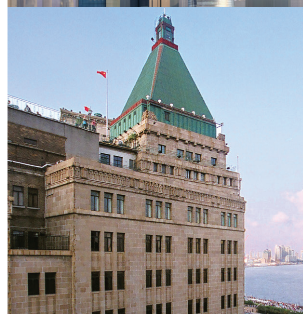
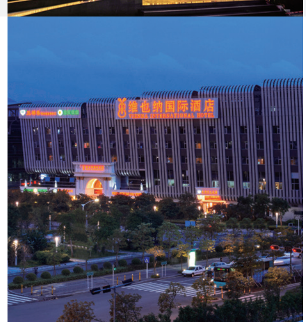




Jin Jiang Hotels

Shanghai Jin Jiang International Hotels (Group) Company Limited

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

Stock Code : 02006

ANNUAL REPORT 2016

Global Hotel Deployment

China
Number of hotels: **4,751**

Europe
Number of hotels: **1,014**

Africa
Number of hotels: **49**

Asia (excluding China)
Number of hotels: **118**

Americas
Number of hotels: **45**

Total
Number of hotels: **5,977**

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

Contents

CORPORATE INFORMATION

THE FOURTH SESSION OF THE BOARD

EXECUTIVE DIRECTORS

Mr. Yu Minliang *(Chairman)*
Ms. Guo Lijuan *(Vice Chairman)*
Mr. Chen Liming *(Vice Chairman)*
Mr. Zhang Qian *(Chief Executive Officer)*
Mr. Han Min
Mr. Kang Ming

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ji Gang
Dr. Rui Mingjie
Dr. Tu Qiyu
Dr. Xu Jianxin
Mr. Xie Hongbing
Dr. He Jianmin

THE FOURTH SESSION OF THE SUPERVISORY COMMITTEE

SUPERVISORS

Mr. Wang Guoxing
(Chairman of Supervisory Committee)
Mr. Ma Mingju
Mr. Zhou Qiquan
Ms. Zhou Yi
Mr. Chen Yinghao
Mr. He Yichi

EXECUTIVE COMMITTEE

Ms. Guo Lijuan *(Chairman)*
Mr. Chen Liming *(Vice Chairman)*
Mr. Zhang Qian
Mr. Han Min

AUTHORIZED REPRESENTATIVES

Ms. Guo Lijuan
Mr. Kang Ming

JOINT COMPANY SECRETARIES

Mr. Kang Ming
Ms. Mok Ming Wai

QUALIFIED ACCOUNTANT

Dr. Ai Gengyun

NOMINATION COMMITTEE

Mr. Yu Minliang *(Chairman)*
Dr. Rui Mingjie
Dr. Tu Qiyu

AUDIT COMMITTEE

Dr. Xu Jianxin *(Chairman)*
Mr. Ji Gang
Dr. He Jianmin

REMUNERATION COMMITTEE

Mr. Ji Gang *(Chairman)*
Ms. Guo Lijuan
Mr. Xie Hongbing

STRATEGIC INVESTMENT COMMITTEE

Ms. Guo Lijuan *(Chairman)*
Mr. Han Min
Dr. Rui Mingjie

INTERNATIONAL AUDITOR

PricewaterhouseCoopers

PRC AUDITOR

PricewaterhouseCoopers Zhong Tian LLP

LEGAL ADVISERS

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

As to PRC law:
King & Wood Mallesons

CHINESE NAME OF THE COMPANY

上海錦江國際酒店（集團）股份有限公司

ENGLISH NAME OF THE COMPANY

Shanghai Jin Jiang International Hotels (Group) Company Limited

H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

INVESTOR AND MEDIA RELATIONS CONSULTANT

iPR Ogilvy & Mather

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Bank of China

LEGAL ADDRESS

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

PRINCIPAL PLACES OF BUSINESS IN THE PRC

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

PRINCIPAL PLACES OF BUSINESS IN HONG KONG

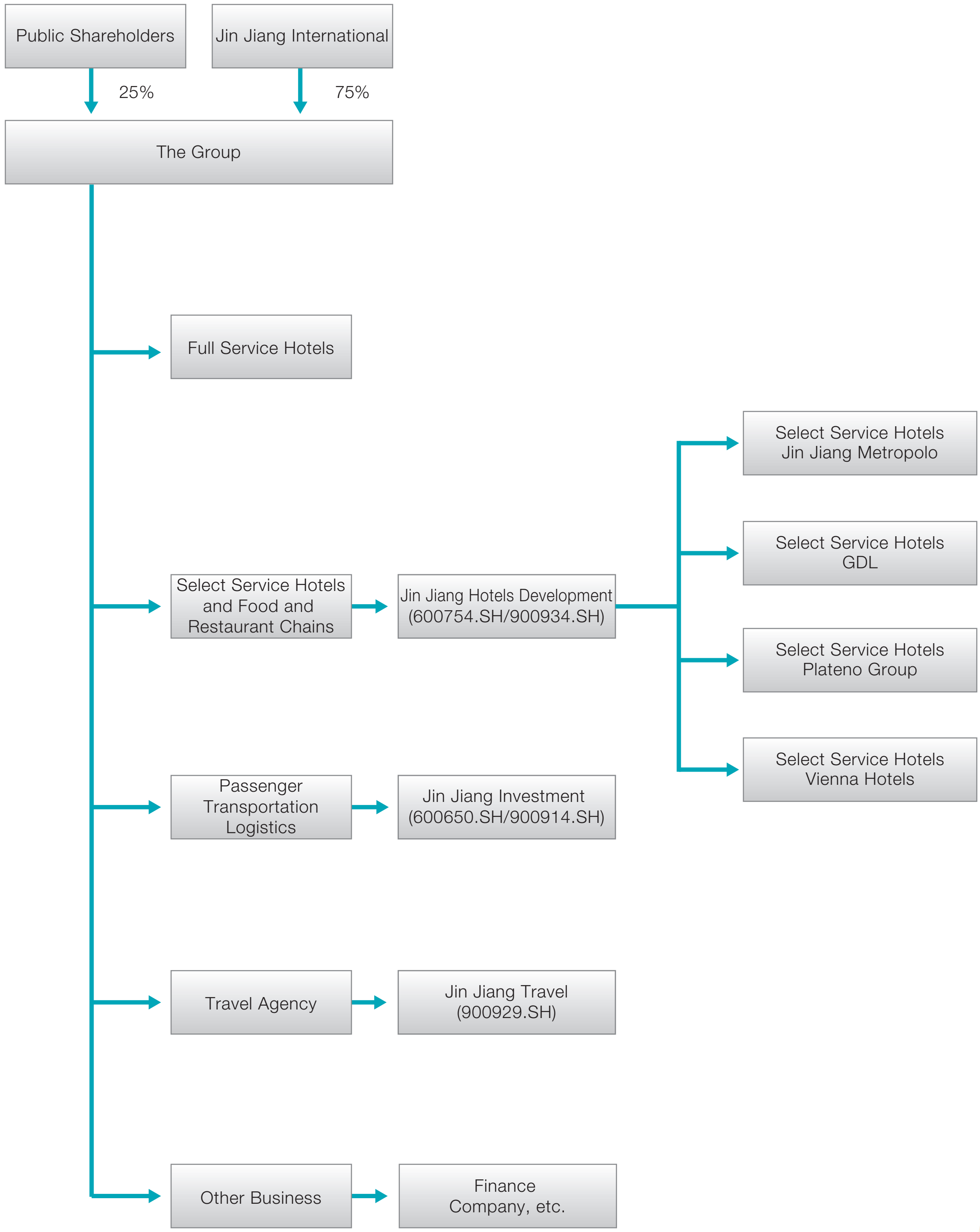
Room 3203, 32nd Floor
Shun Tak Centre, West Tower
200 Connaught Road Central
Hong Kong Special Administrative Region of the PRC ("Hong Kong")

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

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

CORPORATE STRUCTURE

The following graph sets out the major business segments of the Company as at 31 December 2016:



INFORMATION ON HOTELS OF THE GROUP

INFORMATION ON HOTELS OF THE GROUP

	Full Service Hotels		Select Service Hotels		Total	
	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms
China	104	31,373	4,647	466,491	4,751	497,864
Asia (excluding China)	—	—	118	15,249	118	15,249
Europe	—	—	1,014	72,202	1,014	72,202
Americas	5	1,614	40	7,328	45	8,942
Africa	—	—	49	8,093	49	8,093
Total	109	32,987	5,868	569,363	5,977	602,350

Notes:

1. As at 31 December 2016, the Group owned or managed 5,977 hotels with a total of 602,350 guest rooms located in 67 countries around the world, including 4,751 hotels in operation with a total of 497,864 guest rooms owned or managed in China.

