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)

ANNOUNCEMENT OF THE UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2017 ***(RMB'000)***	Six months ended 30 June 2016 *(RMB'000)*	Increase/ decrease *(%)*
Revenue	**9,212,469**	7,353,627	25.3%
Operating profit	**1,047,004**	1,197,075	−12.5%
Profit attributable to shareholders of the Company	**555,336**	552,614	0.5%
Earnings per share *(expressed in RMB cents)*	**9.98**	9.93	0.5%
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**2,318,092**	2,160,592	7.3%

RESULTS SUMMARY

The Board hereby announces the unaudited consolidated interim results of the Group. The interim results have been reviewed by the Audit Committee. For the six months ended 30 June 2017, sales revenue of the Group amounted to approximately RMB9,212,469,000, representing an increase of approximately 25.3% as compared to the same period of last year. Operating profit of the Group was approximately RMB1,047,004,000, decreasing by approximately 12.5% as compared to the same period of last year, which was mainly attributable to the year-on-year decrease in return on asset operation. EBITDA amounted to approximately RMB2,318,092,000, representing an increase of approximately 7.3% as compared to the same period of last year. Profit attributable to shareholders of the Company amounted to approximately RMB555,336,000, representing an increase of approximately 0.5% as compared to the same period of last year. Earnings per share were approximately RMB9.98 cents, increasing by approximately 0.5% as compared to the same period of last year. The year-on-year growth in profit and earnings per share despite the year-on-year decrease in return on asset operation reflected mainly continuous growth in profit from principal business on the back of an optimised profit mix following the Group's focused efforts to strengthen its principal business and enhance its mechanism for stable growth.

SELECTED CONSOLIDATED FINANCIAL INFORMATION PREPARED IN ACCORDANCE WITH HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

UNAUDITED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Revenue	4(a)	**9,212,469**	7,353,627
Cost of sales	5	**(7,120,673)**	(5,749,845)
Gross profit		**2,091,796**	1,603,782
Other income and gain		**549,015**	861,548
Selling and marketing expenses	5	**(636,732)**	(442,349)
Administrative expenses	5	**(898,305)**	(772,947)
Other expenses and losses		**(58,770)**	(52,959)
Operating profit		**1,047,004**	1,197,075
Finance income		**83,667**	90,442
Finance costs		**(373,386)**	(374,228)
Finance costs — net		**(289,719)**	(283,786)
Share of results of joint ventures and associates		**264,821**	164,501
Profit before income tax		**1,022,106**	1,077,790
Income tax expense	6	**(86,361)**	(245,724)
Profit for the period		**935,745**	832,066
Attributable to:			
— Shareholders of the Company		**555,336**	552,614
— Non-controlling interests		**380,409**	279,452
		935,745	832,066
Earnings per share for profit attributable to shareholders of the Company for the period *(expressed in RMB cents per share)*			
— basic and diluted	7	**9.98**	9.93

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Profit for the period	**935,745**	832,066
Other comprehensive income		
Item that will not be reclassified subsequently to profit or loss		
Remeasurements on the net defined benefit liabilities	**—**	(4,475)
Items that may be subsequently reclassified to profit or loss		
Fair value changes on available-for-sale financial assets — gross	**85,007**	(634,951)
Transfer of fair value changes on disposal of available-for-sale financial assets — gross	**(159,445)**	(248,468)
Fair value changes on available-for-sale financial assets and transfer of fair value changes on disposal of available-for-sale financial assets — tax	**18,558**	227,615
Cash flow hedges — net of tax	**829**	(729)
Currency translation differences	**55,249**	(489)
Total other comprehensive income for the period	**198**	(661,497)
Total comprehensive income for the period	**935,943**	170,569
Attributable to:		
— Shareholders of the Company	**538,037**	245,862
— Non-controlling interests	**397,906**	(75,293)
	935,943	170,569

UNAUDITED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2017

	Note	**As at 30 June 2017** *RMB'000*	As at 31 December 2016 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**12,326,013**	12,515,403
Investment properties		**283,633**	288,448
Land use rights		**1,921,573**	1,951,609
Intangible assets		**18,776,426**	18,259,164
Investments in joint ventures		**1,240,349**	1,168,759
Investments in associates		**808,604**	780,441
Available-for-sale financial assets		**3,710,213**	3,485,450
Deferred income tax assets		**763,560**	695,490
Trade receivables, prepayments and other receivables	9	**201,289**	434,024
Restricted cash		**—**	3,306,492
		40,031,660	42,885,280
Current assets			
Financial assets at fair value through profit or loss		**31,470**	60,924
Available-for-sale financial assets		**145,882**	182,022
Inventories		**197,084**	195,781
Trade receivables, prepayments and other receivables	9	**4,082,021**	2,877,760
Restricted cash		**3,610,363**	1,659,753
Bank deposits with maturities over 3 months		**755,913**	2,350,271
Cash and cash equivalents		**8,172,355**	6,559,042
		16,995,088	13,885,553
Total assets		**57,026,748**	56,770,833

UNAUDITED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

As at 30 June 2017

	Note	**As at 30 June 2017** *RMB'000*	As at 31 December 2016 *RMB'000*
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital		**5,566,000**	5,566,000
Reserves		**3,831,705**	3,790,960
		9,397,705	9,356,960
Non-controlling interests		**10,799,211**	10,783,115
Total equity		**20,196,916**	20,140,075
LIABILITIES			
Non-current liabilities			
Borrowings		**14,599,018**	16,388,796
Deferred income tax liabilities		**3,044,418**	3,141,998
Trade and other payables	10	**957,762**	927,987
		18,601,198	20,458,781
Current liabilities			
Borrowings		**9,304,383**	8,553,405
Derivative financial instruments		**5,175**	6,158
Income tax payable		**317,584**	279,457
Dividend payable to shareholders of the Company	8	**445,280**	—
Trade and other payables	10	**8,156,212**	7,332,957
		18,228,634	16,171,977
Total liabilities		**36,829,832**	36,630,758
Total equity and liabilities		**57,026,748**	56,770,833

NOTES TO THE SELECTED UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

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

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

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

These unaudited condensed consolidated interim financial statements were approved for issue by the Board on 30 August 2017.

Key events

French income tax change's impact

According to the French Fiscal Law, the effective income tax rate for GDL will decrease from 34.43% to 28.92% in 2019. The Group assessed the impact on the deferred tax assets and liabilities that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted. The reassessed deferred tax impact amounted to RMB111,689,000 was recognised as a gain in the "income tax expense".

2 BASIS OF PRESENTATION

These unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2017 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The unaudited condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2016, which were prepared in accordance with HKFRS issued by HKICPA.

As at 30 June 2017, the Group's current liabilities exceeded its current assets by RMB1,233,546,000, which includes that the subsidiary Jin Jiang Hotels Development's current liability exceeded its current assets by RMB1,333,253,000. Jin Jiang International, the ultimate holding company of the Company, has confirmed its intention to provide continuous financial support for the continuing operation of Jin Jiang Hotels Development. The Directors of the Company have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its unaudited condensed consolidated interim financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements.

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

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

HKAS 7 (Amendments) "Statement of cash flows" is effective for annual periods beginning on or after 1 January 2017. This amendment clarifies an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments as mentioned above did not have a material effect on the Group's operating results, financial position or comprehensive income.

