately RMB4,105,277,000 under Plateno Group and Vienna Hotels which were consolidated into the financial statement of the Group from March and July 2016, respectively.

**Select Service Hotels — managed and operated overseas**

The Select Service Hotels business managed and operated overseas mainly comprised the turnover from the Select Service Hotels managed and operated by the Group out of the PRC. The revenue of Select Service Hotels managed and operated overseas amounted to approximately RMB3,494,131,000 for the Reporting Period, representing an increase of approximately RMB881,863,000 or approximately 33.8% as compared to the same period of last year. The increase was mainly attributable to the additional two months of recording consolidated revenue in 2016 as compared to last year when GDL was first consolidated into the Group's financial statement in March 2015, as well as the growth in revenue brought by the newly added Select Service Hotels management projects.

**Food and Restaurants**

Revenue of food and restaurants segment was mainly derived from Jin Ya Catering, Shanghai, Jin Jiang International Food Catering Management Co., Ltd., Jing An Bakery Holding Company Limited, Shanghai Jin Jiang International Catering Investment Co., Ltd., Chinoise Story, Shanghai Jinzhu Catering Management Co., Ltd. and Shanghai New Asia Food Company Limited. During the Reporting Period, total sales from the food and restaurants segment amounted to approximately RMB352,080,000, representing a decrease of approximately RMB14,163,000, or approximately 3.9% as compared to the same period of last year. The decrease in food and restaurant revenue for the Reporting Period was attributable to the decline in operating revenue as a result of the outlet downsizing exercise of Jin Ya Catering (operating 31 chain restaurants during the Reporting Period versus 42 as in the same period of last year). Meanwhile, growth was sustained in the group catering business of Shanghai Jin Jiang International Food Catering Management Co., Ltd. (managing 55 group catering restaurants during the Reporting Period versus 49 as in the same period of last year).

**Passenger Transportation Vehicles and Logistics**

During the Reporting Period, the revenue of passenger transportation vehicles and logistics was approximately RMB2,354,893,000, representing an increase of approximately 5.8% or approximately RMB129,523,000 as compared to same period of last year. The increase primarily reflected the increase in revenue from the trading of vehicles and the cold logistics businesses. In August 2016 49% equity interest in Jin Jiang Cold and 30% equity interest in Xintiantian Company by Jin Jiang Investment, which were consolidated into our financial statement.

**Travel Agency**

During the Reporting Period, the revenue of travel agency was approximately RMB1,907,387,000, representing a decrease of approximately 16.3% or approximately RMB372,800,000 as compared to the same period of last year. The decrease reflected the decrease in the number of organised tours and received visitors due to reduced inbound and outbound travels as a result of global political and economic landscapes.

**Other Operations**

In addition, the Group is also engaged in other operating business, including the provision of financial services via Finance Company and the provision of training services by Shanghai Jin Jiang International Management College (上海錦江國際管理專業學院). During the Reporting Period, revenue of other operations was approximately RMB69,121,000, representing an increase of approximately 0.6% as compared to the same period of last year, which was primarily due to the increase in interest income received from loans advanced to related parties from the Finance Company.

**Cost of Sales**

Cost of sales for the Reporting Period amounted to approximately RMB13,254,487,000 (same period in 2015: approximately RMB9,558,239,000), representing an increase of approximately 38.7% as compared to the same period of last year. The increase reflected mainly the growth in cost of sales resulting from the newly added Select Service Hotels businesses of Plateno Group and Vienna Hotels and the expansion in scale of the Select Service Hotel business managed and operated by Jin Jiang Metropolo and GDL.

**Gross Profit**

As a result of the factors described above, the Group recorded a gross profit of approximately RMB3,758,638,000 for the Reporting Period, representing an increase of approximately RMB1,119,719,000 or approximately 42.4% as compared to the same period of last year.

**Other Income and Other Gain**

Other income and other gain for the Reporting Period amounted to approximately RMB1,207,757,000 (same period in 2015: approximately RMB1,583,186,000), representing a decrease of approximately RMB375,429,000 or approximately 23.7% as compared to the same period of last year. The decrease was primarily due to a pre-tax investment gain of approximately RMB280,115,000 on the partially disposal of HAC hotel management business during the Reporting Period versus a pre-tax investment gain of approximately RMB716,701,000 on transfer of equity interest in Galaxy Hotel for the same period in 2015, as well as gain of approximately RMB381,274,000 (same period in 2015: approximately RMB486,692,000) on disposal of available-for-sale financial assets, such as Changjiang Securities Company Limited and Shanghai Pudong Development Bank Co., Ltd. in the Reporting Period. Dividend received by the Group during the Reporting Period amounted to approximately RMB144,516,000 (same period in 2015: approximately RMB103,500,000).