INFORMATION ON HOTELS OF THE GROUP

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

All hotels (As of 31 December 2016)	Hotels in which the Group held Hotel Interests and managed by the Group		Hotels in which the Group held Hotel Interests but managed by third parties		Hotels owned by third parties but managed by the Group		Hotels owned by third parties but operated under franchises granted by the Group		Total number of hotels	
	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms
Hotel Category										
Full Service Hotels										
— 5-star Luxury Hotels	5	2,250	7	2,554	65	20,922	–	–	77	25,726
— 4-star Luxury Hotels	10	3,361	2	665	45	9,933	–	–	57	13,959
Sub-total	15	5,611	9	3,219	110	30,855	–	–	134	39,685
Commercial Hotels	2	274	–	–	3	861	–	–	5	1,135
Total Number of Full Service Hotels	17	5,885	9	3,219	113	31,716	–	–	139	40,820
Select Service Hotels										
— Jin Jiang Metropolo	308	42,796	–	–	–	–	1,080	118,134	1,388	160,930
— GDL	285	22,119	–	–	–	–	995	90,783	1,280	112,902
— Plateno Group	490	50,564	–	–	–	–	3,499	283,162	3,989	333,726
— Vienna Hotels	55	13,764	–	–	–	–	908	130,515	963	144,279
Total Number of Select Service Hotels	1,138	129,243	–	–	–	–	6,482	622,594	7,620	751,837
Total	1,155	135,128	9	3,219	113	31,716	6,482	622,594	7,759	792,657

INFORMATION ON HOTELS OF THE GROUP

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

In operation (As of 31 December 2016)	Hotels in which the Group held Hotel Interests and managed by the Group		Hotels in which the Group held Hotel Interests but managed by third parties		Hotels owned by third parties but managed by the Group		Hotels owned by third parties but operated under franchises granted by the Group		Total number of hotels	
	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms
Hotel Category										
Full Service Hotels										
— 5-star Luxury Hotels	5	2,250	7	2,554	45	15,214	–	–	57	20,018
— 4-star Luxury Hotels	10	3,361	2	665	35	7,808	–	–	47	11,834
Sub-total	15	5,611	9	3,219	80	23,022	–	–	104	31,852
Commercial Hotels	2	274	–	–	3	861	–	–	5	1,135
Total Number of Full Service Hotels	17	5,885	9	3,219	83	23,883	–	–	109	32,987
Select Service Hotels										
— Jin Jiang Metropolo	286	39,590	–	–	–	–	856	95,662	1,142	135,252
— GDL	281	21,480	–	–	–	–	942	83,103	1,223	104,583
— Plateno Group	476	49,138	–	–	–	–	2,563	206,856	3,039	255,994
— Vienna Hotels	50	12,011	–	–	–	–	414	61,523	464	73,534
Total Number of Select Service Hotels	1,093	122,219	–	–	–	–	4,775	447,144	5,868	569,363
Total	1,110	128,104	9	3,219	83	23,883	4,775	447,144	5,977	602,350

INFORMATION ON HOTELS OF THE GROUP

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

Under development (As of 31 December 2016)	Hotels in which the Group held Hotel Interests and managed by the Group		Hotels in which the Group held Hotel Interests but managed by third parties		Hotels owned by third parties but managed by the Group		Hotels owned by third parties but operated under franchises granted by the Group		Total number of hotels	
	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms
Hotel Category										
Full Service Hotels										
— 5-star Luxury Hotels	–	–	–	–	20	5,708	–	–	20	5,708
— 4-star Luxury Hotels	–	–	–	–	10	2,125	–	–	10	2,125
Sub-total	–	–	–	–	30	7,833	–	–	30	7,833
Commercial Hotels	–	–	–	–	–	–	–	–	–	–
Total Number of Full Service Hotels	–	–	–	–	30	7,833	–	–	30	7,833
Select Service Hotels										
— Jin Jiang Metropolo	22	3,206	–	–	–	–	224	22,472	246	25,678
— GDL	4	639	–	–	–	–	53	7,680	57	8,319
— Plateno Group	14	1,426	–	–	–	–	936	76,306	950	77,732
— Vienna Hotels	5	1,753	–	–	–	–	494	68,992	499	70,745
Total Number of Select Service Hotels	45	7,024	–	–	–	–	1,707	175,450	1,752	182,474
Total	45	7,024	–	–	30	7,833	1,707	175,450	1,782	190,307

INFORMATION ON HOTELS OF THE GROUP

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

Name of hotel	Effective interests held by the Company	Number of rooms	Address
5-star hotels			
Shanghai Jin Jiang Hotel	100.00%	442	No. 59, Maoming South Road, Shanghai, the PRC
Shanghai Peace Hotel	100.00%	270	No. 20, Nanjing East Road, Shanghai, the PRC
Shanghai Jin Jiang Tower	100.00%	582	No. 161, Changle Road, Shanghai, the PRC
Shanghai Jin Jiang Tomson Hotel	50.00%	398	No. 777, Zhangyang Road, Shanghai, the PRC
Shanghai Renaissance Yangtze Hotel	40.00%	542	No. 2099, Yan'an West Road, Shanghai, the PRC
Beijing Kunlun Hotel	47.50%	558	No. 2, Xinyuan South Road, Beijing, the PRC
Wuhan Jin Jiang International Hotel	100.00%	398	No. 707, Jianshi Avenue, Wuhan, Hubei Province, the PRC
4-star hotels			
Shanghai Park Hotel	100.00%	261	No. 170, Nanjing West Road, Shanghai, the PRC
Shanghai Jian Guo Hotel	65.00%	455	No. 439, Caoxi North Road, Shanghai, the PRC
Shanghai Rainbow Hotel	100.00%	640	No. 2000, Yan'an West Road, Shanghai, the PRC
Shanghai Cypress Hotel	100.00%	152	No. 2419, Hongqiao Road, Shanghai, the PRC
Shanghai Hotel	100.00%	521	No. 505, Wulumuqi North Road, Shanghai, the PRC
Shanghai Jing An Hotel	100.00%	132	No. 370, Huashan Road, Jingan District, Shanghai, the PRC
Shanghai Sofitel Hotel	66.67%	383	No. 505, Nanjing East Road, Shanghai, the PRC
Holiday Inn Downtown Shanghai	100.00%	282	No. 585, Hengfeng Road, Shanghai, the PRC
Wuxi Jin Jiang Grand Hotel	25.00%	349	No. 218, Zhongshan Road, Chongan District, Wuxi, Jiangsu Province, the PRC
Kunming Jin Jiang Hotel	100.00%	315	No. 98, Beijing Road, Kunming, Yunnan Province, the PRC
West Capital International Hotel	100.00%	230	No. 135, West Street, Lianhu District, Xi'an, Shaanxi Province, the PRC
Jiangsu Nanjing Hotel	40.00%	306	No. 259, Zhongshan North Road, Nanjing, Jiangsu Province, the PRC
Commercial Hotels			
Shanghai Pacific Hotel	100.00%	177	No. 108, Nanjing West Road, Shanghai, the PRC