(b) Standards, amendments and interpretations to existing standards effective on 1 January 2017 but not relevant to the Group:

		Effective for annual periods beginning on or after
HKAS 12 (Amendment)	Income taxes	1 January 2017
HKFRS 12 (Amendment)	Disclosure of interests in other entities	1 January 2017

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

		Effective for annual periods beginning on or after
HKFRS 1 (Amendment)	First time adoption of HKFRS	1 January 2018
HKFRS 2 (Amendments)	Share-based payment	1 January 2018
HKFRS 4 (Amendment)	Insurance Contracts	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HK (IFRIC) 22 (Amendment)	Foreign Currency Transactions and Advance Consideration	1 January 2018
HKAS 28 (Amendment)	Investment in associates and joint ventures	1 January 2018
HKAS 40 (Amendments)	Investment property	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group will apply the new standards and amendments of HKFRSs and HKASs described above when they become effective. The Group is in the process of making an assessment on the impact of these new standards and amendments.

4 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.

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 GDL Asia, Plateno Group, and 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 period.

(a) Turnover

The Group's revenue which represents turnover for the six months ended 30 June 2017 is as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Full Service Hotels	**910,034**	959,303
— Accommodation revenue	**435,565**	452,748
— Food and beverage sales	**257,100**	279,334
— Rendering of ancillary services	**41,724**	48,499
— Rental revenue	**94,190**	93,844
— Sales of hotel supplies	**2,421**	3,320
— Hotel management	**79,034**	81,558
Select Service Hotels — managed and operated in Mainland China	**4,369,320**	2,533,628
— Accommodation revenue	**2,577,223**	1,690,141
— Food and beverage sales	**166,158**	77,038
— Rendering of ancillary services	**338,561**	212,866
— Rental revenue	**64,914**	23,817
— Sales of hotel supplies	**188,914**	183,449
— Hotel management and franchise	**884,027**	254,329
— Revenue under customer loyalty programme	**149,523**	91,988
Select Service Hotels — managed and operated overseas	**1,793,923**	1,712,733
— Accommodation revenue	**976,579**	948,153
— Catering and sale of products	**380,332**	371,411
— Hotel management and franchise	**427,646**	388,051
— Others	**9,366**	5,118
Food and Restaurants	**178,064**	168,344
Passenger Transportation Vehicles and Logistics	**1,187,761**	1,144,169
— Vehicle operating	**566,466**	580,255
— Trading of automobile	**541,587**	501,492
— Refrigerated logistics	**68,942**	50,475
— Others	**10,766**	11,947
Travel Agency	**734,365**	799,114
— Travel agency	**730,580**	781,882
— Others	**3,785**	17,232
Other Operations	**39,002**	36,336
	9,212,469	7,353,627

The majority of the Group's sales are retail sales and no revenues from transactions with a single external customer account for 10% or more of the Group's revenue for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

(b) Segment information

The segment results for the six months ended 30 June 2017 are as follows:

	Full Service Hotels *RMB'000*	Select Service Hotels — managed and operated in Mainland China *RMB'000*	Select Service Hotels — managed and operated overseas *RMB'000*	Food and Restaurants *RMB'000*	Passenger Transportation Vehicles and Logistics *RMB'000*	Travel Agency *RMB'000*	Other Operations *RMB'000*	The Group *RMB'000*
External sales *(note 4(a))*	**910,034**	**4,369,320**	**1,793,923**	**178,064**	**1,187,761**	**734,365**	**39,002**	**9,212,469**
Inter-segment sales	**2,388**	**962**	**9,387**	**3,398**	**1,349**	**—**	**29,030**	**46,514**
Total gross segment sales	**912,422**	**4,370,282**	**1,803,310**	**181,462**	**1,189,110**	**734,365**	**68,032**	**9,258,983**
Profit for the period	**280,295**	**239,568**	**147,115**	**107,432**	**157,819**	**51,892**	**(48,376)**	**935,745**
Other income and gain	**68,033**	**68,359**	**22,446**	**62,823**	**40,999**	**111,750**	**174,605**	**549,015**
Including: interest income	**3,505**	**9,102**	**510**	**42**	**5,417**	**5,766**	**25,445**	**49,787**
Depreciation and impairment of property, plant and equipment *(note 5)*	**(94,656)**	**(444,823)**	**(208,216)**	**(6,926)**	**(114,836)**	**(3,308)**	**(520)**	**(873,285)**
Depreciation of investment properties *(note 5)*	**(2,488)**	**—**	**—**	**—**	**(257)**	**(2,070)**	**—**	**(4,815)**
Amortisation of land use rights *(note 5)*	**(7,845)**	**(21,491)**	**—**	**—**	**(583)**	**—**	**(117)**	**(30,036)**
Amortisation of intangible assets *(note 5)*	**(847)**	**(77,570)**	**(18,298)**	**(1,084)**	**—**	**(295)**	**(37)**	**(98,131)**
(Provision for)/reversal of impairment of trade receivables, prepayments and other receivables *(note 5)*	**—**	**(6,265)**	**8,662**	**—**	**(1)**	**—**	**—**	**2,396**
Provision for inventories write-down *(note 5)*	**—**	**(302)**	**—**	**—**	**—**	**—**	**—**	**(302)**
Finance costs — net	**(70,342)**	**(42,114)**	**(67,124)**	**(392)**	**(408)**	**—**	**(109,339)**	**(289,719)**
Share of results of joint ventures and associates	**132,395**	**(969)**	**1,815**	**60,459**	**87,865**	**(1,314)**	**(15,430)**	**264,821**
Income tax expense *(note 6)*	**(21,463)**	**(121,848)**	**103,338**	**(1,006)**	**(17,997)**	**(17,946)**	**(9,439)**	**(86,361)**
Capital expenditures	**19,717**	**239,655**	**324,110**	**3,337**	**74,259**	**2,336**	**264**	**663,678**

The segment results for the six months ended 30 June 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 *(note 4(a))*	959,303	2,533,628	1,712,733	168,344	1,144,169	799,114	36,336	7,353,627
Inter-segment sales	3,475	973	—	3,820	634	31	22,427	31,360
Total gross segment sales	962,778	2,534,601	1,712,733	172,164	1,144,803	799,145	58,763	7,384,987
Profit for the period	321,868	94,800	50,946	74,611	153,132	50,207	86,502	832,066
Other income and gain	342,921	31,903	33,113	48,274	51,197	70,886	283,254	861,548
Including: interest income	1,038	5,695	611	44	7,836	4,216	21,090	40,530
Depreciation and impairment of property, plant and equipment *(note 5)*	(94,517)	(327,653)	(163,611)	(6,730)	(108,876)	(3,516)	(641)	(705,544)
Depreciation of investment properties *(note 5)*	(2,131)	—	—	—	(257)	(2,070)	—	(4,458)
Amortisation of land use rights *(note 5)*	(7,845)	(21,069)	—	—	(540)	—	(116)	(29,570)
Amortisation of intangible assets *(note 5)*	(1,072)	(40,447)	(16,751)	(861)	—	(274)	(39)	(59,444)
Provision for impairment of trade receivables, prepayments and other receivables *(note 5)*	(24)	(7,737)	(421)	—	(124)	—	—	(8,306)
Reversal of inventories write-down *(note 5)*	—	43	—	—	—	—	—	43
Finance costs — net	(67,721)	(38,047)	(73,210)	(267)	(1,830)	—	(102,711)	(283,786)
Share of results of joint ventures and associates	43,605	(1,393)	4,108	48,526	68,720	341	594	164,501
Income tax expense *(note 6)*	(96,410)	(44,167)	(48,232)	(1,253)	(16,381)	(8,960)	(30,321)	(245,724)
Capital expenditures	17,121	11,356,543	268,728	2,897	191,537	510	194	11,837,530