**Selling and Marketing Expenses**

Selling and marketing expenses comprise primarily of labour costs, travel agent commissions and advertising fees, which amounted to approximately RMB1,050,169,000 during the Reporting Period (same period in 2015: approximately RMB696,455,000), representing an increase of approximately 50.8% as compared to the same period of last year. The increase reflected mainly the growth in selling and marketing expenses attributable to newly added Select Service Hotels businesses of Plateno Group and Vienna Hotels and the expansion in scale of the Select Service Hotel business managed and operated by Jin Jiang Metropolo and GDL, and the increase in cost as a result of stronger advertising and promotion efforts by Plateno Group and GDL.

**Administrative Expenses**

Administrative expenses for the Reporting Period was approximately RMB1,625,799,000 (same period in 2015: approximately RMB1,347,533,000), representing an increase of approximately 20.7% as compared to the same period of last year. This increase reflected mainly the growth in administrative expenses resulting from newly added Select Service Hotels businesses of Plateno Group and Vienna Hotels and the expansion in scale of the Select Service Hotel business managed and operated by Jin Jiang Metropolo and GDL.

**Other Expenses and Other Losses**

Other expenses and other losses consisted primarily of bank charges, losses from the disposal of property, plant and equipment and losses from the impairment of available-for-sale financial assets. For the Reporting Period, other expenses and losses amounted to approximately RMB119,939,000 (same period in 2015: approximately RMB167,680,000), representing a decrease of approximately RMB47,741,000 as compared to the same period of last year. The decrease mainly reflected the combined effect of losses from the impairment of available-for-sale financial assets for the same period last year amounting to approximately RMB87,725,000, and duplicated in the bank handling fees during the Reporting Period of the newly added Select Service hotel chain businesses of Plateno Group and Vienna Hotels by approximately RMB23,377,000 as compared to the same period of last year.

**Finance Costs — net**

Finance Costs — net comprises interest expenses in respect of the Group's bank borrowings and exchange to gain or loss after deduction of the interest income of the relevant pledged deposits. During the Reporting Period, finance cost — net was approximately RMB567,810,000 (same period in 2015: approximately RMB354,193,000), representing an increase of approximately RMB213,617,000 or approximately 60.3% as compared to the same period of last year. The increase reflected mainly the combined effect of interest expenses arising from borrowings incurred to finance the acquisitions of Plateno Group and Vienna Hotels and the additional two months of interest expenses recorded on the borrowings incurred to finance the acquisition of GDL as compared to the same period last year.

**Share of Results of Joint Ventures and Associates**

Operating results of joint ventures and associates mainly comprised share of results of joint ventures including IHHC, Beijing Kunlun Hotel, Jin Jiang Tomson Hotel and JHJ International Transportation Co., Ltd., and of associated companies including Shanghai Kentucky Fried Chicken Company Limited, Shanghai Yangtze Hotel Limited, Shanghai Pudong International Airport Transport Terminal Co. Ltd., Jiangsu Nanjing Long Distance Passenger Transport Group Company Limited and China Oriental International Travel & Transport Co., Ltd.. During the Reporting Period, share of results of joint ventures and associated companies was approximately RMB185,679,000 (same period in 2015: approximately RMB235,596,000). This primarily reflected the decrease in the share of operating results by RMB89,344,000 following the disposal of the hotel management business of HAC in the first half of 2016, and the increase in share of operating results of Shanghai Kentucky Fried Chicken Company Limited by approximately RMB49,945,000 as compared to the same period last year.

**Taxation**

The effective tax rate for the Reporting Period was approximately 24.3% (same period in 2015: approximately 26.1%). The lower effective tax rate was mainly attributable to the increase in the Group's dividend income.

**Net Profit**

As a result of the factors described above, net profit for the Reporting Period attributable to shareholders of the Company was approximately RMB758,446,000 (same period in 2015: approximately RMB865,528,000), representing a decrease of approximately RMB107,082,000 or approximately 12.4%, which is mainly attributable to the decrease in asset yields as compared to the same period of last year.

