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 2018

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2018 *(RMB'000)*	Six months ended 30 June 2017 *(RMB'000)*	Increase/ decrease *(%)*
Revenue	**9,760,909**	9,212,469	6.0%
Operating profit	**1,321,264**	1,047,004	26.2%
Profit attributable to shareholders of the Company	**556,611**	555,336	0.2%
Earnings per share *(expressed in RMB cents)*	**10.00**	9.98	0.2%
Earnings before interest, tax, depreciation and amortization ("EBITDA")	**2,424,760**	2,313,547	4.8%

RESULTS SUMMARY

The Board hereby announces the unaudited consolidated interim results of the Group. The interim results have been reviewed by the Audit Committee. The Group has initially applied Hong Kong Financial Reporting Standards ("HKFRS") 15, Revenue from Contracts with Customers and HKFRS 9, Financial Instruments as 1 January 2018, having impact on recognition of part of the revenue in income statement of the Group and gain on disposal of shares. For the six months ended 30 June 2018, sales revenue of the Group amounted to approximately RMB9,760,909,000, representing an increase of approximately 6.0% as compared to the same period of last year. Operating profit of the Group was approximately RMB1,321,264,000, increasing by approximately 26.2% as compared to the same period of last year. EBITDA amounted to approximately RMB2,424,760,000, representing an increase of approximately 4.8% as compared to the same period of last year. Profit attributable to shareholders of the Company amounted to approximately RMB556,611,000, representing an increase of approximately 0.2% as compared to the same period of last year. Earnings per share were approximately RMB10.00 cents, increasing by approximately 0.2% as compared to the same period of last year. Despite the decrease in return on asset operation and the impacts of adoption of new HKFRSs, the profit from the Group's hotel business continued to grow and profit mix was further optimised.

SELECTED CONSOLIDATED FINANCIAL INFORMATION PREPARED IN ACCORDANCE WITH HKFRS

UNAUDITED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Revenue	5(a)	**9,760,909**	9,212,469
Cost of sales	6	**(7,315,735)**	(7,120,673)
Gross profit		**2,445,174**	2,091,796
Other income and gain		**467,997**	549,015
Selling and marketing expenses	6	**(642,382)**	(636,732)
Administrative expenses	6	**(909,962)**	(898,305)
Other expenses and losses		**(39,563)**	(58,770)
Operating profit		**1,321,264**	1,047,004
Finance income		**—**	83,667
Finance costs		**(324,706)**	(373,386)
Finance costs — net		**(324,706)**	(289,719)
Share of results of joint ventures and associates		**179,969**	264,821
Profit before income tax		**1,176,527**	1,022,106
Income tax expense	7	**(188,879)**	(86,361)
Profit for the period		**987,648**	935,745
Attributable to:			
— Shareholders of the Company		**556,611**	555,336
— Non-controlling interests		**431,037**	380,409
		987,648	935,745
Earnings per share for profit attributable to shareholders of the Company for the period *(expressed in RMB cents per share)*			
— basic and diluted	8	**10.00**	9.98

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Profit for the period	**987,648**	935,745
Other comprehensive income		
Item that will not be reclassified subsequently to profit or loss		
Changes in fair value of financial assets at fair value through other comprehensive income — gross	**(307,083)**	—
Changes in fair value of financial assets at fair value through other comprehensive income — tax	**116,648**	—
Items that may be subsequently reclassified to profit or loss		
Fair value changes on available-for-sale financial assets — gross	**—**	85,007
Transfer of fair value changes on disposal of available-for-sale financial assets — gross	**—**	(159,445)
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
Cash flow hedges — net of tax	**459**	829
Currency translation differences	**(40,757)**	55,249
Total other comprehensive income for the period	**(230,733)**	198
Total comprehensive income for the period	**756,915**	935,943
Attributable to:		
— Shareholders of the Company	**460,402**	538,037
— Non-controlling interests	**296,513**	397,906
	756,915	935,943

UNAUDITED CONSOLIDATED INTERIM BALANCE SHEET
As at 30 June 2018

	Note	**As at 30 June 2018** *RMB'000*	As at 31 December 2017 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**12,114,623**	12,541,050
Investment properties		**336,611**	290,195
Land use rights		**3,266,360**	3,296,355
Intangible assets		**18,655,866**	18,833,492
Investments accounted for using the equity method		**1,753,579**	1,909,749
Financial assets at fair value through other comprehensive income		**2,829,457**	—
Financial assets at fair value through profit or loss		**508,483**	—
Deferred income tax assets		**750,358**	762,739
Trade receivables, prepayments and other receivables	10	**214,897**	206,954
Available-for-sale financial assets		**—**	3,508,065
		40,430,234	41,348,599
Current assets			
Financial assets at fair value through profit or loss		**198,124**	32,204
Inventories		**210,548**	209,153
Trade receivables, prepayments and other receivables	10	**3,897,154**	4,132,958
Restricted cash		**485,979**	420,387
Bank deposits with maturities over 3 months		**560,407**	4,560,632
Cash and cash equivalents		**13,271,841**	12,098,112
Available-for-sale financial assets		**—**	186,849
		18,624,053	21,640,295
Assets classified as held for sale		**—**	9,194
		18,624,053	21,649,489
Total assets		**59,054,287**	62,998,088

	Note	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital		**5,566,000**	5,566,000
Reserves		**3,728,258**	3,919,024
		9,294,258	9,485,024
Non-controlling interests		**10,495,329**	11,318,523
Total equity		**19,789,587**	20,803,547
LIABILITIES			
Non-current liabilities			
Borrowings		**17,192,224**	19,954,804
Deferred income tax liabilities		**2,911,437**	3,085,697
Trade and other payables	11	**1,998,561**	2,067,203
Contract liabilities		**60,782**	—
		22,163,004	25,107,704
Current liabilities			
Borrowings		**3,261,445**	3,828,870
Derivative financial instruments		**3,564**	4,391
Income tax payable		**271,135**	360,374
Dividend payable to shareholders of the Company	9	**445,280**	—
Trade and other payables	11	**11,576,416**	12,893,202
Contract liabilities		**1,543,856**	—
		17,101,696	17,086,837
Total liabilities		**39,264,700**	42,194,541
Total equity and liabilities		**59,054,287**	62,998,088

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 "Passenger Transportation Vehicles and Logistics Business") and investment and operation of travel agency and related businesses (the "Travel Agency Business").

These unaudited condensed consolidated interim financial statements were approved for issue by the Board on 31 August 2018.

2 BASIS OF PRESENTATION

These unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2018 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 2017, which were prepared in accordance with HKFRS issued by HKICPA.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements except for the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2018.

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

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

- HKFRS 9 Financial Instruments, and
- HKFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 4 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

(b) 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 16	Leases	1 January 2019 (i)
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKFRS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to HKFRS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

(i) HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As set out in Note 12, total non-cancellable operating lease commitments of the Group as at 30 June 2018 amounted to approximately RMB13,209,679,000. Part of these are related to payments for short-term and low-value leases which will be recognised on a straight-line basis as an expense in profit or loss.

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the balance sheets. Instead, almost all leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Short-term leases of less than twelve months and leases of low-value assets are exempt from the recognition obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated balance sheets. As for the financial performance impact in the consolidated income statement, the operating lease expenses will decrease, while depreciation and amortization and interest expense will increase.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

4 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The Group used modified retrospective approach while adopting HKFRS 9. The reclassification and adjustments are therefore not reflected in the balance sheet as at 31 December 2017.