The segment assets as at 30 June 2017 are as follows:

	Full Service Hotels *RMB'000*	**Select Service Hotels — managed and operated in Mainland China** *RMB'000*	**Select Service Hotels — managed and operated overseas** *RMB'000*	**Food and Restaurants** *RMB'000*	**Passenger Transportation Vehicles and Logistics** *RMB'000*	**Travel Agency** *RMB'000*	**Other Operations** *RMB'000*	**The Group** *RMB'000*
Segment assets	**4,703,878**	**22,861,442**	**13,316,763**	**137,952**	**3,945,943**	**1,634,218**	**8,377,599**	**54,977,795**
Investments in joint ventures	**860,567**	**—**	**—**	**—**	**377,992**	**—**	**1,790**	**1,240,349**
Investments in associates	**61,091**	**48,372**	**90,313**	**190,275**	**343,799**	**3,026**	**71,728**	**808,604**
Total assets	**5,625,536**	**22,909,814**	**13,407,076**	**328,227**	**4,667,734**	**1,637,244**	**8,451,117**	**57,026,748**

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

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

Other income in the segment of "Full Service Hotels" for the six months ended 30 June 2017 mainly a gain on disposal of an associate of RMB22,436,000 (for the six months ended 30 June 2016: a gain on partial disposal of a joint venture of RMB313,929,000). Other income in the segment of "Other Operations" for the six months ended 30 June 2017 mainly includes gains on disposal of available-for-sale financial assets of RMB86,659,000 (for the six months ended 30 June 2016: RMB209,292,000).

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

5 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Employee benefit expenses	**2,895,049**	2,109,747
Changes in inventories	**1,878,724**	1,754,538
Operating leases — land and buildings	**943,327**	629,927
Depreciation and impairment of property, plant and equipment	**873,285**	705,544
Utility cost and consumables	**452,708**	374,830
Repairs and maintenance	**240,810**	224,636
Commissions paid to travel agencies	**193,506**	163,000
Advertising costs	**189,374**	98,827
Business tax, property tax, value-added tax ("VAT") through a simplified method and other tax surcharges	**150,004**	217,606
Consulting fee	**114,454**	52,559
Amortisation of intangible assets	**98,131**	59,444
Laundry costs	**54,464**	34,834
Transportation expenses	**50,871**	41,784
Telecommunication expenses	**41,810**	35,351
Amortisation of land use rights	**30,036**	29,570
Auditors' remuneration	**14,627**	14,166
Entertainment expenses	**7,363**	4,177
Depreciation of investment properties	**4,815**	4,458
Provision for/(reversal of) inventories write-down	**302**	(43)
Transactions cost in relation to business combination	**—**	26,485
(Reversal of)/provision for impairment of trade receivables, prepayments and other receivables	**(2,396)**	8,306
Others	**424,446**	375,395
	8,655,710	6,965,141

6 INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Current tax:		
Mainland China current corporate income tax ("CIT")	**253,955**	230,564
Overseas current corporate income tax	**35,833**	51,745
Deferred tax:		
Mainland China deferred income tax	**(67,722)**	(35,486)
Overseas deferred income tax	**(135,705)**	(1,099)
	86,361	245,724

Provision for Mainland China CIT is calculated based on the statutory income tax rate of 25% on the assessable income of Group companies operating in Mainland China for the six months ended 30 June 2017 (the six months ended 30 June 2016: 25%) as determined in accordance with the Corporate Income Tax Law of PRC and the Detail Implementation Regulations.

Hong Kong profits tax is provided at a rate of 16.5% on the estimated assessable profits of Group's subsidiaries incorporated in Hong Kong for the six months ended 30 June 2017 (the six months ended 30 June 2016: 16.5%). For the six months ended 30 June 2017, the Group's subsidiaries incorporated in Hong Kong did not have assessable profit and therefore has not provided for any Hong Kong profits tax (the six months ended 30 June 2016: nil).

GDL is mainly operated in France and subject to income tax at 34.43% for the six months ended 30 June 2017 (the six months ended 30 June 2016: 34.43%).

7 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2017	2016
Profit attributable to shareholders of the Company *(RMB'000)*	**555,336**	552,614
Weighted average number of ordinary shares in issue *(thousands)*	**5,566,000**	5,566,000
Basic earnings per share *(RMB cents)*	**9.98**	9.93

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

8 DIVIDENDS

The final dividend for the year 2016 of RMB8.0 cents (2015 final dividend: RMB6.5 cents) per share, totalling RMB445,280,000 (2015 final dividend: RMB361,790,000) was paid subsequently in July and August 2017. The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016 interim dividend: nil).

9 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Trade receivables	**1,259,373**	999,476
Less: provision for impairment of trade receivables	**(136,359)**	(135,060)
Trade receivables — net	**1,123,014**	864,416
Prepayments and deposits	**1,095,956**	1,105,008
Loans to related parties by Finance Company	**1,045,000**	422,000
Interest receivables	**340,603**	359,670
Other amounts due from related parties	**258,381**	133,674
Other prepaid and recoverable tax	**226,873**	203,318
Dividends receivables	**61,326**	11,884
Accrued rental revenue	**51,420**	49,694
Receivables resulted from equity transactions	**32,428**	—
Loans to related parties by the Group other than Finance Company	**29,500**	130,820
Loans to third parties	**16,526**	28,422
VAT recoverable	**3,811**	3,157
Others	**56,468**	56,140
Less: provision for impairment of other receivables	**(57,996)**	(56,419)
Prepayments and other receivables — net	**3,160,296**	2,447,368
	4,283,310	3,311,784
Less: non-current portion of trade receivables, prepayments and other receivables	**(201,289)**	(434,024)
Current portion of trade receivables, prepayments and other receivables	**4,082,021**	2,877,760

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

	At 30 June 2017 *RMB'000*	At 31 December 2016 *RMB'000*
0 to 3 months	**954,095**	792,645
3 months to 1 year	**173,116**	97,567
Over 1 year	**132,162**	109,264
	1,259,373	999,476