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

MAJOR AWARDS

MAJOR AWARDS RECEIVED BY THE GROUP IN 2016

• Best Chain Hotel Brand in China	Globe Magazine — CGT-tested Annual Award
• Best Communication Strategies of the Year Award	PR Newswire New Communication Annual Summit
• Most Popular Hotel Group in China	Travel+Leisure China Travel Awards
• New & Remarkable Hotel Brand in China — Jin Jiang Metropolo	16th China Hotel Golden Horse Award
• Hotel Chain Brands with the Best Investment Value in China — James Joyce Coffetel	16th China Hotel Golden Horse Award
• Most Popular National Hotel Brand Group for Consumers — Vienna Hotels	16th China Hotel Golden Horse Award
• PRC Hotel Groups with Best Development Potential — Jin Jiang Metropolo	China Hotel Starlight Awards
• Best Economy Hotel Chain in China — Jin Jiang Inn	China Hotel Starlight Awards
• Best Hotel Management Group in PRC — Vienna Hotels	China Hotel Starlight Awards
• Top 10 Influential Brands of High-end Hotels in China No. 1	Meadin.com
• Top 10 Influential Brands for Select Service Mid-tier Hotels — "Jin Jiang Metropolo", "Lavande", "Vienna Hotels"	Meadin.com
• Top 10 Influential Brands for Budget Hotels — "Jin Jiang Inn", "7 Days Inn"	Meadin.com
• Top 10 Hotel Chain Brands in China — "Jin Jiang Metropolo"	China Hotels Golden Ray Award
• Top 10 Hotels with the Best Reviews — "Lavande"	China Hotels Golden Ray Award
• Best Hotel Management Group in China	Asia Hotel Forum
• Select Service Hotel Brand with Best Development Potential for the Year — "Campanile"	Asia Hotel Forum
• Best Hotel Chain for the Year — Jin Jiang Metropolo	China Travel Committee
• Best Hotel Brand for the Year — "Vienna Hotels"	China Travel Committee
• China Talent Management Example Enterprises — Plateno Group	Annual Summit on Best Practice of Talent Management of China
• Top 60 Hotel Group in China — Vienna Hotels	China Tourist Hotels Association
• Hotel with Best Online Booking Experience in China — "Vienna Hotels"	Internet Tourism Ranking of China

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"ADR"	room revenue divided by rooms in use
"Audit Committee"	the audit committee of the Company
"Available Rooms"	number of rooms available of each hotel after deducting Permanent House Use
"Baisuicun Restaurants"	Shenzhen Baisuicun Restaurants Chain Co., Ltd. (深圳市百歲村餐飲連鎖有限公司), a limited liability company established in the PRC
"Board"	the board of Directors of the Company
"CG"	CAPITAL GATHERING LLC
"China" or "PRC"	The People's Republic of China
"Commercial Hotels"	hotels in which the Group holds Hotel Interests or which are owned by the third parties but managed by the Group, which have obtained or are expected to obtain 3-star or 2-star ratings, according to the criteria set by the Group
"Company"	Shanghai Jin Jiang International Hotels (Group) Company Limited
"Director(s)"	the director(s) of the Company
"EUR"	Euros, the lawful currency of the European Union
"Finance Company"	Jin Jiang International Finance Company Limited
"Franchisee(s)"	third party(ies) who have entered into franchise agreement(s) with the Group for the license to use the Jin Jiang trademark or Jin Jiang Inn trademark
"Full Service Hotels"	hotels which provide all-rounded quality services for guests on the basis of comprehensive hotel functions and facilities
"Galaxy Hotel"	Shanghai Galaxy Hotel Co., Ltd.
"GDL"	Groupe du Louvre, a société par actions simplifiée incorporated under the laws of France
"Group"	the Company and its subsidiaries or, where the context so requires, in respect of the period prior to the date of incorporation of the Company, those entities and businesses which were consolidated into and operated by the Company upon its establishment
"HAC"	HOTEL ACQUISITION COMPANY, LLC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"IHHC"	INCA HOTEL HOLDINGS COMPANY LLC, a special-purpose entity under common control by the Company to hold all retained assets including 5 retained proprietary hotels in the United States and undertake relevant responsibilities
"Jin Jiang Cold"	Shanghai Jin Jiang International Cold Logistics Development Co., Ltd
"Jin Jiang Hotel Investment"	Shanghai Jin Jiang International Hotel Investment Company Limited
"Jin Jiang Hotels Development"	Shanghai Jin Jiang International Hotels Development Company Limited

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"Jin Jiang Inn"	Jin Jiang Inn Company Limited
"Jin Jiang International"	Jin Jiang International Holdings Company Limited
"Jin Jiang International Investment"	Shanghai Jin Jiang International Investment & Management Company Limited
"Jin Jiang Investment"	Shanghai Jin Jiang International Industrial Investment Company Limited
"Jin Jiang Metropolo"	budget hotels in which the Group holds Substantial Hotel Interests and managed by Jin Jiang Metropolo Hotel Management Limited, or Select Service Hotels which are owned by third parties to which Jin Jiang Metropolo Hotel Management Limited has granted a franchise, most of which are operating under the brand names of Jin Jiang Metropolo or Jin Jiang Inn
"Jin Jiang Travel"	Shanghai Jin Jiang International Travel Co., Ltd.
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Luxury Hotels"	hotels in which the Group holds Hotel Interests or which are owned by third parties but managed by the Group which have obtained or are expected to obtain 5-star or 4-star ratings, according to the criteria set by the Group
"Occupancy Rate"	rooms in use divided by Available Rooms for a given period
"Permanent House Use"	guest rooms which have been removed from the rentable inventory for a period longer than six months
"Plateno Group"	Keystone Lodging Holdings Limited and its subsidiaries
"Prospectus"	the prospectus issued by the Company on 30 November 2006
"Reporting Period"	the period from 1 January 2016 to 31 December 2016
"RevPAR"	room revenue per Available Room
"RMB"	Renminbi, the lawful currency of the PRC
"Select Service Hotels"	hotels providing guests with basic professional services which are suitable for mass consumption with emphasis on the core function of accommodation
"Star-rating" or "Star-rated"	number of star(s) conferred by the National Tourism Administration of the PRC to a hotel according to the Star-rating Standard Manual and a Star-rated hotel refers to a hotel with Star-rating conferred as mentioned above
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Hotel Interests"	the equity interests held by the Group in companies engaged in hotel operations which are associated companies, joint ventures or subsidiaries of the Company
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company
"THAYER"	THI V INCA LLC under THAYER HOTEL INVESTORS V-A LP
"Total Number of Rooms"	number of available rooms per hotel

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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

FINANCIAL HIGHLIGHTS

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

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

** Hong Kong Financial Reporting Standards ("HKFRS") 11 "Joint arrangements" has been adopted by the Group since 1 January 2013. Investments in joint ventures shall be accounted for by using equity method and proportional consolidation of joint ventures is no longer applied. In addition, the financial information for the year ended 31 December 2015 and as at 31 December 2012 has been restated.

OPERATIONAL STATISTICS

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

Notes:

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

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

3. 4-star Luxury Hotels include: Park Hotel, Jian Guo Hotel, Cypress Hotel, Holiday Inn Downtown Shanghai, Rainbow Hotel, Shanghai Hotel, Shanghai Jing An Hotel, Shanghai Sofitel Hotel, Jiangsu Nanjing Hotel, Wuxi Jin Jiang Grand Hotel, West Capital International Hotel and Kunming Jin Jiang Hotel.

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

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present on behalf of the Board the annual report of the Group for the year ended 31 December 2016.