The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

The impact on the Group's financial position by the application of HKFRS 9 and HKFRS 15 is as follows. The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

Consolidated Balance Sheet (extract)	**31 December 2017 As originally presented** *RMB'000*	**HKFRS 9** *RMB'000*	**HKFRS 15** *RMB'000*	**1 January 2018 Restated** *RMB'000*
ASSETS				
Non-current assets				
Financial assets at fair value through profit or loss	—	538,837	—	538,837
Financial assets at fair value through other comprehensive income	—	3,306,324	—	3,306,324
Available-for-sale financial assets	3,508,065	(3,508,065)	—	—
Current assets				
Financial assets at fair value through profit or loss	32,204	186,849	—	219,053
Available-for-sale financial assets	186,849	(186,849)	—	—
EQUITY				
Capital and reserves attributable to shareholders of the Company				
Reserves	3,919,024	129,685	—	4,048,709
Non-controlling interests	11,318,523	123,137	—	11,441,660
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	3,085,697	84,274	—	3,169,971
Trade and other payables	2,067,203	—	(54,461)	2,012,742
Contract liabilities	—	—	54,461	54,461
Current liabilities				
Trade and other payables	12,893,202	—	(1,395,344)	11,497,858
Contract liabilities	—	—	1,395,344	1,395,344

The amount by line items of the consolidated income statement affected in the current period by the application of HKFRS 9 and HKFRS 15 as compared to HKAS 39, HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 9 and HKFRS 15 is as follows:

	Six months ended 30 June 2018			
Consolidated income statement (extract)	**Results without adoption of HKFRS 9 and HKFRS 15**	**HKFRS 9**	**HKFRS 15**	**Results as reported**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	9,928,332	—	(167,423)	9,760,909
Cost of sales	(7,483,158)	—	167,423	(7,315,735)
Gross profit	2,445,174	—	—	2,445,174
Other income and gain	614,620	(146,623)	—	467,997
Income tax expense	(206,191)	17,312	—	(188,879)
Profit for the year	1,116,959	(129,311)	—	987,648
Attributable to:				
— Shareholders of the Company	621,623	(65,012)	—	556,611
— Non-controlling interests	495,336	(64,299)	—	431,037

(b) HKFRS 9 Financial Instruments — Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 4(c) below. In accordance with the transitional provisions in HKFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated as the Group does not have any hedge instrument.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. In addition, HKFRS 9 required that investments in equity instruments are always measured at fair value. The main effects resulting from this reclassification and measurement are as follows:

Financial assets — 1 January 2018	*Note*	**Available-for-sale financial assets ("AFS")** *RMB'000*	**Financial assets at fair value through profit or loss ("FVPL")** *RMB'000*	**Financial assets at fair value through other comprehensive income ("FVOCI")** *RMB'000*
Closing balance 31 December 2017 — HKAS 39		3,694,914	32,204	—
Reclassify debt investments from AFS to FVPL	(a)	(226,354)	226,354	—
Reclassify trading equity investments from AFS to FVPL	(b)	(166,323)	499,332	—
Reclassify non-trading listed and unlisted equity investments from AFS to FVOCI	(c)	(3,302,237)	—	3,306,324
Opening balance 1 January 2018 — HKFRS 9		—	757,890	3,306,324

The impact of these changes on the Group's equity is as follows:

	Note	Effect on AFS reserves *RMB'000*	Effect on FVOCI reserve *RMB'000*	Effect on retained earnings *RMB'000*	Effect on non-controlling interests *RMB'000*
Closing balance 31 December 2017 — HKAS 39		931,826	—	3,212,060	11,318,523
Reclassify debt investments from AFS to FVPL	(a)	(12)	—	12	—
Reclassify trading equity investments from AFS to FVPL	(b)	(1,096)	—	128,956	121,897
Reclassify non-trading listed and unlisted equity investments from AFS to FVOCI	(c)	(930,718)	932,543	—	1,240
Opening balance 1 January 2018 — HKFRS 9		—	932,543	3,341,028	11,441,660

(a) Reclassification debt investments from AFS to FVPL

Certain debt investments amounted to RMB226,354,000 were reclassified from AFS to financial assets at FVPL on 1 January 2018. They do not meet the HKFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest. As a result, related fair value gains of RMB12,000 were transferred from the AFS reserve to retained earnings on 1 January 2018.

(b) Reclassification trading equity investments from AFS to FVPL

Certain equity investments were held for trading or the Group made an irrevocable election to measure certain equity investments as financial assets at FVPL. The carrying amount of these investments as at 31 December 2017 was RMB166,323,000. As a result, related fair value gains of RMB1,096,000 were transferred from the AFS reserve to retained earnings on 1 January 2018. In addition, some of these equity investments were accounted at cost in accordance with HKAS 39 before 1 January 2018, because the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. Since HKFRS 9 required that investments in equity instruments are always measured at fair value, the carrying amount of these investments as at 1 January 2018 was RMB499,332,000. The net fair value gain amounted to RMB333,009,000 between the measurement difference of HKAS 39 and HKFRS 9 shall be recognised in the opening balance of retained earnings (RMB127,860,000), non-controlling interests (RMB121,897,000) and the deferred tax liability (RMB83,252,000) as at 1 January 2018.

(c) Reclassification non-trading listed and unlisted equity investments from AFS to FVOCI

The Group elected to present in other comprehensive income changes in the fair value of certain unlisted and listed equity investments previously classified as AFS. The carrying amount of these investments as at 31 December 2017 was RMB3,302,237,000. As a result, the fair value gains of RMB930,718,000 were classified from AFS reserve to the FVOCI reserve on 1 January 2018. In addition, some of them were accounted at cost in accordance with HKAS 39 before 1 January 2018, because the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. Since HKFRS 9 required that investments in equity instruments are always measured at fair value, the carrying amount of these investments as at 1 January 2018 was RMB3,306,324,000. The net fair value gain amounted to RMB4,087,000 between the measurement difference of HKAS 39 and HKFRS 9 shall be recognised in the opening balance of other reserves (RMB1,825,000), non-controlling interests (RMB1,240,000) and the deferred tax liability (RMB1,022,000) as at 1 January 2018.

(ii) Impairment of financial assets

The Group has types of financial assets subjects to HKFRS 9's new expected credit loss model:

- trade receivables for provision of services or sales of goods; and
- loan receivables and other receivables

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The adoption of new approach did not result in any impact on the amounts reported in the opening consolidated balance sheet on 1 January 2018 and the financial information during the six months ended 30 June 2018.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group has trade receivables due from customers for merchandise sold or services performed in the ordinary course of business that are subject to HKFRS 9's new expected credit loss model, and the Group was required to revise its impairment methodology under HKFRS 9 for these receivables.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The adoption of new approach did not result in any impact on the amounts reported in the opening consolidated balance sheet on 1 January 2018 and the financial information during the six months ended 30 June 2018.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than credit terms.

Other financial assets at amortised cost

Other financial assets at amortised cost include loans to related parties and other receivables. The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all other financial assets at amortised cost from initial recognition. The adoption of new approach did not result in any impact on the amounts reported in the opening consolidated balance sheet on 1 January 2018 and the financial information during the six months ended 30 June 2018.

(c) HKFRS 9 Financial Instruments — Accounting policies applied from 1 January 2018

(i) Investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

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

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

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

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

Recognition and derecognition

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

Measurement

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

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

— Debt instruments

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

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

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

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

— Equity instruments

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

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

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted in HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(ii) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Derivative instruments held by the Group do not qualify for hedge accounting and are accounted for at fair value through profit or loss. Changes in fair value of these derivative instruments that do not qualify for hedge accounting are recognised immediately in the consolidated statement of comprehensive income.

(d) HKFRS 15 Revenue from Contracts with Customers — Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated. Following adjustment were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018):

	HKAS 18 carrying amount 31 December 2017	Reclassification	HKFRS 15 carrying amount 1 January 2018
	RMB'000	*RMB'000*	*RMB'000*
Trade and other payables — non-current	2,067,203	(54,461)	2,012,742
Contract liabilities — non-current	—	54,461	54,461
Trade and other payables — current	12,893,202	(1,395,344)	11,497,858
Contract liabilities — current	—	1,395,344	1,395,344

There was no impact on the Group's retained earnings as at 1 January 2018.