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

10 TRADE AND OTHER PAYABLES

	At 30 June 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Trade payables	**1,702,808**	1,698,379
Deposits from related parties in Finance Company	**1,691,648**	1,041,098
Employee benefits payables	**1,580,183**	1,572,740
Advances from customers	**1,359,747**	1,173,430
Advances on behalf of the franchises	**514,117**	393,491
Payables for purchases of property, plant and equipment and intangible assets	**512,596**	634,678
Deposits from lessees and constructors	**431,718**	395,797
Other tax payables	**314,549**	303,105
Accrued expenses	**216,420**	188,892
Dividend payable to non-controlling interests	**154,301**	21,763
Other amounts due to related parties	**150,920**	167,155
Deferred government grants	**90,732**	50,123
Defined benefit plan of GDL	**57,687**	49,010
Deferred revenue for customer royalty programme	**50,983**	47,721
Marketing fund	**42,707**	43,361
Payables related to the disposal of Shanghai Galaxy Hotel Co., Ltd. ("Galaxy Hotel")	**36,962**	36,962
Provisions for other liabilities and charges	**32,440**	61,392
Interests payable	**31,548**	54,283
Deferred payment of acquisition of subsidiaries	**9,796**	187,642
Others	**132,112**	139,922
	9,113,974	8,260,944
Less: non-current portion of trade payables, provisions and other payables	**(957,762)**	(927,987)
Current portion of trade payables, provisions and other payables	**8,156,212**	7,332,957

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

	At 30 June 2017 *RMB'000*	At 31 December 2016 *RMB'000*
0 to 3 months	**1,527,883**	1,518,892
3 months to 1 year	**116,253**	117,283
Over 1 year	**58,672**	62,204
	1,702,808	1,698,379

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

11 COMMITMENTS

(a) Capital commitments

Capital expenditure at 30 June 2017 contracted but not yet incurred is as follows:

	At 30 June 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Acquisition of property, plant and equipment	**178,066**	171,322

(b) Operating lease commitments

The Group leases various premises, offices and machinery and also leases out space in hotels under non-cancellable operating lease agreements. The rental revenue recognised and the lease expenditure expensed in the unaudited condensed consolidated interim income statement during the six months ended 30 June 2017 is disclosed in note 4(a) and note 5, respectively.

Leases with different lessees and lessors are negotiated for terms ranging from 1 year to 25 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 30 June 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Not later than 1 year	**190,606**	186,358
Later than 1 year and not later than 5 years	**642,867**	663,945
Later than 5 years	**582,464**	595,695
	1,415,937	1,445,998

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

	At 30 June 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Not later than 1 year	**1,667,219**	1,718,799
Later than 1 year and not later than 5 years	**6,258,674**	6,466,977
Later than 5 years	**6,358,339**	6,862,189
	14,284,232	15,047,965

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the first half of 2017, China's tourism industry continued to grow, as business prospects for low- to medium-end hotels were improving, while mid-market hotels experienced booming growth. In a proactive move to adapt itself to the new normal status of economic development and seize opportunities for global development presented by the "One Belt One Road" initiative, the Group persisted in the double-edged model of driving growth through "capital-intensive operation and excellence in operation" and focused on the strategy of "global business deployment and multinational operations", as it stepped up with efforts in brand streamlining and development synergies to create a tourism service industry chain centered on hotels. In accordance with the principle of "keeping basic elements unchanged, integrating back offices, and complementing comparative advantages for co-development", we expedited the in-depth integration of the hotel segments with a strong focus on our principal business to steadily enhance the profitability of our hotel assets. The general competitive strengths of our principal business continued to grow, while our profit mix was further optimised.

For the Reporting Period, the Group recorded sales revenue of approximately RMB9,212,469,000, representing an increase of approximately 25.3% as compared to the same period of last year. Operating profit of the Group amounted to approximately RMB1,047,004,000, decreasing by approximately 12.5% as compared to the same period of last year. Profit attributable to shareholders of the Company amounted to approximately RMB555,336,000, increasing by approximately 0.5% as compared to the same period of last year.

As at the end of the Reporting Period, the Group owned or managed 6,398 hotels in operation throughout the world, with a Total Number of Rooms of approximately 640,000 in 68 countries, amongst which approximately 5,117 hotels in operation with approximately 530,000 rooms were owned or managed by the Group in the PRC. Moreover, the Group owned 2,336 hotels with approximately 250,000 rooms under construction in other parts of the world. 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 2017.

WeHotel, our new joint venture, has built a shared economic platform based on the Mobile Internet by enhancing its operating efficiency and lowering service costs. Meanwhile, the launch of the new version of "Jin Jiang Trip" (錦江旅行) APP has facilitated further integration of our membership and reservation systems. In January 2017, the initial integration of the general information of Jin Jiang members and Plateno Club members was completed, whereby the information of 80 million Plateno Club members and 26 million Jin Jiang J-Club members will be accessible through one single database, forming a combined valid membership of over 100 million.

In February 2017, Shanghai Qi Cheng Network Technology Co., Ltd. (上海齊程網絡科技有限公司) (the official name of joint venture WeHotel as approved by the authorities of the administration for industry and commerce) was officially incorporated. In the meantime, the formation of Jin Jiang GDL Asia by Jin Jiang Hotels Development signified full integration of the segment of Select Service Hotels.

In April 2017, the Company and Jin Jiang Capital transferred to WeHotel 100% equity interests in Hubs1 held by them, out of which 10% equity interests in Hubs1 were transferred by the Company.

During the Reporting Period, IHHC completed disposals of three self-owned hotels in the United States (namely, Hilton Arlington, Hilton Durham and Westin Atlanta Airport). Through the transaction, investment gains have been recorded after deduction of investment costs.

Operational Statistics of Hotels

	January to June 2017	January to June 2016
Average Occupancy Rate		
Full Service Hotels		
— 5-star Luxury Hotels	**70%**	70%
— 4-star Luxury Hotels	**67%**	68%
Select Service Hotels		
— Jin Jiang Metropolo	**76%**	74%
— GDL	**61%**	59%
— Plateno Group	**79%**	82%
— Vienna Hotels	**87%**	—
Average room rate *(RMB)*		
Full Service Hotels		
— 5-star Luxury Hotels	**859**	853
— 4-star Luxury Hotels	**521**	525
Select Service Hotels		
— Jin Jiang Metropolo	**184**	184
— GDL *(EUR/room)*	**57**	58
— Plateno Group	**152**	149
— Vienna Hotels	**240**	—
RevPAR *(RMB)*		
Full Service Hotels		
— 5-star Luxury Hotels	**602**	598
— 4-star Luxury Hotels	**349**	355
Select Service Hotels		
— Jin Jiang Metropolo	**140**	136
— GDL *(EUR/room)*	**35**	35
— Plateno Group	**120**	122
— Vienna Hotels	**209**	—

Notes:

1. The policy of "replacement of business tax with VAT" has become applicable to domestic servicing industries 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 2017.

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

5. The operational data of Plateno Group for 2016 represented data for the period from March to June.

Full Service Hotels

The business of Full Service Hotels represents one of the major sources of revenue for the Group. During the Reporting Period, operation of Full Service Hotels contributed approximately RMB910,034,000 to the Group's revenue, decreasing by approximately 5.1% as compared to the same period of last year and accounting for approximately 9.9% of the Group's turnover, which was mainly attributable to the presentation of turnover net of tax (which affected other business segments as well) following the replacement of business tax with VAT for domestic servicing industries in China with effect from May 2016. If compared on the same basis, there would have been a slight growth in turnover for Full Service Hotels.

As at the end of the Reporting Period, the Group owned and managed 99 operating Full Service Hotels in the PRC, offering approximately 30,000 guest rooms, among which 78 hotels were owned by third parties and managed by the Group.