To address the complex economic situation and marketplace, the Group made proactive moves to adapt to the new normal status of economic development in 2016 by holding onto market opportunities and expanding the operation scale of its main business through merger and acquisitions. Meanwhile, by stepping up on integration and making structural adjustment, our organisational structure was enhanced and resource allocation was optimised. Resorting to a double-edged approach featuring both capital-intensive operation and excellence in operation, we persisted in prudent progress, innovation and transformation with the primary aim of strengthening our principal business, while improving our mechanism for achieving stable growth and implementing multiple measures to overcome various hurdles. As a result, the Group's international competitiveness and brand influence achieved further improvements.

During 2016, the Group realised revenue of approximately RMB17.01 billion, representing an increase of approximately 39.5% as compared to the same period of last year. EBITDA of the Group amounted to approximately RMB4.12 billion, representing an increase of approximately 21.2% as compared to the same period of last year. Profit attributable to shareholders of the Company amounted to approximately RMB758 million, representing a decrease of approximately 12.4%, which was mainly attributable to the decrease in asset yields as compared to the same period of last year. The Board has proposed a final dividend of RMB8.0 cents (inclusive of tax) for the year 2016, representing an increase of approximately 23.1% as compared to the same period of last year.

ACHIEVING A NEW PHASE FOR INTERNATIONAL DEVELOPMENT THROUGH MERGER AND ACQUISITION IN TANDEM WITH INTEGRATION

During the Reporting Period, the Group seized upon rare market opportunities arising in the international and domestic markets, achieving a new phase in our advancement of "our global business deployment and multinational operations". In 2016, the closing of the Group's acquisitions of Plateno Group and Vienna Hotels further improved and consolidated the industry position of Jin Jiang Hotels. The successful completion of the acquisition projects of GDL, Plateno Group and Vienna Hotels signalled the significant expansion of the scale of hotels of the Group and a new stage of our internationalisation.

As at the end of 2016, the Group owned or managed about 6,000 hotels which were in operation in the world with a total of approximately 600,000 guest rooms in 67 countries across the globe. Our offering of hotel rooms was ranked 5th among hotel groups in the world. Moreover, the Group had also about 1,800 hotels under development with approximately 190,000 guest rooms projected.

In accordance with the principle of "keeping basic elements unchanged, integrating back offices and complementing comparative advantages for co-development", the Group systematically proceeds with its general integration in an orderly manner to realise synergies and complementary effects in further pursuit for the business layout in line with the "One Belt One Road" and brand internationalisation.

NEW PROGRESS ACHIEVED IN OUR DOUBLE-EDGED APPROACH FEATURING BOTH "APPLICATION OF CAPITAL AND EXCELLENT OPERATIONS"

The Group focused on enhancing our quality and efficiency as well as excellence in operation, as hotel operation and asset management were steadily strengthened. We strive for expanding our room for development and further our brand upgrade by innovative marketing strategies, identifying new operation projects and tapping into market potential. Significant results were achieved in our furtherance of asset structure adjustment, business transformation and personnel deployment, raising our asset efficiency and shareholders' interests.

During the Reporting Period, the private placing of Jin Jiang Hotels Development was completed for an additional issue size of approximately RMB4.5 billion, which further optimised our capital structure and the ability of repaying debts, improving our financial conditions. Meanwhile, the Group actively endeavours to excel at its capital management in connection with interest rate and exchange rate, making optimising allocations to our capital structure based on market conditions and our development requirements.

CHAIRMAN'S STATEMENT

FURTHER IMPROVING OUR ORGANISATIONAL STRUCTURE AND MAKING BREAKTHROUGHS IN OUR INNOVATIVE TRANSFORMATION

During the Reporting Period, the Group further improved its corporate governance and management systems as a listed company by establishing the executive committee and global hotel management committee of the Board. Jin Jiang GDL Asia Co.* （錦江盧浮亞洲公司） was established as part of the construction of a highly efficient, synergy-inducing operation system.

A platform of shared economy based on mobile network was built such that resource integration and capability upgrade were expedited, driving the convergence of domestic and international hotel systems. In particular, we invested in the establishment of WeHotel, and the new version of WeHotel's APP "Jin Jiang Trip" （錦江旅行） was launched, which further integrated memberships and the booking system.

CORPORATE STRATEGIES AND OUTLOOK FOR FUTURE DEVELOPMENT

Looking forward to 2017, there are uncertainties in the global economy and the external circumstances attending the development of hotel and tourism industry. Nevertheless, with the introduction and implementation of government policies to promote the development of the tourism industry, as well as the stimulating effect of projects including Shanghai Disneyland, broad prospects for future development still hold out for China's hotel and tourism industry. The Group will seize any opportunities and actively address any challenges that might arise.

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

In the upcoming year, the establishment process of Jin Jiang GDL Asia Co.* will be accelerated by the Group with a particular focus on making progress in the upgrading of brand rankings and ensuring the achievement of development targets. We will also speed up the construction of WeHotel and build a shared financial and procurement platform with a view to making advances in supply chain integration. A new session of exchange and training programmes for staff will be implemented in order to facilitate the establishment of the management system for performance excellence and to enhance our quality and efficiency in a comprehensive manner.

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

Last but not least, I would like to express my sincere gratitude to all employees for the invaluable contributions they made to the Group. I would also like to take this opportunity to thank all shareholders, investors and the public for their longstanding support of the Group. We pledge to continue to work with our shareholders in a concerted effort, with a view to enhancing the value of the Company and delivering sound rewards for all.

Yu Minliang
Chairman
Shanghai, the PRC
29 March 2017

* *For identification purpose only*

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Yu Minliang (俞敏亮), aged 59, the chairman of the Board and an executive Director. Mr. Yu is an economist with a master's degree in economics from Fudan University. With rich experience in hotel management, he has been the general manager respectively of Shanghai Yangtze Hotel Company Limited, Jin Jiang Hotels Development and Shanghai New Asia (Group) Company Limited, chairman of Jin Jiang (Group) Company Limited and chairman, chief executive officer and chairman of the executive committee of the board of Jin Jiang International since joining the Group in 1984. Mr. Yu is currently the chairman of Jin Jiang International, Jin Jiang Hotels Development and Shanghai Yangtze Hotel Company Limited, respectively.

Ms. Guo Lijuan (郭麗娟), aged 54, the vice chairman of the Board, an executive Director and the chairman of the executive committee of the Board. Ms. Guo obtained a master's degree in business administration from China Europe International Business School (CEIBS). Ms. Guo was formerly the deputy head of the suburban department and the rights and interests department of China Communist Youth League Shanghai Committee (共青團上海市委); general manager and chairperson of Shanghai Advertising Co., Ltd. (上海廣告有限公司); director and vice president of Shanghai World Expo (Group) Co., Ltd. (上海世博（集團）有限公司); executive director and chairperson of Shanghai Foreign Service Co., Ltd. (上海對外服務有限公司); as well as vice president of Shanghai East Best International (Group) Co., Ltd. (上海東浩國際服務貿易（集團）有限公司). Ms. Guo is currently the president and a director of Jin Jiang International and vice chairperson of Jin Jiang Hotels Development.

Mr. Chen Liming (陳禮明), aged 56, the vice chairman of the Board, an executive Director and the vice chairman of the executive committee of the Board. Mr. Chen is an economist with a master's degree in business administration. He was previously the general manager of Holland Shanghai City Restaurant Co., Ltd. (荷蘭上海城酒家有限公司), deputy general manager of Shanghai Sofitel Hyland Hotel (上海海侖賓館), executive manager of Jin Jiang Hotels Development and secretary general (vice president) of the executive committee of the board of directors of Jin Jiang International. He is currently a vice president of Jin Jiang International and a director of Jin Jiang Hotels Development.

Mr. Zhang Qian (張謙), aged 49, an executive Director and the chief executive officer of the Company. He holds a master's degree and has extensive experience in hotel management. He was previously the director of the marketing department of Shanghai Jian Guo Hotel, deputy general manager of Shanghai Renaissance Yangtze Hotel, general manager of Shanghai Jin Jiang Tomson Hotel Company Limited, general manager of Jin Jiang Hotel and general manager of Jin Jiang Tower. He is currently a vice president of Jin Jiang International.