(i) Accounting for travel agent services

The Group considers that it acts as an agent for the customers in some transactions in the Travel Agency Business to the extent that it does not control the services rendered to the customers. Under HKFRS 15, an agent's fee or commission shall be the net amount of consideration that the entity retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party. Therefore, revenue and cost of sales for the year ended 31 December 2017 decreased by RMB324,976,000, and there was no impact on the Group's retained earnings as at 1 January 2018.

(ii) Presentation of assets and liabilities related to contracts with customers

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- Contract liabilities in relation to advances from customers were previously included trade and other payables (RMB1,395,344,000 as at 1 January 2018);

- Contract liabilities in relation to the customer loyalty programme were previously presented as trade and other payables — deferred revenue (RMB54,461,000 as at 1 January 2018).

(e) HKFRS 15 Revenue from Contracts with Customers — Accounting policies

(i) Revenue recognition

Hotel Related Business

Hotel Related Business includes full service hotels operation and selected service hotels operation within which the Group provides hotel accommodations, hotel management, hotel ancillary services, hotel supplies, food and beverage, catering services and customer loyalty programmes.

Passenger Transportation Vehicles and Logistics Business

Passenger Transportation Vehicles and Logistics Business includes vehicle operating services, trading of automobiles and refrigerated logistics provided by the Group.

The Group also has food and restaurants operation and Travel Agency Business.

Revenue is recognised when a performance obligation is satisfied by transferring control of the promised products or services to a customer in an amount that reflects the consideration expected to be collected in exchange for those products or services. The revenue recognition of the Group is determined through the following five steps:

(1) Identification of the contract, or contracts, with a customer;
(2) Identification of the performance obligations in the contract;
(3) Determination of the transaction price;
(4) Allocation of the transaction price to the performance obligations in the contract;
(5) Recognition of revenue when, or as, a performance obligation is satisfied.

At contract inception, it is performed that the assessment and the identification of a performance obligation for each promise to transfer to the customer a product or a service (or bundle of products or services) that is distinct. To identify the performance obligations, the Group considers all the products and services promised in the contract with the customer based on the Group's customary business practices, published policies, or specific statements.

The Group determines whether control of a product or a service is transferred to a customer over time or at a point in time based on the analysis of the following three criteria. Revenue is recognised over time if any of such criteria are met that the Group:

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

A performance obligation is satisfied at a point in time if none of the above criteria for satisfying a performance obligation over time are met.

In instances where the revenue is determined to be recognised over time, the Group will measure its progress toward complete satisfaction to determine the timing of revenue recognition in a pattern that reflects the transfer of control of the promised product or service to the customer. The Group mainly employs the following two methods for measuring progress:

- Output methods, that recognise revenue based on direct measurements of the value transferred to the customer; or
- Input methods, that recognise revenue based on the Group's efforts to satisfy the performance obligation.

The Group might also select other measurement methods for measuring the progress toward complete satisfaction that can best depict the transfer of control of products or services over time.

An entity is a principal if it controls the promised products or services before they are transferred to the customer. An entity is an agent if its role is to arrange for another entity to provide goods or service. The principal recognises as revenue the "gross" amount paid by the customer for the specified product and service. The agent recognises as revenue the commission or fee earned for facilitating the transfer of the specified goods or services (the "net" amount).

The application of the Group's revenue recognition policies and a description of the principal activities, organized by segment, from which the Group generates its revenue, are presented below.

Revenue from hotel accommodation, hotel management, refrigerated logistics, vehicle operating, travel agency and other ancillary services is recognised over time in the accounting period in which the control of the products or the services are transferred to the customer because the customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs. The Group considers that it is a principal in providing its services, except for certain transactions in the Travel Agency Business to the extent that it does not control the products or the services before being transferred to the customers.

Revenue from hotel management services is recognised over time in the accounting period in which the control of the products or the services are transferred to the customer because the customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs. The Group bills the hotel management fee for each month of service provided to its customer and recognises as revenue in the amount to which the Group has a right to invoice and corresponds directly with the value of performance completed. The Group controls the services in these transactions and, therefore, the Group is the principal and revenue is recognised on a gross basis.

Revenue from sales of hotel supplies, trading of automobiles and food and beverage in Hotel Related Business and food and restaurants operation is recognised at a point in time when the control of the products or the services is transferred to the customers, being when the goods are delivered to the customers, there is no unfulfilled obligation that could affect the customers' acceptance of the goods. And the customer has obtained the physical possession or the legal title of the goods and the Group has present right to payment and the collection of the consideration is probable. The Group controls the products in these transactions and, therefore, the Group is the principal and revenue is recognised on a gross basis.

(ii) ***Contract assets and contract liabilities***

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or to provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer. Incremental costs incurred to obtain a contract, if recoverable, are capitalised and presented as assets and subsequently amortised when the related revenue is recognised. If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers services to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

The Group operates a loyalty programme where customers accumulate points for hotel service purchases made which entitle them to discount on future hotel service purchases. The reward points are recognised as a separately identifiable component of the initial sale transaction by allocating the fair value of the consideration received between the award points and the other components of the sale such that the reward points are initially recognised as deferred income at their fair value. Revenue from the reward points is recognised when the points are redeemed. Breakage is recognised as reward points are redeemed based upon expected redemption rates. Reward points expire 24 months after the initial sale. A contract liability is recognised until the points are redeemed or expire.

5 SEGMENT INFORMATION

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

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

(1) Full Service Hotels: ownership, operation and management of full service hotels;

(2) Select Service Hotels — managed and operated in Mainland China: operation of self-owned select service hotels and provision of management and franchising to other parties to operate select service hotels, primarily in the PRC and under the brand names of Jin Jiang GDL Asia, Plateno Group, or Vienna Hotels;

(3) Select Service Hotels — managed and operated overseas: operation of self-owned select service hotels and provision of management and franchising to other parties to operate select service hotels, mostly in Europe and under the brand names of GDL;

(4) Food and Restaurants: operation of fast food or upscale restaurants, moon cake production and related investments, not including the food and beverage operation in Full Service Hotels and Select Service Hotels;

(5) Passenger Transportation Vehicles and Logistics: vehicle operating, trading of automobiles, refrigerated logistics, freight forwarding and related services;

(6) Travel Agency: provision of travel agency and related services;

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

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

(a) Segment revenue

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Full Service Hotels	**1,029,056**	910,034
— Accommodation revenue	**494,928**	435,565
— Food and beverage sales	**292,859**	257,100
— Rendering of ancillary services	**46,818**	41,724
— Rental revenue	**110,783**	94,190
— Sales of hotel supplies	**2,040**	2,421
— Hotel management	**81,628**	79,034
Select Service Hotels — managed and operated in Mainland China	**4,846,992**	4,369,320
— Accommodation revenue	**2,576,795**	2,577,223
— Food and beverage sales	**154,003**	166,158
— Rendering of ancillary services	**467,741**	338,561
— Rental revenue	**67,408**	64,914
— Sales of hotel supplies	**221,966**	188,914
— Hotel management and franchise	**1,190,990**	884,027
— Revenue under customer loyalty programme	**168,089**	149,523
Select Service Hotels — managed and operated overseas	**1,978,347**	1,793,923
— Accommodation revenue	**1,087,430**	976,579
— Catering and sale of products	**411,693**	380,332
— Hotel management and franchise	**473,561**	427,646
— Others	**5,663**	9,366
Food and Restaurants	**164,388**	178,064
Passenger Transportation Vehicles and Logistics	**1,138,014**	1,187,761
— Vehicle operating	**537,230**	566,466
— Trading of automobile	**507,258**	541,587
— Refrigerated logistics	**70,298**	68,942
— Others	**23,228**	10,766
Travel Agency	**534,762**	734,365
— Travel agency	**514,552**	730,580
— Others	**20,210**	3,785
Other Operations	**69,350**	39,002
	9,760,909	9,212,469

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 2018 (six months ended 30 June 2017: nil).