## GROUP DEBTS AND FINANCIAL CONDITIONS

**Borrowings and pledge of assets**

| | At 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| **Borrowings included in non-current liabilities:** | | |
| Bank borrowings — secured | **14,456,995** | 9,229,321 |
| Bank borrowings — unsecured | **4,533,148** | 2,006,014 |
| Borrowings from related parties | **300,000** | — |
| Finance lease liabilities | **169,777** | 178,251 |
| | **19,459,920** | 11,413,586 |
| Less: current portion of long-term secured bank borrowings | **(2,994,404)** | (5,613) |
| current portion of long-term unsecured bank borrowings | **(65,269)** | (260,675) |
| current portion of long-term finance lease | **(11,451)** | (12,094) |
| | **16,388,796** | 11,135,204 |
| **Borrowings included in current liabilities:** | | |
| Bank borrowings — secured | **928,000** | 23,668 |
| Bank borrowings — unsecured | **4,334,281** | 4,848,039 |
| Borrowings from related parties | **220,000** | 100,000 |
| Current portion of long-term secured bank borrowings | **2,994,404** | 5,613 |
| Current portion of long-term unsecured bank borrowings | **65,269** | 260,675 |
| Current portion of long-term finance lease | **11,451** | 12,094 |
| | **8,553,405** | 5,250,089 |

As at 31 December 2016, the secured bank borrowings included:

(a) Bank borrowings of EUR1,289,484,000, equivalent to RMB9,423,308,000 (31 December 2015: EUR1,289,305,000, equivalent to RMB9,147,876,000), which were pledged by the bank deposits RMB4,723,560,000 and the ownership of a subsidiary, and guaranteed by Jin Jiang International;

(b) Bank borrowings of Polish Zloty ("PLN") 48,946,000, equivalent to RMB73,687,000 (31 December 2015: PLN48,946,000, equivalent to RMB81,445,000), which were pledged by the property, plant and equipment of certain subsidiaries of GDL located in Poland;

(c) Bank borrowings of RMB8,000,000 (31 December 2015: nil), which were jointly guaranteed by the shareholders in a subsidiary of the Group;

(d) Bank borrowings of RMB920,000,000 (31 December 2015: nil), which were pledged by the non-controlling interests in a subsidiary of the Group and guaranteed by Jin Jiang International;

(e) Bank borrowings of RMB4,920,000,000 (31 December 2015: nil), which were pledged by the non-controlling equity interest in a subsidiary of the Group; and

(f) Bank borrowings of RMB40,000,000 (31 December 2015: nil), which were guaranteed by a non-controlling shareholder of a subsidiary of the Group.

As at 31 December 2015, the secured bank borrowings included:

(a) Bank borrowings of RMB23,668,000, 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 is as follows:

| | **At 31 December** | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| Between 1 and 2 years | **6,867,841** | 4,414,455 |
| Between 2 and 5 years | **9,265,630** | 6,438,264 |
| Over 5 years | **255,325** | 282,485 |
| | **16,388,796** | 11,135,204 |

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

| | At 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| RMB | **15,216,204** | 5,080,430 |
| EUR | **9,577,728** | 1,980,548 |
| US$ | **—** | 9,161,854 |
| Other foreign currencies | **148,269** | 162,461 |
| | **24,942,201** | 16,385,293 |

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

| | At 31 December | |
|---|---|---|
| | **2016** | 2015 |
| Borrowings denominated in RMB | **4.7401%** | 4.2077% |
| Borrowings denominated in US$ | **—** | 1.7694% |
| Borrowings denominated in EUR | **1.1412%** | 0.6213% |
| Borrowings denominated in other foreign currencies | **4.3700%** | 4.3949% |

**Treasury Management and Interest Rate Risk Management**

Cash and cash equivalents as at 31 December 2016 and 31 December 2015 amounted to approximately RMB6,559,042,000 and approximately RMB5,043,538,000.

The Group optimises the allocation of its deposit and loan structure based on market conditions, the status of its business development and its financial profile. During the Reporting Period, measures adopted by the Group included the purchase of forward foreign exchange contracts in respect of its US$ loans.

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

**Available-for-sale Financial Assets**

Available-for-sale financial assets held by the Group included 63,000,000 shares in Changjiang Securities Company Limited (000783.SZ), 42,973,976 shares in Bank of Communications Co., Ltd. (601328.SH), 13,068,422 shares in Yu Yuan Trade Mart (600655.SH), 24,885,975 shares in Pudong Development Bank Co., Ltd (600000.SH), 61,782,364 shares in Guotai Jun'an (601211.SH) and 17,593,034 shares in Shenwan Hongyuan (000166.SZ).