Mr. Han Min (韓敏), aged 59, an executive Director. He holds a master's degree in international law from Fudan University. He has been a manager of the investment development division of Jin Jiang (Group) Company Limited, manager of the merger division of Jin Jiang International and director of Jin Jiang Travel since joining the Group in 2005.

Mr. Kang Ming (康鳴), aged 45, an executive Director, vice president, authorized representative, joint company secretary of the Company, the Board secretary and chief secretary of the Board. Mr. Kang is a senior accountant with a master's degree in economics from the Shanghai University of Finance and Economics. Mr. Kang has gained extensive experience in listed companies concerning information disclosure, corporate governance, capital operation and investor relations since joining the Group in 1994. He was previously the board secretary and supervisor of Jin Jiang Hotels Development. Mr. Kang is also currently the director of Jin Jiang Investment and Jin Jiang Travel.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ji Gang (季崗), aged 59, an independent non-executive Director, is a senior economist with a master's degree in economics from Fudan University. Mr. Ji was previously an independent director of Jin Jiang Hotels Development from 2003 to 2006, and served as the general manager of Shanghai Zhongya Hotel, general manager and chairman of Shanghai Everbright City Company Limited, director of Zhabei District Commercial Committee, director of Zhabei District Economic Committee, president of SIIC Investment Company Limited in Hong Kong as well as the vice-chairman and president of Shanghai Industrial Development Company Limited. Mr. Ji is currently the chairman of the board, president and executive director of Shanghai Industrial Urban Development Group Limited.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Dr. Rui Mingjie (芮明杰), aged 62, an independent non-executive Director, is a professor and an instructor for doctoral candidates with a doctoral degree in economics. Dr. Rui is currently the head of the Department of Industrial Economics, member of the degree committee, chairman of the degree committee of the School of Management, discipline leader in the national key discipline of Industrial Economics, deputy director of the Yangtze Delta Research Institute, and person-in-charge of the post-doctoral mobile station in applied economics at Fudan University. He is also the executive vice president of China Society of Industrial Economics, chief specialist of Shanghai Innovative Research Base of Social Sciences (Industry Structural Adjustment) (上海市社會科學創新研究基地（產業結構調整）), and a leading figure of Rui Mingjie's Office of Government Policy Counselling and Research Base of Shanghai Municipal Government (上海市政府决策諮詢研究基地芮明杰工作室).

Dr. Tu Qiyu (屠啓宇), aged 47, an independent non-executive Director. Dr. Tu is currently a vice chairman and research fellow of the City and Population Development Research Institute of the Shanghai Social Science Academy and adjunct professor and doctoral instructor of East China Normal University, specializing in international economics and urban studies. Dr. Tu was a Fulbright Scholar of the United States and Marie Curie Scholar of the European Union. Since 2011, Dr. Tu has been the chief editor of "The Blue Book of World Cities". He was appointed by the mayor of Shanghai in 2014 as the core specialist of the new session of master urban planning of Shanghai. He was appointed by the Beijing Municipal Government in 2015 as a member of the Advisory Board of Planning Experts for the Thirteenth Five-Year Plan of Beijing.

Dr. Xu Jianxin (徐建新), aged 61, an independent non-executive Director. He holds a doctoral degree in economics and is a professor-grade senior accountant and Certified Public Accountant in the PRC. He was previously a lecturer and associate professor at Shanghai University of Finance and Economics, practicing Certified Public Accountant of Dahua Accountants' Firm (大華會計師事務所), deputy general manager of Shanghai Brilliance Credit Rating and Investors Service Company Limited* (上海新世紀投資服務公司), deputy chief accountant, director, financial controller and chief economist of Orient International (Holding) Company Limited, vice chairman of Orient International Enterprise Limited, director of Shanghai Pudong Development Bank and independent director of Jin Jiang Hotels Development. He has been named as "Outstanding Accountant in Shanghai". Dr. Xu is currently a senior vice president of Shanghai Puyi Investment Management Co., Ltd.* (上海樸易投資管理有限公司).

Mr. Xie Hongbing (謝紅兵), aged 66, an independent non-executive Director. He holds a bachelor's degree. Mr. Xie served as the branch manager of Jingan Sub-branch and Yangpu Sub-Branch, respectively, of the Shanghai Branch of Bank of Communications, general manager of Fund Custody Department of Bank of Communications, the chairman of Bank of Communications Schroder Fund Management Co., Ltd., and the vice chairman of China BOCOM Insurance Co., Ltd. (Hong Kong).

Dr. He Jianmin (何建民), aged 60, an independent non-executive Director. He obtained a doctorate in economics from Fudan University. Mr. He is currently the head and professor of the Department of Tourism Management, an instructor for doctoral candidates in tourism management, and an adjunct instructor in tourism management for post-doctoral researchers at the post-doctoral mobile station of the School of Business Administration at the Shanghai University of Finance and Economics and an independent director of New Century Real Estate Investment Trust. He has been named as a State Council Expert for Special Allowance and a National Outstanding Instructor. He has been involved in the research in tourism development and management for many years, and was appointed by China National Tourism Administration as a member of the Advisory Board for Reform and Development of China Tourism.

SUPERVISORS

Mr. Wang Guoxing (王國興), aged 53, the chairman of the Supervisory Committee. He is a senior accountant with a master's degree in economics from Shanghai University of Finance and Economics. Mr. Wang joined the Group in 1992 and was previously a lecturer of the School of Finance of Shanghai University of Finance and Economics, board secretary of Jin Jiang Hotels Development, board secretary and deputy financial director of Shanghai New Asia (Group) Company Limited, as well as deputy financial director and chief secretary (vice president) of the executive committee of the board of Jin Jiang International. He is currently a vice president of Jin Jiang International, the chairmen of the supervisory committees of Jin Jiang Hotels Development and Jin Jiang Investment.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Ma Mingju (馬名駒), aged 56, a Supervisor. He is a senior accountant with a master's degree in business administration from the Asia International Open University (Macau). Mr. Ma joined the Group in 2005 and was formerly a director of Jin Jiang Inn. Mr. Ma is currently the vice president and general manager of the Finance Business Division of Jin Jiang International, chairman of Shanghai Jin Jiang International Investment and Management Company Limited, the supervisor of Jin Jiang Hotels Development, the director of Jin Jiang Investment, Beijing Kunlun Hotel Company Limited and the chairman of Finance Company, respectively.

Mr. Zhou Qiquan (周啓全), aged 66, a Supervisor. Mr. Zhou graduated from Shanghai College of Finance (now known as Shanghai University of Finance and Economics) with a post-secondary diploma on bank credit studies. Mr. Zhou is an accountant. He joined the Group in 2003 and was formerly the person-in-charge of the department of finance of Shanghai Luwan Residential Property Company (上海盧灣住宅公司), the head and deputy manager of the planning and finance department and manager of the finance department of Shanghai Minhang United Development Company Limited.

Ms. Zhou Yu (周怡), aged 57, a Supervisor. Ms. Zhou graduated from East China University of Politics and Law (now known as East China University of Political Science and Law) with a bachelor's degree. She was formerly the person-in-charge of the marketing division of credit card department, deputy head of the deposit office, deputy head of the office of financial accounting, general manager of the marketing department, general manager of the company department and the senior manager of the retail credit management department of the Shanghai Branch of Bank of Communications.

Mr. Chen Yinghao (陳英豪), aged 43, a Supervisor and the deputy secretary of the Party committee. He holds a bachelor's degree. He was the department head and commander (deputy regimental commander) of a brigade of Shanghai Fire Bureau, and assistant to the manager of the security department of Jin Jiang International.

Mr. He Yichi (何一遲), aged 37, a Supervisor and the head of the audit office of Jin Jiang Hotels Development. He holds a master's degree in finance. He was formerly a senior auditor, audit manager and senior audit manager of Pricewaterhouse Zhong Tian LLP, and the senior manager of financial solutions of BASF (China) Co., Ltd..