(b) Other segment information

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

	Full Service Hotels *RMB'000*	Select Service Hotels — managed and operated in Mainland China *RMB'000*	Select Service Hotels — managed and operated overseas *RMB'000*	Food and Restaurants *RMB'000*	Passenger Transportation Vehicles and Logistics *RMB'000*	Travel Agency *RMB'000*	Other Operations *RMB'000*	The Group *RMB'000*
External revenue *(note 5(a))*	1,029,056	4,846,992	1,978,347	164,388	1,138,014	534,762	69,350	9,760,909
Inter-segment revenue	4,063	207	3,814	3,770	434	14	33,502	45,804
Total gross segment revenue	1,033,119	4,847,199	1,982,161	168,158	1,138,448	534,776	102,852	9,806,713
Revenue from contracts with customers:								
— Recognised at a point of time	294,899	375,969	411,693	164,388	507,258	—	—	1,754,207
— Recognised over time	623,374	4,403,615	1,566,654	—	607,726	524,586	69,350	7,795,305
	918,273	4,779,584	1,978,347	164,388	1,114,984	524,586	69,350	9,549,512
Revenue from other resources:								
— Rental revenue	110,783	67,408	—	—	23,030	10,176	—	211,397
Profit for the period	265,940	368,076	116,083	130,273	192,224	27,720	(112,668)	987,648

	Full Service Hotels *RMB'000*	Select Service Hotels — managed and operated in Mainland China *RMB'000*	Select Service Hotels — managed and operated overseas *RMB'000*	Food and Restaurants *RMB'000*	Passenger Transportation Vehicles and Logistics *RMB'000*	Travel Agency *RMB'000*	Other Operations *RMB'000*	The Group *RMB'000*
Other income and gain	25,249	129,569	32,880	77,415	84,596	33,197	85,091	467,997
Including: interest income from bank deposits	5,158	24,420	430	29	8,348	2,038	63,897	104,320
Depreciation of property, plant and equipment *(note 6)*	(89,106)	(405,015)	(170,160)	(5,220)	(116,364)	(2,418)	(787)	(789,070)
Impairment of property, plant and equipment *(note 6)*	—	(25,010)	—	—	—	—	—	(25,010)
Depreciation of investment properties *(note 6)*	(2,487)	—	—	—	(1,066)	(2,622)	—	(6,175)
Amortisation of land use rights *(note 6)*	(7,845)	(21,381)	—	—	(652)	—	(117)	(29,995)
Amortisation of intangible assets *(note 6)*	(1,142)	(75,844)	(19,374)	(719)	—	(16)	(1,192)	(98,287)
Finance costs — net	(70,017)	(29,325)	(69,961)	(103)	(1,807)	—	(153,493)	(324,706)
Share of results of joint ventures and associates accounted for using the equity method	37,901	(3,389)	6,037	66,836	76,259	87	(3,762)	179,969
Income tax expense *(note 7)*	10,390	(177,527)	13,728	(1,074)	(20,618)	(1,342)	(12,436)	(188,879)
Additions to non-current assets (other than financial instruments and deferred tax assets)	74,091	304,104	174,777	2,214	89,524	3,264	754	648,728

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 revenue *(note 5(a))*	910,034	4,369,320	1,793,923	178,064	1,187,761	734,365	39,002	9,212,469
Inter-segment revenue	2,388	962	9,387	3,398	1,349	—	29,030	46,514
Total gross segment revenue	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 from bank deposits	3,505	9,102	510	42	5,417	5,766	25,445	49,787
Depreciation of property, plant and equipment *(note 6)*	(94,656)	(444,823)	(208,216)	(2,381)	(114,836)	(3,308)	(520)	(868,740)
Impairment of property, plant and equipment *(note 6)*	—	—	—	(4,545)	—	—	—	(4,545)
Depreciation of investment properties *(note 6)*	(2,488)	—	—	—	(257)	(2,070)	—	(4,815)
Amortisation of land use rights *(note 6)*	(7,845)	(21,491)	—	—	(583)	—	(117)	(30,036)
Amortisation of intangible assets *(note 6)*	(847)	(77,570)	(18,298)	(1,084)	—	(295)	(37)	(98,131)
Finance costs — net	(70,342)	(42,114)	(67,124)	(392)	(408)	—	(109,339)	(289,719)
Share of results of joint ventures and associates accounted for using the equity method	132,395	(969)	1,815	60,459	87,865	(1,314)	(15,430)	264,821
Income tax expense *(note 7)*	(21,463)	(121,848)	103,338	(1,006)	(17,997)	(17,946)	(9,439)	(86,361)
Additions to non-current assets (other than financial instruments and deferred tax assets)	19,717	239,655	324,110	3,337	74,259	2,336	264	663,678

The segment assets and liabilities as at 30 June 2018 are as follows:

	Full Service Hotels *RMB'000*	**Select Service Hotels — managed and operated in Mainland China** *RMB'000*	**Select Service Hotels — managed and operated overseas** *RMB'000*	**Food and Restaurants** *RMB'000*	**Passenger Transportation Vehicles and Logistics** *RMB'000*	**Travel Agency** *RMB'000*	**Other Operations** *RMB'000*	**The Group** *RMB'000*
Segment assets	**5,111,046**	**24,417,189**	**13,421,239**	**466,065**	**3,629,039**	**1,427,812**	**8,828,318**	**57,300,708**
Investments accounted for using the equity method	**650,363**	**44,642**	**64,567**	**194,766**	**723,584**	**2,236**	**73,421**	**1,753,579**
Total assets	**5,761,409**	**24,461,831**	**13,485,806**	**660,831**	**4,352,623**	**1,430,048**	**8,901,739**	**59,054,287**
Segment liabilities	**2,456,087**	**7,784,852**	**12,268,056**	**180,954**	**881,946**	**454,736**	**15,238,069**	**39,264,700**

The segment assets and liabilities at 31 December 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	5,128,064	24,006,260	13,663,850	139,256	3,701,925	1,537,404	12,911,580	61,088,339
Investments accounted for using the equity method	694,748	48,031	59,310	249,040	781,541	2,150	74,929	1,909,749
Total assets	5,822,812	24,054,291	13,723,160	388,296	4,483,466	1,539,554	12,986,509	62,998,088
Segment liabilities	3,070,328	7,678,430	12,575,345	175,905	893,829	455,907	17,344,797	42,194,541

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 "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 2018: no such gains because the Group adopted HKFRS 9 from 1 January 2018.).

6 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	
	2018	2017
	RMB'000	*RMB'000*
Employee benefit expenses	**3,119,307**	2,895,049
Changes in inventories	**1,747,140**	1,878,724
Operating leases — land and buildings	**939,674**	943,327
Depreciation of property, plant and equipment	**789,070**	868,740
Utility cost and consumables	**434,415**	452,708
Repairs and maintenance	**263,370**	240,810
Commissions paid to travel agencies	**229,398**	193,506
Advertising costs	**181,797**	189,374
Service costs and consulting fee	**166,067**	114,454
Property tax, value-added tax ("VAT") through a simplified method and other tax surcharges	**162,713**	150,004
Amortisation of intangible assets	**98,287**	98,131
Laundry costs	**62,491**	54,464
Transportation expenses	**56,708**	50,871
Telecommunication expenses	**32,204**	41,810
Amortisation of land use rights	**29,995**	30,036
Impairment of property, plant and equipment	**25,010**	4,545
Auditors' remuneration	**16,430**	14,627
Entertainment expenses	**7,388**	7,363
Depreciation of investment properties	**6,175**	4,815
Others	**500,440**	422,352
	8,868,079	8,655,710

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Current tax:		
Mainland China current corporate income tax ("CIT")	**227,282**	253,955
Overseas current corporate income tax	**6,321**	35,833
Deferred tax:		
Mainland China deferred income tax	**3,485**	(67,722)
Overseas deferred income tax	**(48,209)**	(135,705)
	188,879	86,361

Other than the subsidiaries registered in Tibet with preferential income tax rate of 15%, provision for Mainland China CIT is calculated based on the statutory income tax rate of 25% on the assessable income of Group companies operating in Mainland China for the six months ended 30 June 2018 (the six months ended 30 June 2017: 25%) as determined in accordance with the Corporate Income Tax Law of PRC and the Detail Implementation Regulations.