## HUMAN RESOURCES AND TRAINING

As at the end of the Reporting Period, the Group had approximately 57,400 employees included in its consolidated financial statements. As of now, no share options scheme has been established by the Group.

The Group's training base provides professional training on various management skills and technical skills. The base provides the Group with management talents of all fields and nurtures industry elites, where education and training are closely conducted based on the actual context of hotel development. During the Reporting Period, the Group adopted the "Exchange and Training Programme for Top 100 Members of Mid-tier to Senior Management". The first pilot exchange and training programme was completed, creating a team of international talents. Moreover, a "Cross-cultural Course Session" was implemented in both the headquarters of the Company and our base in France to enhance multicultural exchanges and integration. More than 58 training courses on various types of job management, job skills and special topics were organised during the year with enrolment of more than 4,200 participants.

During the Reporting Period, the Group adjusted its human resources structure and optimised its job positions and staff establishment to further enhance its market orientation.

## SOCIAL RESPONSIBILITY

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

While pursuing economic benefits and protecting shareholders' interests, the Group has also acted vigorously to protect the legal rights of its employees, customers and business partners. It has been actively involved in public charity 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 harmony with the community as a whole and drive the co-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 introducing and constantly enhancing the model for democratic participation in corporate management by junior staff. We have also sought further protection for the legal rights of staff through the staff representatives' assembly.

The Group stringently complies with the relevant laws and regulations. The Environmental, Social and Governance Report for 2016 of the Company has been compiled in compliance with the requirements under the Appendix 27 to the Listing Rules "Environmental, Social and Governance Reporting Guide" based on the established compliance and operation systems for disclosing basic information on the performance of policies relating to the environment and social interests. The Environmental, Social and Governance Report for 2016 of the Company will be published within 3 months of the date of the annual report.

## CORPORATE STRATEGIES AND OUTLOOK FOR FUTURE DEVELOPMENT

The uncertainties in the global economic recovery, slowdown in domestic macro-economic growth, periodically structural oversupply in the hotel industry and the rapid development of information technology relating to the Mobile Internet will continue to affect the development of the Group's principal business. Nevertheless, with the introduction and implementation of government policies to promote the development of the tourism industry, as well as the stimulating effect of projects including Shanghai Disneyland, broad prospects for future development still hold out for China's hotel and tourism industry. The Group will actively address any challenges and seize any opportunities that might arise.

The Group will adopt a philosophy of development emphasising innovation, coordination, eco-friendliness and sharing in line with the "13th Five Year Plan" planning, further entrench the supply-side reform, step up with the development of its core business and establish the "Jin Jiang" brand by seeking growth with prudence. We will seek to improve our management standard and core competitiveness by learning from the expertise and experience of our foreign partners and leveraging the strategy of setting up international businesses while introducing foreign experiences to the domestic operations. We will also further advance our domestic as well as international business deployment and optimize our ability in multinational operations.

In the upcoming year, the establishment process of Jin Jiang GDL Asia Co.* (錦江盧浮亞洲公司) will be accelerated with a particular focus on making progress in the upgrading of brand rankings and ensuring the achievement of development targets. We will also speed up the construction of WeHotel and create a brand new membership club house. A shared procurement platform will be built with a view to making advances in supply chain integration, while the existing shared financial platform will be enhanced for the purpose of enabling greater financial integration. A new session of exchange and training sessions for staff will be implemented to facilitate the integration of human resources. The laying out of the management system for performance excellence will be promoted to enhance our quality and efficiency in a comprehensive manner.

The Group will seize the opportunity presented by the reform of state-owned assets to enhance its development towards a market-oriented corporation. We will advance reforms of our mechanisms and regimes and explore the innovation and transformation of business and service models compatible with the age of Internet economy, while optimising our market-based remuneration regime and restraint and incentive mechanism. The Group will leverage our strengths in specialisation, in a bid to foster a modern tourism service industry chain centered on hotel operations and shared economic platforms. We will continue to improve the asset liquidity and adjust our structure to further increase our overall asset return and enterprise value.

## DIVIDENDS

On 29 March 2017, the Board proposed to declare a final dividend of RMB8.0 cents (inclusive of tax) per share or an aggregate of RMB445,280,000 for the year ended 31 December 2016. The dividend is expected to be paid no later than 15 August 2017.