JOINT COMPANY SECRETARIES

Mr. Kang Ming (康鳴), the joint company secretary of the Company. Please refer to his biography under the section headed "Executive Directors" in this section.

Ms. Mok Ming Wai (莫明慧), aged 45, the joint company secretary of the Company. Ms. Mok joined the Company on 28 March 2014. Ms. Mok is a director of KCS Hong Kong Limited and has over 20 years of experience in the company secretarial field. She is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

SENIOR MANAGEMENT

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

Ms. Yin Yanhong (尹嫣紅), aged 48, the chief financial officer and finance controller of the Company. She is a senior accountant with a master's degree in accounting. She was the manager of the audit department and finance department of Hua Lian Supermarket Co. Ltd, and the assistant to the manager and deputy manager of the planning and finance department of Jin Jiang International.

Ms. Zhou Wei (周維), aged 36, the chief investment officer of the Company. She holds a master's degree. She was formerly a researcher at deputy head-level of Foreign Affairs Office of the Shanghai Municipal People's Government, the vice manager of the investment development department of Jin Jiang International and the director of the investment development department of the Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Zhang Wei (張偉), aged 50, the vice president of the Company. She is a senior political analyst with a bachelor's degree. She was the deputy secretary and deputy general manager of the Metropole Hotel, the deputy general manager of Nanjing Hotel, the secretary to the Party Committee and deputy general manager of Jin Jiang East Asia Hotel, the deputy secretary to the Party Committee and executive deputy manager of Peace Hotel, and the general manager of Expo Jin Jiang Apartment Hotel (世博錦江公寓酒店) as well as the deputy secretary to the Party Committee of the Company.

Mr. Kang Ming (康鳴), an executive Director, vice president, authorized representative, joint company secretary of the Company, the Board secretary and chief secretary of the Board. Please refer to his biography under the paragraph headed "Executive Directors" in this section.

Mr. Xia Li (夏力), aged 48, a vice president of the Company. He holds a master's degree in business administration. He was formerly the general manager of Holland Shanghai City Co., Ltd. (荷蘭上海城有限公司), deputy general manager of Shanghai Marriott Hotel Hongqiao, executive deputy general manager of Shanghai Zitai Hotel Management Co. Ltd. (上海紫泰酒店管理有限公司), deputy general manager of Shanghai Zizhu Hotel Co. Ltd. (上海紫竹酒店有限公司), general manager of Shanghai Tower Jin Jiang Hotel Assets Management Company Limited (上海中心大廈錦江酒店資產管理有限公司), and the vice president of the asset management centre of the Company.

Dr. Ai Gengyun (艾耕雲), aged 46, a qualified accountant of the Company. Dr. Ai was the director of the planning and finance Department of Jin Jiang Hotels Development, deputy general manager of Shanghai Kentucky Fried Chicken Company Limited and a director of GDL. Dr. Ai is a member of the Chinese Institute of Certified Public Accountants and a senior accountant in the PRC with extensive professional experience in financial reporting, management and internal control.

With effect from 30 March 2016, Ms. Chen Junjin has ceased to be a Supervisor. In addition, with effect from 27 July 2016, Mr. Xu Ming has ceased to be an executive Director and executive president of the Company; Mr. Zhang Xiaoqiang has ceased to be an executive Director and vice president of the Company; Mr. Han Min has ceased to be the chief investment officer of the Company. Ms. Zhang Wei has ceased to be a Supervisor. Ms. Liu Chenjian has ceased to be a Supervisor.

In accordance with code B.1.5 of the Corporate Governance Code set out in Appendix 14 of the Listing Rules, the annual remuneration and relevant bands of the senior management listed in the section headed "Directors, Supervisors and Senior Management" in this annual report for 2016 are set out as follows:

	Year ended 31 December 2016 RMB'000
Salary and other allowances	1,029
Discretionary bonus	524
Retirement scheme contributions	332
	1,885

The emoluments fell within following bands:

	Year ended 31 December 2016 Number
Nil to RMB447,250 (equivalent to HK$500,000)	5
RMB447,250 (equivalent to HK$500,000) to RMB894,500 (equivalent to HK$1,000,000)	2
	7

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

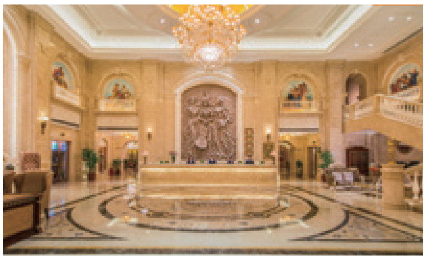
Custodian registration in respect of the private placing of A shares by Jin Jiang Hotels Development amounting to 153,418,700 A shares denominated in RMB was completed in August 2016. This private placing raised total proceeds amounting to approximately RMB4,518,181,000, optimizing capital structure,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

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

Full Service Hotels

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

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

	2016 Group's Full Service Hotels in Shanghai Average occupancy rate (%)	2016 Average room rate (RMB)	2016 RevPAR (RMB)	2015 Group's Full Service Hotels in Shanghai Average occupancy rate (%)	2015 Average room rate (RMB)	2015 RevPAR (RMB)
5-star	77%	897	687	77%	841	646
4-star	74%	605	448	72%	568	412

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

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

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

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

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

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

Select Service Hotels

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

Food and Restaurants

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Passenger Transportation Vehicles and Logistics

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

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

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

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

Travel Agency

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

Information Technology

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

FINANCIAL REVIEW

Revenue

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Full Service Hotels

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

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

Accommodation revenue

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

Food and beverage sales

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

Rendering of ancillary services

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

MANAGEMENT DISCUSSION AND ANALYSIS

Rental revenue

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

Sales of hotel supplies

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

Hotel management revenue

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

Select Service Hotels — managed and operated in Mainland China

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

Select Service Hotels — managed and operated overseas

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

Food and Restaurants

Revenue of food and restaurants segment was mainly derived from Jin Ya Catering, Shanghai Jin Jiang International Food Catering Management Co., Ltd., Jing An Bakery Holding Company Limited, Shanghai Jin Jiang International Catering Investment Co., Ltd., Chinoise Story, Shanghai Jinzhu Catering Management Co., Ltd. and Shanghai New Asia Food Company Limited. During the Reporting Period, total sales from the food and restaurants segment amounted to approximately RMB352,080,000, representing a decrease of approximately RMB14,163,000, or approximately 3.9% as compared to the same period of last year. The decrease in

MANAGEMENT DISCUSSION AND ANALYSIS

food and restaurant revenue for the Reporting Period was attributable to the decline in operating revenue as a result of the outlet downsizing exercise of Jin Ya Catering (operating 31 chain restaurants during the Reporting Period versus 42 as in the same period of last year). Meanwhile, growth was sustained in the group catering business of Shanghai Jin Jiang International Food Catering Management Co., Ltd. (managing 55 group catering restaurants during the Reporting Period versus 49 as in the same period of last year).

Passenger Transportation Vehicles and Logistics

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

Travel Agency

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

Other Operations

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

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

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

Gross Profit

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

Other Income and Other Gain

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

Selling and Marketing Expenses

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

Administrative Expenses

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

MANAGEMENT DISCUSSION AND ANALYSIS

Other Expenses and Other Losses

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

Finance Costs — net

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

Share of Results of Joint Ventures and Associates

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

Taxation

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

Net Profit

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

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP DEBTS AND FINANCIAL CONDITIONS

Borrowings and pledge of assets

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

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

(a) Bank borrowings of RMB23,668,000, which were guaranteed by a non-controlling shareholder of a subsidiary of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has fulfilled all covenants under the remaining borrowing agreements. The maturity of the borrowings is as follows:

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

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

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

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

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

Treasury Management and Interest Rate Risk Management

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Available-for-sale Financial Assets

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

HUMAN RESOURCES AND TRAINING

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

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

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

SOCIAL RESPONSIBILITY

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE STRATEGIES AND OUTLOOK FOR FUTURE DEVELOPMENT

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

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

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

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

REPORT OF THE DIRECTORS

The Board is pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

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

OPERATIONAL REVIEW

Management discussion and analysis on the Group's operations are set out on pages 21 to 36 in this annual report.