For the Reporting Period, high-rated Full Service Hotels in Shanghai in which the Group held equity interests reported a year-on-year increase in ADR by approximately 8% (excluding the effect of replacement of business tax with VAT), as the demand for high-rated Full Service Hotels in Shanghai continued to grow, benefiting from ongoing favourable factors such as the increasing number of business conventions and exhibitions held and growth in tourism in Shanghai and its neighbouring areas driven by Shanghai Disneyland. Meanwhile, the Group commenced its operation and management of hotel assets in a steady manner with a strong focus on its principal business to increase its asset efficiency, while continuing to make progress in asset liquidity, business transformation and leased operation of Full Service Hotels. During the Reporting Period, Full Service Hotels in which the Group held equity interests reported a further year-on-year growth in profit.

Select Service Hotels

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

For the Reporting Period, revenue from Select Service Hotels amounted to approximately RMB6,163,243,000, representing an increase of approximately 45.1% as compared to the same period of last year and accounting for approximately 66.9% of the Group's turnover, as the business segment continued to grow in scale and turnover.

As at the end of the Reporting Period, there were a total of 6,297 Select Service Hotels in operation offering 609,087 guest rooms in aggregate, comprising 1,182 hotels under Jin Jiang GDL Asia in operation with a total of 139,366 rooms, 1,276 GDL hotels in operation with a total of 107,960 rooms, 3,258 hotels in operation under Plateno Group with a total of 270,101 rooms and 581 hotels under Vienna Hotels with a total of 91,660 rooms.

As at the end of the Reporting Period, out of the 6,297 Select Service Hotels in operation, there were 45 "Jin Jiang Metropolo" hotels, 1,052 "Jin Jiang Inn" hotels, 28 "Jinguang Inn" hotels, 56 "Bestay Hotels Express" hotels, 1 hotel under the "康柏" brand; 263 "Premiere Classe" hotels, 377 "Campanile" hotels, 254 "Kyriad" hotels, 311 "Golden Tulip" hotels, 71 "Sarovar" hotels; 215 "Lavande" hotels, 77 "James Joyce Coffetels" hotels, 154 "IU" hotels, 2,464 "7 Days Inn" hotels, 222 "Pai" hotels, 126 hotels of other brands under Plateno Group; 3 "Venus Royal" hotels, 181 "Vienna International" hotels, 166 "Vienna Classic" hotels, 174 "Vienna" hotels and 56 "Vienna 3 Best" hotels and 1 hotel of another brand under Vienna Hotels.

Out of the 6,297 Select Service Hotels in operation, 1,077 were self-managed hotels, accounting for approximately 17%; while 5,220 were franchised hotels, accounting for approximately 83%. Select Service Hotels in operation offered a total of 609,087 guest rooms, including 120,922 rooms or approximately 20% in self-managed hotels in operation and 488,165 rooms or approximately 80% in franchised hotels in operation.

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

Food and Restaurants

During the Reporting Period, the Group developed its food and restaurant operations through several food and restaurant chain companies invested by Jin Jiang Hotels Development. Revenue generated therefrom amounted to approximately RMB178,064,000, which represented an increase of approximately 5.8% as compared to the same period of last year and accounting for approximately 1.9% of the Group's turnover.

During the Reporting Period, Jin Jiang Hotels Development continued to develop the group catering business, managing 60 group catering restaurants as at the end of the Reporting Period, as compared to 55 at the end of last year. 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 304, 30 and 9 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.

We researched and developed processed food with the aid of the national-grade chefs of Jin Jiang Hotels and expanded the sales of food products under the Jin Jiang brand as we started to market such products through online e-commerce platforms, in addition to direct supply to our hotels.

Passenger Transportation Vehicles and Logistics

During the Reporting Period, passenger transportation vehicles and logistics business reported an operating revenue of approximately RMB1,187,761,000, representing growth of approximately 3.8% as compared to the same period of last year and accounting for approximately 12.9% of the Group's turnover. During the Reporting Period, the Group successfully completed 37 receptions of national guests and 580 receptions at ministerial level or below. We also provided escort vehicles for important conferences, such as the third meeting of the BRICS finance ministers and central bank governors and the meeting of the Shanghai Committee of the Chinese People Political Consultative Conference. Our coach bus service completed 31 assignments for conferences and tournaments, including the East China Fair and the World Archery Championships.

During the Reporting Period, Shanghai Jin Jiang Automobile Service Co., Ltd. seized the market opportunities presented by Shanghai Disneyland and the cruise market to expand its market share. The Disneyland shuttle bus service provided by a subsidiary, Jinjiang Auto Service, received high scores in Disney's appraisal of the performances of its global suppliers, which was a fine testimony to the standard and quality of services under the Jin Jiang brand. Elsewhere, we rendered reception service for 19 overseas cruises, including MS Amsterdam and Dawn Princess and served approximately 38,000 counts of tourist arrivals with 846 coach bus outings.

Jin Jiang Cold provided end-to-end supply-chain services to customers through a comprehensive supply chain management business model combining food import, customs declaration and inspection, storage and delivery services in accordance with customers' demands with the support of the logistics service line.

JHJ Transportation strengthened its business management and lowered the procurement costs for its air freight and marine transportation operations by centralising its resources and capacities through the integration of back office. Endeavours were made to link up with B2B cross-border e-commerce operators, in order to provide specialised solutions for the small and medium foreign trade companies served by the e-commerce platforms, as well as other customers of JHJ Transportation.

Travel Agency

During the Reporting Period, operating revenue of the travel agency business amounted to approximately RMB734,365,000, decreasing by approximately 8.1% as compared to the same period of last year and accounting for approximately 8.0% of the Group's turnover.

During the Reporting Period, the number of tourist groups and tourist arrivals declined under the impact of global political and economic conditions. In view of this, the relevant departments of Jin Jiang Travel were stepping up with initiatives to transform, while actively developing new customers in the joint operations with foreign parties in a bid to overcome the effect of foreign exchange fluctuation. Furthermore, we were diversifying to integrated reception services for conventions and exhibitions, instead of merely receiving traditional inbound tours. In connection with our inbound tourism products, new tourism products complementing the "One Belt One Road" initiative were developed, while the weighting of and the market share for self-service and semi-self-service tours were also increased, on the back of a unified model of "Research and Development + Sales + Service" and taking into account popular areas of interests in the current market.

During the Reporting Period, travel agencies under Jin Jiang Travel, an official partner in tourism of the Shanghai Disneyland Resort, were actively engaged in various online marketing activities supported by offline planning to promote the "Jin Jiang Travel Shanghai Disneyland Resort Shuttle Bus".

During the Reporting Period, we facilitated online and offline connections with customers through the call centre in a tripartite marketing setup underpinned by "mobile terminals, the call centre and offline outlets". Our marketing network was effectively expanded for the further outreach of the "Jin Jiang Travel" brand network. Following the integration of various resources, Shanghai Jin Jiang Tours Co., Ltd (上海錦江旅遊控股有限公司) ("Jin Jiang Tours") worked closely with WeHotel and built a joint incubation team on the back of our superior Group resources to explore an innovative marketing model involving a cross-organisational team headed by Jin Jiang Tours and supported by the technical teams of "WeHotel" and the business teams of "Jin Jiang Hotels".