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

GDL is mainly operated in France and subject to income tax at 34.43% for the six months ended 30 June 2018 (the six months ended 30 June 2017: 34.43%).

According to the French Fiscal Law promulgated in 2018, the effective income tax rate for GDL will decrease from 28.92% to 25.83% in 2022. The Group assessed the impact on the deferred tax assets and liabilities that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted. The reassessed deferred tax impact amounted to RMB56,685,000 was recognised as a gain in the "income tax expense".

According to the French Fiscal Law promulgated in 2017, 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 in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted. The reassessed deferred tax impact amounted to RMB111,689,000 was recognised as credit to the "income tax expense".

8 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	
	2018	2017
Profit attributable to shareholders of the Company *(RMB'000)*	**556,611**	555,336
Weighted average number of ordinary shares in issue *(thousands)*	**5,566,000**	5,566,000
Basic earnings per share *(RMB cents)*	**10.00**	9.98

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

9 DIVIDENDS

The final dividend for the year 2017 of RMB8.0 cents (2016 final dividend: RMB8.0 cents) per share, totalling RMB445,280,000 (2016 final dividend: RMB445,280,000) will be paid subsequently in the second half of 2018. The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017 interim dividend: nil).

10 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Trade receivables	**1,493,858**	1,304,824
Less: provision for impairment of trade receivables	**(189,872)**	(173,837)
Trade receivables — net	**1,303,986**	1,130,987
Prepayments and deposits	**1,181,689**	1,093,976
Loans to related parties by Finance Company	**694,000**	1,134,500
Other prepaid and recoverable tax	**294,690**	241,679
Dividends receivables	**275,850**	15,450
Other amounts due from related parties	**234,938**	245,262
Accrued rental revenue	**57,415**	54,317
Loans to related parties by the Group other than Finance Company	**27,500**	25,500
VAT recoverable	**26,782**	2,984
Loans to third parties	**5,576**	7,918
Interest receivables	**3,797**	411,070
Others	**62,157**	56,792
Less: provision for impairment of other receivables	**(56,329)**	(80,523)
Prepayments and other receivables — net	**2,808,065**	3,208,925
	4,112,051	4,339,912
Less: non-current portion of trade receivables, prepayments and other receivables	**(214,897)**	(206,954)
Current portion of trade receivables, prepayments and other receivables	**3,897,154**	4,132,958

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

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Less than 3 months	**1,131,628**	802,859
3 months to 1 year	**246,176**	398,480
Over 1 year	**116,054**	103,485
	1,493,858	1,304,824

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

11 TRADE AND OTHER PAYABLES

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Trade payables	**1,331,283**	1,830,731
Deposits from related parties in Finance Company	**5,834,574**	5,361,707
Employee benefits payables	**1,517,161**	1,754,103
Payables for purchases of property, plant and equipment and intangible assets	**964,913**	664,963
Payables for purchases of land use rights	**927,400**	1,274,408
Advances on behalf of the franchises	**754,243**	613,253
Deposits from lessees and constructors	**442,678**	440,645
Other tax payables	**386,618**	346,950
Accrued expenses	**282,134**	303,359
Dividends payable to non-controlling interests	**190,757**	21,797
Other amounts due to related parties	**183,330**	232,694
Payables for acquisition of the non-controlling interests of Keystone Lodging Holdings Limited ("Keystone")	**110,500**	—
Financial liabilities due to put options granted to holders of non-controlling interests	**84,212**	99,136
Marketing fund	**71,435**	63,432
Defined benefit plan of GDL	**64,870**	59,113
Provisions for other liabilities and charges	**56,301**	58,598
Deferred government grants	**47,952**	119,176
Interests payable	**38,875**	41,668
Payables related to the disposal of Shanghai Galaxy Hotel Co., Ltd. ("Galaxy Hotel")	**36,962**	36,962
Deferred payment of acquisition of subsidiaries	**17,397**	9,111
Advances from customers	**—**	1,395,344
Deferred revenue for customer royalty programme	**—**	54,461
Others	**231,382**	178,794
	13,574,977	14,960,405
Less: non-current portion of trade payables, provisions and other payables	**(1,998,561)**	(2,067,203)
Current portion of trade payables, provisions and other payables	**11,576,416**	12,893,202

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

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Less than 3 months	**1,156,482**	1,648,880
3 months to 1 year	**109,492**	114,197
Over 1 year	**65,309**	67,654
	1,331,283	1,830,731

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

12 COMMITMENTS

(a) Capital commitments

Capital expenditure at 30 June 2018 contracted but not yet incurred is as follows:

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Acquisition of property, plant and equipment	**315,354**	244,109

(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 2018 is disclosed in note 5(a) and note 6, respectively.

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 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
Not later than 1 year	**232,203**	205,383
Later than 1 year and not later than 5 years	**600,329**	556,003
Later than 5 years	**447,864**	495,937
	1,280,396	1,257,323

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

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
Not later than 1 year	**1,632,753**	1,727,688
Later than 1 year and not later than 5 years	**6,378,603**	6,513,807
Later than 5 years	**5,198,323**	6,189,907
	13,209,679	14,431,402

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The hotel market in China embarked on a trend of vigorous growth during the first half of 2018. In accordance with its strategy of "intensive domestic business development, global deployment and multinational operations", the Group further accelerated its moves in global strategic deployment. In adherence to the principle of "keeping the basic elements unchanged, integrating back offices, and complementing comparative advantages for co-development", the Group leveraged on performance excellence to advance transformation towards higher quality and efficiency. In the meantime, the Group stepped up with the in-depth integration of resources and the building of sharing platforms, while emphasising creativity-driven development to facilitate brand innovation. With a strong focus on the principal activities, there have been steady improvements in the efficiency of the hotel assets, resulting in ongoing enhancements in the general competitiveness of the principal business.

For the Reporting Period, the Group recorded sales revenue of approximately RMB9,760,909,000, representing an increase of approximately 6.0% as compared to the same period of last year. Operating profit of the Group amounted to approximately RMB1,321,264,000, increasing by approximately 26.2% as compared to the same period of last year. Profit attributable to shareholders of the Company amounted to approximately RMB556,611,000, increasing by approximately 0.2% as compared to the same period of last year.

As at the end of the Reporting Period, the Group owned or managed 7,129 hotels in operation throughout the world, with a Total Number of Rooms of approximately 720,000 in 68 countries, amongst which approximately 5,840 hotels in operation with approximately 610,000 rooms were owned or managed by the Group in the PRC. Moreover, the Group owned 3,161 hotels with approximately 350,000 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 2018.

The exemplary flagship hotels for middle-end brands developed by the Group in Shanghai, including Lavande + James Joyce Coffetel (Huamu Hotel), Vienna International (Jinshajiang Hotel), Magnolia (Jin Jiang Leyuan Hotel) and Campanile (Jing'an Hotel), commenced business in succession during the Reporting Period, signifying a stage of rapid development for the Group's middle-end Select Service Hotels.

During the Reporting Period, the Group achieved further improvements in quality and efficiency in a drive towards qualitative development on the back of stronger performance excellence management on all fronts, in accordance with the requirements to boost the "Top Four Brands" of Shanghai and to facilitate qualitative development and quality life and in adherence to the principle of prudent progress and new development ideas, leveraging opportunities presented by Shanghai's hosting of the first China International Import Expo.

During the Reporting Period, the Group worked vigorously to incorporate the general requirements for the development of the Communist Party of China into the articles of association of state-owned enterprises. In June 2018, the relevant resolution was approved at the 2017 annual general meeting by a large margin.