FINANCIAL REVIEW

The annual results of the Group for the year ended 31 December 2016 are set out in the consolidated income statement on page 82 in this annual report. Management discussion and analysis on financial review are set out on pages 21 to 36 in this annual report. Financial highlights of the Group for the years ended 31 December 2012, 2013, 2014, 2015 and 2016 are set out on page 13 in this annual report.

BUSINESS REVIEW AND PROSPECTS

Discussion and analysis as required by Schedule 5 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of the Group's business, discussion of major risks and uncertainties faced by the Group, details of material events affecting the Group that have occurred subsequent to the end of the 2015 financial year, the Company's environmental policy and performance, the Company's compliance with relevant laws and regulations having a significant impact on the Company, the Company's important relations with its employees, customers and suppliers, and an indication of likely future developments in the Group's business, are set out in sections headed "Chairman's Statement," "Management Discussion and Analysis," "Corporate Governance Report" and "Notes to the Consolidated Financial Statement" in this annual report. The above sections form part of the Report of the Directors.

SHARE CAPITAL

For the year ended 31 December 2016, there was no issuance of new shares or bonds by the Company. The number of shares in each class of shares of the Company as at 31 December 2016 is set out as follows:

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

REPORT OF THE DIRECTORS

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

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

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

In 2007, approximately HK$1,091,600,000 (RMB1,098,200,000) was injected into Jin Jiang Hotel Investment by way of addition of capital on a pro-rata basis for the development and expansion of the Jin Jiang Metropolo hotels network, pursuant to an arrangement between the Company and Jin Jiang Hotels Development. As at 31 December 2016, the issue proceeds applied to the development and expansion of Jin Jiang Metropolo network had been fully utilized.

Issue proceeds of approximately RMB725,000,000 were applied as additional capital and investments in relevant affiliated hotels for the refurbishment of certain Landmark Hotels and Luxury Hotels, including Peace Hotel, Jin Jiang Tower, Jin Jiang Hotel, Cypress Hotel, Galaxy Hotel, Rainbow Hotel and Marvel Y.M.C.A. As of 31 December 2016, issue proceeds applied for the refurbishment of Landmark Hotels and Luxury Hotels had already been paid.

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

DIVIDENDS

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

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

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

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

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

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

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Company are set out in Note 42 to the consolidated financial statements.

RESERVES

The Group had reserves with an amount of approximately RMB3,790,960,000 as at 31 December 2016, of which RMB2,928,777,000 was retained earnings. Details of which are set out in the retained earnings in Note 21 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

According to the articles of association of the Company (the "Articles of Association"), distributable reserves are determined based on the profit of the Company calculated according to the PRC Accounting Standards or the profit calculated according to the HKFRS, whichever is the lower.

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

As of 31 December 2016, based on the calculation made in accordance with the China Accounting Standards for Business Enterprises, relevant PRC laws and the Articles of Association, the distributable reserves of the Company amounted to RMB2,127,610,000, of which about RMB445,280,000 is proposed to be the final dividend for the year.

FIXED ASSETS

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

BORROWINGS

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

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

The Group's customers mainly comprised Franchisees, travel agencies, corporate customers and guests at its hotels. For the year ended 31 December 2016, the Group's five largest customers in aggregate accounted for less than 30% of the Group's total sales. Pursuant to the Group's franchise agreements with its Franchisees, no credit term is granted to the Franchisees and the Group's Franchisees are required to pay the continuing franchise fee on or before the tenth day of every month. A Franchisee would be obliged to pay a certain percentage of the amount payable as penalties in case of a default in payment.

The Group's suppliers mainly comprise vendors who supply the Group's hotel operations with hotel supplies such as food and beverages, as well as bath products. For the year ended 31 December 2016, the Group's five largest suppliers in aggregate accounted for less than 30% of the Group's total purchases. Generally, the credit term provided by the Group's suppliers is about two to six months.

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

CONNECTED TRANSACTIONS

Continuous Connected Transactions

According to the announcements issued by the Company on 28 July 2015 and 15 April 2016 (the "Connected Transaction Announcements"), the Company and Jin Jiang International, the controlling shareholder of the Company, and/or its associates had carried out the following continuing connected transactions. Since the applicable percentage ratios for the proposed maximum annual caps of the continuing connected transactions conducted under (1) the Master Provision of Hotel Rooms Agreement; (2) Master Property Leasing Agreement; (3) Master Electronic Commerce Service Agreement; and (4) Loan Services Framework Agreement for the respective years are more than 0.1% but less than 5%, the continuing connected transactions under these agreements are only subject to the reporting, announcement and annual review requirements of the Listing Rules and are exempted from the independent shareholders' approval requirement, which are included in the disclosure of related party transactions in accordance with HKFRS 24 (revised) presented in Note 39 to the audited consolidated financial statements for the year ended 31 December 2016. All terms used below shall have the same meanings as defined in the Connected Transaction Announcements, unless the context requires otherwise.

(i) Master Provision of Hotel Rooms Agreement

On 28 July 2015, the Company and Jin Jiang International entered into the Master Provision of Hotel Rooms Agreement to replace the Previous Master Provision of Hotel Rooms Agreement entered into on 20 November 2006 to regulate the provision of hotel rooms by the Group to Jin Jiang International Group for the three years ending 31 December 2015, 2016 and 2017. Details of the Master Provision of Hotel Rooms Agreement are set out below:

Date:	28 July 2015
Parties:	(i) Jin Jiang International as the recipient; and
	(ii) the Company as the provider
Term:	1 January 2015 to 31 December 2017. The Master Provision of Hotel Rooms Agreement can be terminated by either party by giving three months' prior written notice to the other party. The term of the Master Provision of Hotel Rooms Agreement can be extended, provided that Jin Jiang International and the Company agree to such extension and the Listing Rules are complied with.

REPORT OF THE DIRECTORS

Nature of transactions: (i) provision of hotel rooms; and (ii) other related or ancillary goods and services by the Group to Jin Jiang International and its associates (excluding the Group) (the "Jin Jiang International Group").

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

As the implementation agreements are simply further elaborations on the provision of products and services as contemplated by the Master Provision of Hotel Rooms Agreement, therefore they do not constitute new categories of connected transactions.

Pricing policy: The prices for the provision of relevant products and services to Jin Jiang International and/or its subsidiaries and associates under the Master Provision of Hotel Rooms Agreement shall be determined with reference to the "Hotel Negotiated Prices for Major Customers" (as defined below) offered by the Company to independent third party customers with equivalent or similar volume of annual room reservations and level of aggregate consumption to Jin Jiang International Group.

"Hotel Negotiated Prices for Major Customers" shall be determined with reference to the prevailing price being charged by independent third parties in the ordinary and usual course of business for the provision of the same type of products and services.

A designated department or personnel of the Company shall primarily be responsible for checking the quotations and terms for similar types of products and services provided by independent third parties to determine the "Hotel Negotiated Prices for Major Customers". Generally, the quotations and terms will be obtained from at least two independent third parties via email, facsimile or telephone enquiry. The Company will determine the "Hotel Negotiated Prices for Major Customers" after comparing and considering certain factors, including the quotation, quality of products and services, seasonal demand in hotel industry, locations of the hotels and specific requirements of the counterparty, etc.