FINANCIAL REVIEW

Turnover

The Group's financial information during the Reporting Period as compared to the same period in 2016 is set out as follows:

	Six months ended 30 June 2017		Six months ended 30 June 2016	
	RMB in million	***% of turnover***	*RMB in million*	*% of turnover*
Full Service Hotels	**910.0**	**9.9%**	959.3	13.0%
Select Service Hotels — managed and operated in Mainland China	**4,369.3**	**47.4%**	2,533.6	34.5%
Select Service Hotels — managed and operated overseas	**1,793.9**	**19.5%**	1,712.7	23.3%
Food and Restaurants	**178.1**	**1.9%**	168.3	2.3%
Passenger Transportation Vehicles and Logistics	**1,187.8**	**12.9%**	1,144.2	15.6%
Travel Agency	**734.4**	**8.0%**	799.1	10.9%
Other Operations	**39.0**	**0.4%**	36.3	0.4%
Total	**9,212.5**	**100.0%**	7,353.6	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 2016:

	Six months ended 30 June 2017		Six months ended 30 June 2016	
	RMB in million	***% of turnover***	*RMB in million*	*% of turnover*
Accommodation revenue	**435.6**	**47.9%**	452.7	47.2%
Food and beverage sales	**257.1**	**28.2%**	279.3	29.1%
Rendering of ancillary services	**41.7**	**4.6%**	48.5	5.1%
Rental revenue	**94.2**	**10.3%**	93.9	9.8%
Sales of hotel supplies	**2.4**	**0.3%**	3.3	0.3%
Hotel management	**79.0**	**8.7%**	81.6	8.5%
Total	**910.0**	**100.0%**	959.3	100.0%

Accommodation revenue

Accommodation revenue was mainly determined by the number of Available Rooms, Occupancy Rate and ADR of the rooms of the Group's hotels. Accommodation revenue of the Full Service Hotels for the Reporting Period was approximately RMB435,565,000, decreasing by approximately 3.8% or approximately RMB17,183,000 as compared to the same period in 2016. The aforesaid change mainly reflected the impact of the replacement of business tax with VAT with effect from May 2016 on accommodation revenue. Excluding this factor, accommodation revenue would have increased on the back of year-on-year growth in average room rates and ADR, which was attributable to the Group's implementation of a range of measures to enhance income and strengthen hotel revenue management to seize favourable conditions and market opportunities with increasing demand for high-rated full service hotels in Shanghai.

Food and beverage sales

Food and beverage sales in the Group's hotels comprised catering for wedding banquets and conferences, room catering services for guests and other sales in restaurants and bars in the hotels. Food and beverage sales in Full Service Hotels for the Reporting Period amounted to approximately RMB257,100,000, decreasing by approximately 7.9% or approximately RMB22,234,000 from the same period of last year. The aforesaid change was mainly attributable to the conversion of certain restaurant premises in Full Service Hotels into leased operations and the impact of the replacement of business tax with VAT on revenue from food and beverage sales. The increasing supply of mass-market food and beverage and the ongoing impact of government policies also brought significant bearing on revenue from food and beverage and wedding banquet sales of Full Service Hotels.

Rendering of ancillary services

Revenue from rendering ancillary services was mainly generated from gift shops, entertainment, laundry services and other guest services. For the Reporting Period, revenue from the rendering of ancillary services amounted to approximately RMB41,724,000, decreasing by approximately 14% or approximately RMB6,775,000 from the same period of last year.

Rental revenue

Rental revenue was mainly generated from the leasing of shops at the Group's Full Service Hotels for retail, exhibition and other purposes, as well as the outsourced leasing of certain restaurant venues. During the Reporting Period, rental revenue amounted to approximately RMB94,190,000, increasing year-on-year by approximately 0.4% or approximately RMB346,000, which was driven mainly by the increase in both rental revenue received from third-party tenants and areas leased.

Sales of hotel supplies

Turnover from guest supplies and hotel products decreased by approximately RMB899,000 from the same period of last year. Such decrease was mainly attributable to adjustments in the business model of 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. Revenue of hotel management business amounted to approximately RMB79,034,000 for the Reporting Period, decreasing by approximately 3.1% or approximately RMB2,524,000 as compared to the same period of last year. The decrease mainly reflected revised rules for the recognition of performance-based management fees in connection with invested and managed hotels.

Select Service Hotels — managed and operated in Mainland China

Select Service Hotels business in Mainland China represented mainly turnover from Select Service Hotels managed and operated in Mainland China. For the Reporting Period, revenue from Select Service Hotels managed and operated in Mainland China amounted to approximately RMB4,369,320,000, representing an increase of approximately 72.5% or approximately RMB1,835,692,000 as compared to the same period of last year. This growth reflected mainly the inclusion of Plateno Group and Vienna Hotels in the Group's consolidated financial statements as from March and July 2016, respectively.

Select Service Hotels — managed and operated overseas

Select Service Hotels managed and operated overseas represented mainly turnover from Select Service Hotels managed and operated overseas. For the Reporting Period, revenue from Select Service Hotels managed and operated overseas amounted to approximately RMB1,793,923,000, representing an increase of approximately 4.7% or approximately RMB81,190,000 as compared to the same period of last year. The growth mainly reflected revenue growth resulting from the newly added Select Service Hotels management projects brought by GDL.

Food and Restaurants

Revenue of food and restaurants segment was mainly derived from Jin Ya Catering, Shanghai Jin Jiang International Food Catering Management Co., Ltd., Jing An Bakery Holding Company Limited, Shanghai Jin Jiang International Catering Investment Co., Ltd., Chinoise Story, Shanghai Jinzhu Catering Management Co., Ltd. and Shanghai New Asia Food Company Limited. For the Reporting Period, total sales from the food and restaurants segment amounted to approximately RMB178,064,000, increasing by approximately 5.8% or approximately RMB9,720,000 as compared to the same period of last year. The increase in food and restaurants revenue for the Reporting Period primarily reflected growth in revenue from the group catering business of Shanghai Jin Jiang International Food Catering Management Co., Ltd (managing 60 group catering restaurants during the Reporting Period versus 52 for the same period of last year) and business growth for Jing An Bakery Holding Company Limited.

Passenger Transportation Vehicles and Logistics

Revenue of passenger transportation vehicles and logistics for the Reporting Period amounted to approximately RMB1,187,761,000, representing an increase of approximately 3.8% or approximately RMB43,592,000 as compared to same period of last year. The increase primarily reflected the increase in revenue from auto and related trading businesses.

Travel Agency

Revenue of travel agency for the Reporting Period amounted to approximately RMB734,365,000, decreasing by approximately 8.1% or approximately RMB64,749,000 as compared to the same period of last year. The decrease reflected mainly the decrease in outbound and inbound travels under the impact of global political and economic conditions.

Other Operations

In addition, the Group is also engaged in other business, including the provision of financial services via Finance Company and the provision of training services by Jin Jiang International Management College (上海錦江國際管理專修學院). Revenue of other operations for the Reporting Period amounted to approximately RMB39,002,000, representing an increase of approximately 7.4% as compared to the same period of last year, which was primarily due to an increase in interest income from borrowings to related parties of Finance Company.

Cost of Sales

Cost of sales for the Reporting Period amounted to approximately RMB7,120,673,000 (same period in 2016: approximately RMB5,749,845,000), representing an increase of approximately 23.8% as compared to the same period of last year. The increase reflected the increase in cost of sales attributable mainly to the newly added Select Service Hotel chain business under Vienna Hotels and two additional months of hotel business for Plateno Group as compared to the same period of last year. The expansion in business scale of Select Service Hotels managed and operated by Jin Jiang GDL Asia and GDL also contributed to higher cost of sales.