Operational Statistics of Hotels

	January to June 2018	January to June 2017
Average Occupancy Rate		
Full Service Hotels		
— 5-star Luxury Hotels	**74%**	70%
— 4-star Luxury Hotels	**68%**	70%
Select Service Hotels in the PRC	**77%**	79%
— Middle-end hotels	**81%**	84%
— Budget hotels	**75%**	78%
Select Service Hotels outside the PRC	**63%**	61%
— Middle-end hotels	**55%**	55%
— Budget hotels	**67%**	65%
Average Room Rate *(RMB/room)*		
Full Service Hotels		
— 5-star Luxury Hotels	**876**	859
— 4-star Luxury Hotels	**537**	514
Select Service Hotels in the PRC	**196**	178
— Middle-end hotels	**260**	246
— Budget hotels	**159**	153
Select Service Hotels outside the PRC *(EUR/room)*	**55**	57
— Middle-end hotels *(EUR/room)*	**63**	68
— Budget hotels *(EUR/room)*	**53**	53

	January to June 2018	January to June 2017
RevPAR *(RMB/room)*		
Full Service Hotels		
— 5-star Luxury Hotels	**649**	602
— 4-star Luxury Hotels	**367**	359
Select Service Hotels in the PRC	**151**	141
— Middle-end hotels	**210**	206
— Budget hotels	**120**	119
Select Service Hotels outside the PRC *(EUR/room)*	**35**	35
— Middle-end hotels *(EUR/room)*	**35**	37
— Budget hotels *(EUR/room)*	**35**	34

Notes:

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

2. 4-star Luxury Hotels include: Park Hotel, Jian Guo Hotel, Cypress Hotel, Holiday Inn Downtown Shanghai, Rainbow Hotel (excluded due to refurbishment of guest rooms), Shanghai Hotel, Shanghai Jing An Hotel, Shanghai Sofitel Hotel, Jiangsu Nanjing Hotel, Wuxi Jin Jiang Grand Hotel, West Capital International Hotel and Kunming Jin Jiang Hotel.

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

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

Full Service Hotels

The business of Full Service Hotels represents one of the major sources of revenue for the Group. During the Reporting Period, operation of Full Service Hotels contributed approximately RMB1,029,056,000 to the Group's revenue, increasing by approximately 13.1% as compared to the same period of last year and accounting for approximately 10.5% of the Group's turnover, which was mainly attributable to stable growth for self-owned hotels business in Shanghai and the inclusion of Yangtze Hotel to the consolidated financial statements from October 2017.

As at the end of the Reporting Period, the Group owned and managed 94 operating Full Service Hotels in the PRC, offering approximately 29,000 guest rooms, among which 73 hotels were owned by third parties and managed by the Group, offering approximately 22,000 guest rooms.

The growth in both the demands for and supplies of hotels in Shanghai has effectively contributed to a more robust hotel market in Shanghai during the Reporting Period. Driven by growth in demands under favourable factors such as the continuous increase in the number of activities including business conventions and exhibitions and tourist spending in Shanghai, as well as the Shanghai Free Trade Zone, National Convention and Exhibition Centre and Shanghai Disneyland, the high Star-rated Full Service Hotels in which the Group held equity interests in Shanghai reported an approximately 6% year-on-year growth in RevPAR for Available Rooms, underpinned by year-on-year growth of approximately 4% in ADR and approximately 2% in average Occupancy Rate.

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 RMB6,825,339,000, representing an increase of approximately 10.7% as compared to the same period of last year and accounting for approximately 69.9% 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 7,035 Select Service Hotels in operation offering 686,742 guest rooms in aggregate, comprising 1,985 middle-end hotels in operation (accounting for approximately 28%) offering 249,736 guest rooms (accounting for approximately 36%); and 5,050 budget hotels in operation (accounting for approximately 72%) offering 437,006 guest rooms (accounting for approximately 64%). During the first half of 2018, there was a net increase of 341 Select Service Hotels, comprising a reduction of 30 self-managed Select Service Hotels and an addition of 371 franchised Select Service Hotels. Of the net increase of Select Service Hotels, 94% were middle-end hotels.

Of the 1,985 middle-end hotels in operation, there were 71 "Jin Jiang Metropolo" hotels, 339 "Lavande" hotels, 118 "James Joyce Coffetels" hotels, 103 "Xana" hotels, 134 "Vienna International" hotels, 165 "Vienna Classic" hotels, 531 "Vienna Hotels", 109 "Vienna 3 Best" hotels, 293 "Golden Tulip" hotels and 122 hotels under other middle-end brands.

Of the 5,050 budget hotels in operation, there were 1,094 "Jin Jiang Inn" hotels, 2,413 "7 Days Inn" hotels, 189 "IU" hotels, 281 "Pai" hotels, 268 "Premiere Classe" hotels, 384 "Campanile" hotels, 263 "Kyriad" hotels, 75 "Sarovar" hotels and 83 hotels under other budget hotel brands.

Of the 7,035 Select Service Hotels in operation, 1,025 were self-managed hotels, accounting for approximately 15%; while 6,010 were franchised hotels, accounting for approximately 85%. Select Service Hotels in operation offered a total of 686,742 guest rooms, including 116,259 rooms or approximately 17% in self-managed hotels in operation and 570,483 rooms or approximately 83% 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 effects.

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, generating revenue of approximately RMB164,388,000 for the Group, which represented a decrease of approximately 7.7% as compared to the same period of last year and accounting for approximately 1.7% of the Group's turnover.

During the Reporting Period, Jin Jiang Hotels Development continued to develop the group catering business. It carried out the research and development of processed food with input from the national-grade chefs of Jin Jiang hotels and started to expand the sales of the food products under the Jin Jiang brand to online e-commerce platforms in addition to direct supplies to the hotels.

Passenger Transportation Vehicles and Logistics

During the Reporting Period, the revenue of passenger transportation vehicles and logistics was approximately RMB1,138,014,000, representing a decrease of approximately 4.2% as compared to same period of last year and accounting for approximately 11.7% of the Group's turnover.

During the Reporting Period, Jin Jiang Investment successfully completed 783 receptions in relation to important international events and provided transportation services for conference and sporting events including meetings of the Shanghai Committee of the Chinese People's Political Consultative Conference, UBS global directors' conference 2018, Mainland-Taiwan Taiwanese enterprises' conference 2018 and China International Youth Campus Cup Football Tournament. The coach bus service completed 34 assignments for large-scale conferences, exhibitions and tournaments, including the WorldSkills Conference, Undergraduate Art Exhibition, Film Festival 2018, National Brand Name Day and World Archery Championships.

During the Reporting Period, Shanghai Jin Jiang Automobile Service Co., Ltd. seized opportunities presented by Shanghai Disneyland and the cruise market to expand its market scale. The Shanghai Disneyland shuttle bus service provided by a subsidiary, Jinjiang Auto Service, received high scores in Shanghai Disneyland'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, Jinjiang Auto Service rendered reception service for 17 cruises, including Majestic Princess and Viking Sun, and served more than 30,000 counts of tourist arrivals with more than 670 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 offices, while stepping up with the development of a best-in-class unified freight forwarding system together with ancillary information systems.

Travel Agency

During the Reporting Period, operating revenue of the travel agency business amounted to approximately RMB534,762,000, decreasing by approximately 27.2% as compared to the same period of last year and accounting for approximately 5.5% of the Group's turnover.

During the Reporting Period, Jin Jiang Travel continued to improve the profitability of the travel agency operations as its principal business with full efforts overcoming the negative impacts of political, economic and environmental contingencies, such as earthquakes in travel destinations, tightened visa requirements and political upheavals. While further identifying the potential of civic tourism, Jin Jiang Travel achieved rapid growth in the MICE, rehab care and inbound reception businesses and further optimised the business mix due to increased marketing efforts in the public service segment and commercial segment, on the back of strengths afforded by the existing resources in integrated tourism.

To cater to market demands, Jin Jiang Travel was engaged in active transformation of its traditional travel agency business with initial results from the consolidation process. Jin Jiang Travel vigorously promoted the concept of "tourism+" as part of its effort to drive market expansion through external as well as internal resources. On the back of the brand influence of "Jin Jiang" as a premium name and its existing business foundation for study tourism, a new benchmark of "Jin Jiang Study Tour" was being created with full efforts.