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

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

For details of the resolutions to be considered and approved at the forthcoming annual general meeting, the book closure period of H share register, and the date of annual general meeting, please refer to the notice of 2016 annual general meeting to be issued by the Company in due course.

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

## CORPORATE GOVERNANCE

The Board has reviewed its "Company Operation and Corporate Governance Guidelines" and is of the view that such guidelines have incorporated most of the principles and all of the code provisions of the "Corporate Governance Code" as set out in Appendix 14 to the Listing Rules. The Company has complied with the applicable code provisions of the Corporate Governance Code for the financial year ended 31 December 2016.

## AUDIT COMMITTEE

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

The annual results have been reviewed by the Audit Committee. The committee has reviewed the accounting principles and practices adopted by the Company and conducted a discussion on matters in relation to the audit, risk management, internal controls and financial reporting, including the review of the consolidated financial statements for the year ended 31 December 2016 prepared in accordance with HKFRSs, together with the management of the Company.

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year of 2016, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the listed securities of the Company.

## DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

| | |
|---|---|
| "ADR" | room revenue divided by rooms in use |
| "Audit Committee" | the audit committee of the Company |
| "Available Rooms" | number of rooms available of each hotel after deducting Permanent House Use |
| "Baisuicun Restaurants" | Shenzhen Baisuicun Restaurants Chain Co., Ltd. (深圳市百歲村餐飲連鎖有限公司), a limited liability company established in the PRC |
| "Board" | the board of Directors of the Company |
| "CG" | CAPITAL GATHERING LLC |
| "China" or "PRC" | The People's Republic of China |
| "Company" | Shanghai Jin Jiang International Hotels (Group) Company Limited |
| "Director(s)" | the director(s) of the Company |
| "Finance Company" | Jin Jiang International Finance Company Limited |
| "Full Service Hotels" | hotels which are based on comprehensive hotel functions and facilities, and provide all rounded quality services for guests |
| "Galaxy Hotel" | Shanghai Galaxy Hotel Co., Ltd. |
| "GDL" | Groupe du Louvre, a société par actions simplifiée incorporated under the laws of France |
| "Group" | the Company and its subsidiaries or, where the context so requires, in respect of the period prior to the date of incorporation of the Company, those entities and businesses which were consolidated into and operated by the Company upon its establishment |

| | |
|---|---|
| "HAC" | HOTEL ACQUISITION COMPANY, LLC |
| "IHHC" | INCA HOTEL HOLDINGS COMPANY LLC, a special-purpose entity under common control by the Company to hold all retained assets including 5 retained proprietary hotels in the United States and undertake relevant responsibilities |
| "Jin Jiang Cold" | Shanghai Jin Jiang International Cold Logistics Development Co., Ltd. |
| "Jin Jiang Hotels Development" | Shanghai Jin Jiang International Hotels Development Company Limited |
| "Jin Jiang Inn" | Jin Jiang Inn Company Limited |
| "Jin Jiang International" | Jin Jiang International Holdings Company Limited |
| "Jin Jiang Investment" | Shanghai Jin Jiang International Industrial Investment Company Limited |
| "Jin Jiang Metropolo" | Shanghai Jin Jiang Metropolo Hotel Management Company Limited |
| "Jin Jiang Travel" | Shanghai Jin Jiang International Travel Co., Ltd. |
| "Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| "Occupancy Rate" | rooms in use divided by Available Rooms for a given period |
| "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 2016 to 31 December 2016 |
| "RevPAR" | room revenue per Available Room |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "Select Service Hotels" | hotels providing guests with basic professional services which are suitable for mass consumption with emphasis on the core function of accommodation |
| "Star-rating" or "Star-rated" | number of star(s) conferred by the National Tourism Administration of the PRC to a hotel according to the Star-rating Standard Manual and a Star-rated hotel refers to a hotel with Star-rating conferred as mentioned above |
| "THAYER" | THI V INCA LLC under THAYER HOTEL INVESTORS V-A LP |

| | |
|---|---|
| "US$" | United States Dollars, the lawful currency of the United States |
| "Vienna Hotels" | Vienna Hotels Group Co., Ltd. (維也納酒店有限公司), a limited liability company established in the PRC |
| "Xintiantian Company" | Shanghai Xintiantian Cold Logistics Co., Ltd |

By Order of the Board
**Shanghai Jin Jiang International Hotels (Group) Company Limited***
**Kang Ming**
*Executive Director and Joint Company Secretary*

Shanghai, the PRC, 29 March 2017

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

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