Gross Profit

As a result of the factors described above, the Group recorded a gross profit of approximately RMB2,091,796,000 for the Reporting Period, representing an increase of approximately RMB488,014,000 or approximately 30.4% as compared to the same period of last year.

Other Income and Gain

Other income and gain for the Reporting Period amounted to approximately RMB549,015,000 (same period in 2016: approximately RMB861,548,000), decreasing by approximately 36.3% as compared to the same period of last year. The decrease primarily reflected a pre-tax investment gain of approximately RMB313,929,000 on the disposal of the HAC hotel management business for the same period in 2016. Gain of approximately RMB174,634,000 (same period in 2016: approximately RMB248,871,000) on disposal of available-for-sale financial assets, such as Changjiang Securities Company Limited and Shanghai Pudong Development Bank Co., Ltd, was also recorded for the Reporting Period. Dividend received by the Group during the Reporting Period was approximately RMB179,563,000 (same period in 2016: approximately RMB140,685,000).

Selling and Marketing Expenses

Selling and marketing expenses comprise primarily labor costs, travel agent commissions and advertising fees, which amounted to approximately RMB636,732,000 for the Reporting Period (same period in 2016: approximately RMB442,349,000), representing an increase of approximately 43.9% as compared to the same period of last year. The increase in sales and marketing expenses was attributable mainly to the newly added Select Service Hotel chain business under Vienna Hotels and two additional months of hotel operations for Plateno Group as compared to the same period of last year. The expenses also increased as a result of stronger advertising and promotion efforts by Plateno Group and GDL.

Administrative Expenses

Administrative expenses for the Reporting Period amounted to approximately RMB898,305,000 (same period in 2016: approximately RMB772,947,000), representing an increase of approximately 16.2% as compared to the same period of last year, which reflected mainly the increase in administrative expenses resulting from the newly added Select Service Hotels under Plateno Group and Vienna Hotels and the expansion in business scale of Select Service Hotels managed and operated by Jin Jiang GDL Asia and GDL.

Other Expenses and Losses

Other expenses and losses consisted primarily of bank charges and losses from the disposal of property, plant and equipment. Other expenses and losses for the Reporting Period amounted to approximately RMB58,770,000 (same period in 2016: approximately RMB52,959,000), increasing by approximately RMB5,811,000 as compared to the same period of last year. The increase mainly reflected the combined effect of other expenses and other losses in connection with newly added Select Service Hotel chain businesses under Vienna Hotels and Plateno Group.

Finance Costs — Net

Finance costs comprises interest expenses in respect of the Group's bank borrowings. Finance costs for the Reporting Period amounted to approximately RMB289,719,000 (same period in 2016: approximately RMB283,786,000), representing an increase of approximately 2.1% as compared to the same period of last year. The finance costs increased mainly due to the borrowing additions of the Company in connection with participation in Jin Jiang Hotels Development's private placing in August 2016. In the meantime, during the Reporting Period, the partial repayment of bank loans by Jin Jiang Hotels Development also reduced interest expenses to a certain extent.

Share of Results of Joint Ventures and Associates

Operating results of joint ventures and associates mainly comprised share of results of joint ventures including IHR Group, Beijing Kunlun Hotel, Jin Jiang Tomson Hotel, JHJ Transportation and Shanghai Yangtze Hotel Limited, and of associates including Shanghai Kentucky Fried Chicken Company Limited, Shanghai Pudong International Airport Transport Terminal Co. Ltd., Jiangsu Nanjing Long Distance Passenger Transport and China Oriental International Travel & Transport Co., Ltd. Share of results of joint ventures and associates for the Reporting Period amounted to approximately RMB264,821,000 (same period in 2016: approximately RMB164,501,000), which reflected mainly part of the gains from the disposal of three self-owned hotels in the United States by IHHC and the year-on-year increase in the attributable operating results of Shanghai Kentucky Fried Chicken Company Limited, Shanghai Pudong International Airport Transport Terminal Co. Ltd and Shanghai Yangtze Hotel Limited.

Taxation

The effective tax rate for the Reporting Period was approximately 8.4% (same period in 2016: approximately 22.8%). The effective tax rate decreased mainly because the effective income tax rate for GDL will decrease from 34.43% to 28.92% in 2019, and the Group assessed the impact on the deferred tax assets and liabilities that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted. The income tax expense was adjusted accordingly. In addition, the dividend income and share of results of joint ventures and associates not subject to tax also increased for the Reporting Period as compared to last year.

Net Profit

As a result of the factors described above, net profit for the Reporting Period attributable to shareholders of the Company increased by approximately RMB2,722,000 or approximately 0.5% to approximately RMB555,336,000 (same period in 2016: approximately RMB552,614,000).

Borrowings and Pledge of Assets

As at 30 June 2017, the borrowings included:

	At 30 June 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Borrowings included in non-current liabilities:		
Bank borrowings — secured	**11,024,441**	14,456,995
Bank borrowings — unsecured	**5,299,444**	4,533,148
Borrowings from related parties	**4,374,800**	300,000
Finance lease liabilities	**175,359**	169,777
	20,874,044	19,459,920
Less: current portion of long-term secured bank borrowings	**(6,255,188)**	(2,994,404)
current portion of long-term unsecured bank borrowings	**(7,891)**	(65,269)
current portion of long-term finance lease	**(11,947)**	(11,451)
	14,599,018	16,388,796
Borrowings included in current liabilities:		
Bank borrowings — secured	**8,000**	928,000
Bank borrowings — unsecured	**2,991,357**	4,334,281
Borrowings from related parties	**30,000**	220,000
Current portion of long-term secured bank borrowings	**6,255,188**	2,994,404
Current portion of long-term unsecured bank borrowings	**7,891**	65,269
Current portion of long-term finance lease	**11,947**	11,451
	9,304,383	8,553,405

As at 30 June 2017, the secured bank borrowings included:

(a) Bank borrowings of EUR773,844,000, equivalent to RMB5,996,985,000 (31 December 2016: EUR1,289,484,000, equivalent to RMB9,423,308,000), which were pledged by the bank deposits RMB3,306,492,000 (31 December 2016: 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 RMB77,456,000 (31 December 2016: PLN48,946,000, equivalent to RMB73,687,000), pledged by the property, plant and equipment of certain subsidiaries of GDL located in Poland;

(c) Bank borrowings of RMB8,000,000, which were guaranteed by a non-controlling shareholder of a subsidiary of Group;

(d) Bank borrowings of RMB30,000,000 (31 December 2016: RMB40,000,000), which were guaranteed by a non-controlling shareholder of a subsidiary of the Group; and

(e) Bank borrowings of RMB4,920,000,000 (31 December 2016: RMB4,920,000,000), which were pledged by the equity interest in a subsidiary of the Group.

TREASURY MANAGEMENT AND INTEREST RATE RISK MANAGEMENT

Cash and cash equivalents as at 30 June 2017 and 31 December 2016 amounted to approximately RMB8,172,355,000 and RMB6,559,042,000, respectively.