The REX system jointly developed by Jin Jiang Travel and WeHotel has further enhanced business capabilities for outbound and domestic self-guided tour by allowing travelers to process reservation and information exchange through an online APP.

FINANCIAL REVIEW

Turnover

The Group's financial information during the Reporting Period as compared to the same period in 2017 is set out as follows:

	Six months ended 30 June 2018		Six months ended 30 June 2017	
	RMB in million	***% of turnover***	*RMB in million*	*% of turnover*
Full Service Hotels	**1,029.0**	**10.5%**	910.0	9.9%
Select Service Hotels — managed and operated in Mainland China	**4,847.0**	**49.6%**	4,369.3	47.4%
Select Service Hotels — managed and operated overseas	**1,978.3**	**20.3%**	1,793.9	19.5%
Food and Restaurants	**164.4**	**1.7%**	178.1	1.9%
Passenger Transportation Vehicles and Logistics	**1,138.0**	**11.7%**	1,187.8	12.9%
Travel Agency	**534.8**	**5.5%**	734.4	8.0%
Other Operations	**69.4**	**0.7%**	39.0	0.4%
Total	**9,760.9**	**100.0%**	9,212.5	100.0%

Full Service Hotels

The following table sets out the percentages of contributions from the Group's Full Service Hotels segment and each type of business to the Group's turnover for the Reporting Period and the same period in 2017:

	Six months ended 30 June 2018		Six months ended 30 June 2017	
	RMB in million	***% of turnover***	*RMB in million*	*% of turnover*
Accommodation revenue	**494.9**	**48.1%**	435.6	47.9%
Food and beverage sales	**292.9**	**28.5%**	257.1	28.2%
Rendering of ancillary services	**46.8**	**4.5%**	41.7	4.6%
Rental revenue	**110.8**	**10.8%**	94.2	10.3%
Sales of hotel supplies	**2.0**	**0.2%**	2.4	0.3%
Hotel management	**81.6**	**7.9%**	79.0	8.7%
Total	**1,029.0**	**100.0%**	910.0	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 RMB494,928,000, increasing by approximately 13.6% or approximately RMB59,363,000 as compared to the same period in 2017. The aforesaid change was due to effective revenue management facilitated through a distinguished performance management model and an advanced benchmarking in addition to the favourable conditions and market opportunities in high Star-rated Full Service Hotels industry in Shanghai seized by the Group, increase in accommodation revenue on the back of year-on-year growth in the ADR and the average Occupancy Rate as well as accommodation revenue from the newly included Yangtze Hotel.

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 RMB292,859,000, increasing by approximately 13.9% or approximately RMB35,759,000 from the same period of last year. The aforesaid change was mainly attributable to revenue from food and beverage of the newly included Yangtze Hotel.

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 RMB46,818,000, increasing by approximately 12.2% or approximately RMB5,094,000 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 RMB110,783,000, increasing year-on-year by approximately 17.6% or approximately RMB16,593,000, which was principally due to an increase in rental revenue driven by an adjustment in operational structure of the Group's Full Service Hotels to expand the areas leased with reference to the actual circumstances in addition to the rental revenue from the newly included Yangtze Hotel.

Sales of hotel supplies

Turnover from guest supplies and hotel products decreased by approximately RMB381,000 from the same period of last year. Such decrease was mainly attributable to adjustments in the business model of Supplies Company for a progressive consolidation and transformation.

Hotel management revenue

The revenue of hotel management was mainly generated from the management fees received for the provision of management services to Full Service Hotels not controlled by the Group. Revenue of hotel management business amounted to approximately RMB81,628,000 for the Reporting Period, increasing by approximately 3.3% or approximately RMB2,594,000 as compared to the same period of last year. The increase was principally due to an increase in management revenue driven by a performance improvement of the hotels managed by the Group.

Select Service Hotels — managed and operated in Mainland China

Select Service Hotels business in Mainland China represented mainly turnover from Select Service Hotels managed and operated by the Group in Mainland China. For the Reporting Period, revenue from Select Service Hotels managed and operated in Mainland China amounted to approximately RMB4,846,992,000, representing an increase of approximately 10.9% or approximately RMB477,672,000 as compared to the same period of last year. This growth mainly reflected business expansion of Jin Jiang GDL Asia, Plateno Group and Vienna Hotels, in particular the growth in revenue driven by an increase in management revenue from franchised hotels.

Select Service Hotels — managed and operated overseas

Select Service Hotels business managed and operated overseas represented mainly turnover from Select Service Hotels managed and operated by the Group overseas. For the Reporting Period, revenue from Select Service Hotels managed and operated overseas amounted to approximately RMB1,978,347,000, representing an increase of approximately 10.3% or approximately RMB184,424,000 as compared to the same period of last year. The growth mainly reflected revenue growth resulting from the business expansion of GDL, revenue generated for the period from the hotels acquired in 2017 and the increase of the average exchange rate of Euro compared with that of the same period of last year.

Food and Restaurants

Revenue of food and restaurants segment was mainly derived from Jin Ya Catering, Shanghai Jin Jiang International Food Catering Management Co., Ltd., Jing An Bakery Holding Company Limited, Shanghai Jin Jiang International Catering Investment Co., Ltd., Chinoise Story, Shanghai Jinzhu Catering Management Co., Ltd. and Shanghai New Asia Food Company Limited. For the Reporting Period, total sales from the food and restaurants segment amounted to approximately RMB164,388,000, decreasing by approximately 7.7% or approximately RMB13,676,000 as compared to the same period of last year. Revenue of food and restaurants segment was adversely affected by a decrease in revenue as a result of a drop in number of chain restaurants under Jin Ya Catering despite a growth in revenue from the group catering business of Shanghai Jin Jiang International Food Catering Management Co., Ltd..

Passenger Transportation Vehicles and Logistics

Revenue of passenger transportation vehicles and logistics for the Reporting Period amounted to approximately RMB1,138,014,000, representing a decrease of approximately 4.2% or approximately RMB49,747,000 as compared to the same period of last year. The decrease primarily reflected a decrease in revenue from auto and related trading businesses.

Travel Agency

Revenue of travel agency for the Reporting Period amounted to approximately RMB534,762,000, decreasing by approximately 27.2% or approximately RMB199,603,000 as compared to the same period of last year. The decrease mainly reflected the product repositioning, product upgrading and focusing resources on high-end travels under the impact of global political and economic conditions recording certain transactions' revenue on net-amount basis as a result of the application of HKFRS 15 Revenue from Contracts with Customers by the Group since 1 January 2018.

Other Operations

In addition, the Group is also engaged in other business, including the provision of financial services through Finance Company and the provision of training services by Jin Jiang International Management College (上海錦江國際管理專修學院). Revenue of other operations for the Reporting Period amounted to approximately RMB69,350,000, representing an increase of approximately 77.8% as compared to the same period of last year, which was primarily due to business expansion of Finance Company resulting in an increase in interest income derived from deposits with banks and other financial institutions.

Cost of Sales

Cost of sales for the Reporting Period amounted to approximately RMB7,315,735,000 (same period in 2017: approximately RMB7,120,673,000), representing an increase of approximately 2.7% as compared to the same period of last year. The increase mainly reflected an increase in cost of sales attributable to expansion of business scale of Select Service Hotels as well as cost of sales incurred in relation to the newly included Yangtze Hotel.

Gross Profit

As a result of the factors described above, the Group recorded a gross profit of approximately RMB2,445,174,000 for the Reporting Period, representing an increase of approximately RMB353,378,000 or approximately 16.9% as compared to the same period of last year.

Other Income and Gain

Other income and gain for the Reporting Period amounted to approximately RMB467,997,000 (same period in 2017: approximately RMB549,015,000), decreasing by approximately 14.8% as compared to the same period of last year. The decrease was principally due to the application of HKFRS 9 Financial Instruments by the Group since 1 January 2018, resulting in a decrease in other income and gain of RMB146,623,000 for the period as the gain on disposal of shares was no longer recognised as profits in income statement. Please see "CHANGES IN ACCOUNTING POLICIES" for details. Gain of approximately RMB174,634,000 on the disposal of available-for-sale financial assets, such as Changjiang Securities Company Limited and Shanghai Pudong Development Bank Co., Ltd, was recorded for the corresponding period in 2017. Dividend income of the Group during the Reporting Period was approximately RMB145,429,000 (same period in 2017: approximately RMB179,563,000).