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 53,000,000 shares in Changjiang Securities Company Limited (000783.SZ), 92,326,488 shares in Bank of Communications Co., Ltd. (601328.SH), 13,068,422 shares in Yu Yuan Trade Mart (600655.SH), 25,000,000 shares in Shanghai 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

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

CORPORATE STRATEGIES AND OUTLOOK FOR FUTURE DEVELOPMENT

The uncertainties in global economic recovery, slowdown in domestic macro-economic growth, 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 launch and implementation of national policies aiming to promote the development of tourism, as well as the stimulating effect of the opening of Shanghai Disneyland, broad prospects for future development still hold out for China's hotel and tourism industry. As such, the Group will actively seize any opportunities that might arise and address any challenges.

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 enforce supply-side reforms and step up with the development of its core business and the "Jin Jiang" brand to drive internationalization with a steady growth. We will ensure proper handover of the operations of acquired companies and accelerate the process of improving our management standard and core competitiveness through the establishment of international businesses and the introduction of foreign experiences to the domestic operations. We will also further advance our domestic as well as international business deployment to strengthen our ability in multinational operations.

In the upcoming year, the Group will expedite the development of WeHotel and Jin Jiang GDL Asia, with a special focus on driving the upgrade of our brand series to ensure implementation of our goals. We will also develop a brand new members' club. We intend to construct a platform for shared procurement to facilitate the integration of our supply chain, as well as to improve our shared finance platform to enhance financial integration. A new cycle of personnel exchange and training programme will also be implemented to expedite 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 investigate the innovation and transformation of business and service models compatible with the age of Internet economy, while optimising our market-based remuneration regime as well as our restraint and incentive mechanism. We will leverage our strengths in specialisation to foster a modern tourism service industry chain centered on hotel operations and shared economic platforms. We will continue to improve asset liquidity and adjust our property portfolio to further increase our overall asset return and enterprise value.

SUBSEQUENT EVENTS

(1) Publication of the Group's Environmental, Social and Governance Report

In line with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules of the Stock Exchange, the Group has prepared the 2016 Environmental, Social and Governance Report to elaborate the environmental and social impacts of the Group's business and operating activities in the environmental aspect and the social aspect. For details, please refer to the report published by the Company on 21 July 2017.

(2) Changes in Directors and senior management

On 28 July 2017, Mr. Kang Ming resigned as an executive Director, vice-president, chief secretary of the Board, the Board secretary and joint company secretary of the Company due to other work commitments. Following the resignation of Mr. Kang Ming, Mr. Cai Jianping was appointed as a vice-president of the Company and Ms. Zhang Jue was appointed as the Board secretary and joint company secretary of the Company, with effect from 28 July 2017. For details, please refer to the Company's announcement published on 28 July 2017.

INTERIM DIVIDEND

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

AUDIT COMMITTEE

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

The Audit Committee held meetings on 12 January 2017, 24 March 2017 and 24 August 2017 respectively. The consolidated financial statements for the year ended 31 December 2016 and the unaudited condensed consolidated interim financial statements as at 30 June 2017 of the Group were respectively reviewed at such meetings. The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements of the Group as at 30 June 2017 and agreed with the accounting treatment adopted by the Company.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules as the Company's code regarding Directors' and Supervisors' securities transactions. Every Director and Supervisor at the time of appointment was given a copy of the Model Code. The Company confirms, having made specific enquiries with all Directors and Supervisors, that during the Reporting Period, the Directors and Supervisors have complied with the requirements relating to Directors' and Supervisors' dealing in securities as set out in the Model Code.

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

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

INTERIM REPORT

The interim report for the Reporting Period containing all information required by Appendix 16 to the Listing Rules will be sent to the shareholders of the Company and posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jinjianghotels.com.cn) in due course.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"ADR"	room revenue divided by rooms in use
"Audit Committee"	the audit committee of the Company
"Available Rooms"	number of rooms available of each hotel after deducting Permanent House Use
"Board"	the board of Directors of the Company
"China" or "PRC"	The People's Republic of China

"Company"	Shanghai Jin Jiang International Hotels (Group) Company Limited
"Director(s)"	the director(s) of the Company
"EUR"	Euro, the lawful currency of the European Union
"Finance Company"	Jin Jiang International Finance Company Limited
"Full Service Hotels"	hotels which are based on comprehensive hotel functions and facilities, and provide all rounded quality services for guests
"GDL"	Groupe du Louvre, a société par actions simplifiée incorporated under the laws of France
"Group"	the Company and its subsidiaries or, where the context so requires, in respect of the period prior to the date of incorporation of the Company, those entities and businesses which were consolidated into and operated by the Company upon its establishment
"HAC"	HOTEL ACQUISITION COMPANY, LLC
"Hubs1"	Hubs1 Interactive (Shanghai) Co., Ltd. (匯通百達網絡科技（上海）有限公司)
"IHHC"	INCA HOTEL HOLDINGS COMPANY LLC, a special-purpose entity under common control of the Company to hold all retained assets including 5 proprietary hotels in the United States and undertake relevant responsibilities
"IHR"	Interstate Hotels & Resorts, Inc.
"IHR Group"	Interstate Hotels & Resorts, Inc. and its subsidiaries
"JHJ Transportation"	JHJ International Transportation Co., Ltd.
"Jinjiang Auto Service"	Shanghai Jinjiang Business and Travel Auto Service Co., Ltd.
"Jin Jiang Capital "	Shanghai Jin Jiang Capital Management Company Limited
"Jin Jiang Cold"	Shanghai Jin Jiang International Cold Logistics Development Co., Ltd.
"Jin Jiang GDL Asia"	Jin Jiang GDL Asia Co., Ltd. (上海錦江盧浮亞洲酒店管理有限公司) (formerly known as Shanghai Jin Jiang Metropolo Hotel Management Company Limited)
"Jin Jiang Hotels Development"	Shanghai Jin Jiang International Hotels Development Company Limited
"Jin Jiang Inn"	Jin Jiang Inn Company Limited
"Jin Jiang International"	Jin Jiang International Holding Company Limited
"Jin Jiang Investment"	Shanghai Jin Jiang International Industrial Investment 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 2017 to 30 June 2017
"RevPAR"	room revenue per Available Room
"RMB"	Renminbi, the lawful currency of the PRC
"Select Service Hotels"	hotels providing guests with basic professional services which are suitable for mass consumption with emphasis on the core function of accommodation
"Star-rating" or "Star-rated"	number of star(s) conferred by the National Tourism Administration of the PRC to a hotel according to the Star-rating Standard Manual and a Star-rated hotel refers to a hotel with Star-rating conferred as mentioned above
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisor(s) of the Company
"Supplies Company"	Shanghai Jin Jiang International Hotel Supplies Company Limited (上海錦江國際酒店物品有限公司)
"Total Number of Rooms"	number of available rooms per hotel
"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
"WeHotel"	Shanghai Qi Cheng Network Technology Co., Ltd. (上海齊程網絡科技有限公司)

By Order of the Board
Shanghai Jin Jiang International Hotels (Group) Company Limited*
Zhang Qian
Executive Director and Chief Executive Officer

Shanghai, the PRC, 30 August 2017

As at the date of this announcement, the executive Directors are Mr. Yu Minliang, Ms. Guo Lijuan, Mr. Chen Liming, Mr. Zhang Qian and Mr. Han Min, 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**".*