Selling and Marketing Expenses

Selling and marketing expenses comprised primarily labor costs, travel agent commissions and advertising fees, which amounted to approximately RMB642,382,000 for the Reporting Period (same period in 2017: approximately RMB636,732,000), representing an increase of approximately 0.9% as compared to the same period of last year. The increase was mainly attributable to the increase in selling and marketing expenses as a result of expansion of business scale of Select Service Hotels.

Administrative Expenses

Administrative expenses for the Reporting Period amounted to approximately RMB909,962,000 (same period in 2017: approximately RMB898,305,000), representing an increase of approximately 1.3% as compared to the same period of last year, which mainly reflected the increase in administrative expenses resulting from expansion of business scale of Select Service Hotels and the administrative expenses incurred by the newly included Yangtze Hotel.

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 RMB39,563,000 (same period in 2017: approximately RMB58,770,000), decreasing by approximately RMB19,207,000 as compared to the same period of last year. The decrease mainly reflected a decrease in losses from the disposal of property, plant and equipment of Select Service Hotels.

Finance Costs — Net

Finance costs comprised interest expenses in respect of the Group's bank borrowings. Finance costs for the Reporting Period amounted to approximately RMB324,706,000 (same period in 2017: approximately RMB289,719,000), representing an increase of approximately 12.1% as compared to the same period of last year. The increase in finance costs was principally due to the release of long-term deposits pledged for bank borrowings upon a borrowing swap by the Group, resulting in a decrease in interest income from the pledged long-term deposits.

Share of Results of Joint Ventures and Associates

Operating results of joint ventures and associates mainly comprised the results of joint ventures including Beijing Kunlun Hotel, Jin Jiang Tomson Hotel and JHJ Transportation, and of associates including Shanghai Kentucky Fried Chicken Company Limited, Shanghai Pudong International Airport Transport Terminal Co. Ltd., Jiangsu Nanjing Long Distance Passenger Transport and China Oriental International Travel & Transport Co., Ltd. Share of results of joint ventures and associates for the Reporting Period decreased to approximately RMB179,969,000 from approximately RMB264,821,000 for the same period in 2017. Such decrease mainly reflected part of the gains from the disposal of three self-owned hotels in the United States by IHHC in the same period in 2017 and the year-on-year increase in the attributable operating results of Shanghai Kentucky Fried Chicken Company Limited and Jin Jiang Tomson Hotel for the current period.

Taxation

The effective tax rate for the Reporting Period was approximately 16.1% (same period in 2017: approximately 8.4%). The effective tax rate increased mainly because the effective income tax rate for GDL will decrease from 28.92% to 25.83% since 2022, 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. For the same period of last year, the effective income tax rate for GDL decreased from 34.43% to 28.92% since 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.

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 RMB1,275,000 or approximately 0.2% to approximately RMB556,611,000 from approximately RMB555,336,000 for the same period in 2017. Profit from hotel operations of the Group continued to grow despite the impacts of the decrease in return on asset operation and the application of new HKFRSs, and profit structure has been further improved.

Borrowings and Pledge of Assets

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Borrowings included in non-current liabilities:		
Bank borrowings — secured	**10,609,079**	10,841,487
Bank borrowings — unsecured	**2,943,211**	4,773,794
Borrowings from related parties	**4,325,750**	4,401,150
Finance lease liabilities	**197,574**	179,304
	18,075,614	20,195,735
Less: current portion of long-term secured bank borrowings	**(307,827)**	(223,961)
current portion of long-term unsecured bank borrowings	**(560,681)**	(3,413)
current portion of long-term finance lease liabilities	**(14,882)**	(13,557)
	17,192,224	19,954,804
Borrowings included in current liabilities:		
Bank borrowings — secured	**—**	8,000
Bank borrowings — unsecured	**2,348,055**	3,549,939
Borrowings from related parties	**30,000**	30,000
Current portion of long-term secured bank borrowings	**307,827**	223,961
Current portion of long-term unsecured bank borrowings	**560,681**	3,413
Current portion of long-term finance lease liabilities	**14,882**	13,557
	3,261,445	3,828,870

As at 30 June 2018, the secured bank borrowings included:

(a) Bank borrowings of EUR769,000,000, equivalent to RMB5,884,004,000 (31 December 2017: EUR770,000,000, equivalent to RMB6,007,771,000), which were guaranteed by Jin Jiang International;

(b) Bank borrowings of Polish Zloty ("PLN") 37,482,000, equivalent to RMB66,075,000 (31 December 2017: PLN48,946,000, equivalent to RMB74,716,000), pledged by the property, plant and equipment of certain subsidiaries of GDL located in Poland;

(c) Bank borrowings of RMB4,659,000,000 (31 December 2017: RMB4,759,000,000), which were pledged by the equity interests in a subsidiary of the Group;

As at 31 December 2017, the secured bank borrowings also included:

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

TREASURY MANAGEMENT AND INTEREST RATE RISK MANAGEMENT

Cash and cash equivalents as at 30 June 2018 and 31 December 2017 amounted to approximately RMB13,271,841,000 and RMB12,098,112,000, 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.

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income held by the Group mainly included 40,000,000 shares in Changjiang Securities Company Limited (000783.SZ), 92,326,488 shares in Bank of Communications Co., Ltd. (601328.SH), 4,668,024 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 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, forge the "Jin Jiang" brand, advance the progress of international development and seek prudent growth. The Group will make vigorous efforts to ensure proper integration relating to mergers and acquisitions, whiling seeking improvements in management standards and core competitiveness by expanding outside China to gain international exposures while introducing foreign experiences to the domestic operations. The Group will also further optimise the domestic as well as international business deployment and enhance the ability in multinational operations.

In the coming year, the Group will focus on advancing the upgrade of its brand portfolio to ensure implementation of its development objectives. A sharing platform for procurement will be built to advance supply-chain integration, while improvements will be made to the financial sharing platform to reinforce financial consolidation. A new cycle of staff exchange and training programmes will be launched to facilitate faster integration of human resources, while the performance excellence management system will be promoted to strive for quality and efficiency enhancement on all fronts.

The Group will seize the opportunity presented by the reform of state-owned assets and state-owned enterprises to enhance its development towards a market-oriented corporation. The Group will expedite the reforms of its institutional systems and explore the innovation and transformation of operation models compatible with the age of Internet economy, while making improvements to the market-based remuneration regime and restraint and incentive mechanism. The Group will leverage on its strengths in specialisation to foster a modern tourism service industry chain and a sharing economy platform centered on hotel operations. The Group will enhance asset liquidity and structural adjustments to further increase the overall asset return and enterprise value.

INTERIM DIVIDEND

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

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 2018, 21 March 2018 and 23 August 2018 respectively. The consolidated financial statements for the year ended 31 December 2017 and the unaudited condensed consolidated interim financial statements as at 30 June 2018 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 2018 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 (the "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
"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
"Jin Ya Catering"	Shanghai Jin Ya Catering Management Co., Ltd.
"JHJ Transportation"	JHJ International Transportation Co., Ltd.
"Jinjiang Auto Service"	Shanghai Jinjiang Business and Travel Auto Service Co., Ltd.
"Jin Jiang Cold"	Shanghai Jin Jiang International Cold Logistics Development Co., Ltd.
"Jin Jiang GDL Asia"	Jin Jiang GDL Asia Co., Ltd. (上海錦江盧浮亞洲酒店管理有限公司) (formerly known as Shanghai Jin Jiang Metropolo Hotel Management Company Limited)
"Jin Jiang Hotels 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 2018 to 30 June 2018
"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 People's Republic of China, 31 August 2018

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