The historical amounts for the continuing connected transactions conducted under the Previous Master Provision of Hotel Rooms Agreement and the Master Provision of Hotel Rooms Agreement for each of the three years ended 31 December 2016, as well as the respective annual caps for the three years ended 31 December 2016, are set out below:

	Historical amounts (RMB in millions)			Annual caps (RMB in millions)		
Item	For the year ended 2014	For the year ended 2015	**For the year ended 2016**	For the year ended 2014	For the year ended 2015	**For the year ended 2016**
Fees received by the Group under the Previous Master Provision of Hotel Rooms Agreement and the Master Provision of Hotel Rooms Agreement for the relevant period	21.6	21.1	**23.1**	27.0	30.0	**31.5**

REPORT OF THE DIRECTORS

(ii) Master Property Leasing Agreement

As the Previous Master Property Leasing Agreement entered into on 23 December 2011 expired on 31 December 2014, the Company and Jin Jiang International agreed to renew the transaction terms, and entered into the Master Property Leasing Agreement on 28 July 2015 to regulate the provision of property leasing services by Jin Jiang International Group to the Group for the three years ending 31 December 2015, 2016 and 2017. Details of the Master Property Leasing Agreement are set out below:

Date: 28 July 2015

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

(ii) the Company as the lessee

Term: 1 January 2015 to 31 December 2017. The Master Property Leasing Agreement can be terminated by either party by giving three months' prior written notice to the other party. The term of the Master Property Leasing Agreement can be extended, provided that Jin Jiang International and the Company agree to such extension and the Listing Rules are complied with.

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS

The historical amounts for the continuing connected transactions conducted under the Previous Master Property Leasing Agreement and the Master Property Leasing Agreement for each of the three years ended 31 December 2016, as well as the respective annual caps for the three years ended 31 December 2016, are set out below:

	Historical amounts (RMB in millions)			Annual caps (RMB in millions)		
Item	For the year ended 2014	For the year ended 2015	**For the year ended 2016**	For the year ended 2014	For the year ended 2015	**For the year ended 2016**
Property leasing service fees paid by the Group under the Previous Master Property Leasing Agreement and the Master Property Leasing Agreement for the relevant period	32.3	35.1	**42.0**	50.0	50.0	**52.5**

(iii) Master Electronic Commerce Service Agreement

As the Previous Master Electronic Commerce Service Agreement entered into on 23 December 2011 expired on 31 December 2014, the Company and Jin Jiang International agreed to renew the transaction terms, and entered into the Master Electronic Commerce Service Agreement on 28 July 2015 to regulate the provision of the Electronic Commerce Services by Jin Jiang International Group to the Group for the three years ending 31 December 2015, 2016 and 2017. Details of the Master Electronic Commerce Service Agreement are set out below:

Date: 28 July 2015

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

(ii) the Company as the service recipient

Term: 1 January 2015 to 31 December 2017. The Master Electronic Commerce Service Agreement can be terminated by either party by giving three months' prior written notice to the other party. The term of the Master Electronic Commerce Service Agreement can be extended, provided that Jin Jiang International and the Company agree to such extension and the Listing Rules are complied with.

Nature of transactions: Jin Jiang International Group shall provide the Electronic Commerce Services to the Group.

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

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

REPORT OF THE DIRECTORS

Pricing policy: Prices for the Electronic Commerce Services shall be determined in accordance with the following principles:

1) Services for bonus-point redemption gifts

Upon checking in a member hotel of the Group at the member room rate, a member guest may choose to receive a room rate discount or bonus points or both (depending on the category of his/her membership). If the member guest chooses to receive the room rate discount, the member hotel of the Group concerned is not required to pay any bonus costs to Jin Jiang International Group; if the member guest chooses to receive bonus points, the member hotel of the Group shall pay to Jin Jiang International Group a fixed percentage of the reasonable room charges incurred by such member guest as bonus costs.

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

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

2) Cooperative services for prepayment

Settlement of spot-payment orders: Jin Jiang International Group is responsible for sending the orders to the member hotel of the Group only. Charges shall be settled by the member hotel of the Group directly with the customer with the issuance of an invoice stating the full amount. The Group is not required to pay any charges to Jin Jiang International Group.

Orders with advanced deposits: Jin Jiang International Group shall issue to the member hotel of the Group an order which states that the amount of deposit has been received and the invoice has yet to be issued. Upon completion of the patronage, the member hotel of the Group shall collect from the customer the balance (if any) of the charge after deducting the advanced deposit stated by the electronic commerce platforms, and issue an invoice stating the full amount to the customer. Jin Jiang International Group shall charge the member hotel of the Group an amount equivalent to the actual amount of deposit received multiplied by a fixed percentage.

Floor-price settlement orders: Jin Jiang International Group shall issue to the member hotel of the Group an order which states that the payment has been received in full and the invoice has been issued. Upon completion of the patronage as per items stated on the order, the member hotel of the Group shall not issue any invoice to the customer; if the customer has incurred additional expenses other than those stated on the order, the member hotel of the Group shall settle the portion in excess with the customer and issue a relevant invoice on the spot. Jin Jiang International Group shall charge the member hotel of the Group at a pre-negotiated floor price.

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

REPORT OF THE DIRECTORS

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

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

The historical amounts for the continuing connected transactions conducted under the Previous Master Electronic Commerce Service Agreement and the Master Electronic Commerce Service Agreement for each of the three years ended 31 December 2016, as well as the respective annual caps for continuous transactions under the Master Electronic Commerce Service Agreement for the three years ended 31 December 2016, are set out below:

	Historical amounts (RMB in millions)			Annual caps (RMB in millions)		
Item	For the year ended 2014	For the year ended 2015	**For the year ended 2016**	For the year ended 2014	For the year ended 2015	**For the year ended 2016**
Service fees paid by the Group under the Previous Master Electronic Commerce Service Agreement and the Master Electronic Commerce Service Agreement for the relevant period	7.3	5.3	**12.9**	50.0	50.0	**50.0**

REPORT OF THE DIRECTORS

(iv) Loan Services Framework Agreement

As the original Loan Services Framework Agreement dated 28 March 2013 had expired on 15 April 2016, Finance Company, a wholly-owned subsidiary of the Company, has renewed the Loan Services Framework Agreement with Jin Jiang International, pursuant to which Finance Company shall continue to provide Jin Jiang International with loan services. Details of the Loan Services Framework Agreement are as follows:

Date: 15 April 2016

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

(ii) Finance Company as the service provider

Term: The Loan Service Framework Agreement will be effective for an initial term of 3 years until 15 April 2019, unless prior to the expiry either party to the Loan Service Framework Agreement terminates the Loan Services Framework Agreement by giving three months' prior written notice to the other party. The terms of the Loan Services Framework Agreement can be extended upon expiry, provided that Jin Jiang International and Finance Company agree to such extension and the requirements under the relevant laws, regulations and/or the Listing Rules are complied with.

Nature of transactions: Provision of loan services by Finance Company to Jin Jiang International.

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

The historical amounts for the continuing connected transactions conducted under the Loan Service Framework Agreement for each of the three years ended 31 December 2016, as well as the respective annual caps for the three years ended 31 December 2016, are set out below:

	Historical Amounts for the relevant period		
	For the 12 months ended 31 December 2014 (RMB'000)	For the 12 months ended 31 December 2015 (RMB'000)	**For the 12 months ended 31 December 2016** (RMB'000)
Maximum daily balance of loans provided by Finance Company	300,000	450,000	500,000
Total interest charged on loans advanced by Finance Company	1,500	3,887	9,791

	Annual Caps for the relevant period			
	For the 12 months ended 31 December 2014 (RMB'000)	For the 12 months ended 31 December 2015 (RMB'000)	**For the 3.5 months ended 15 April 2016** (RMB'000)	**For the 8.5 months ended 31 December 2016** (RMB'000)
Maximum daily balance of loans provided by Finance Company	—	—	—	650,000
Total interest charged on loans advanced by Finance Company	60,000	70,000	23,330	—

REPORT OF THE DIRECTORS

The independent non-executive Directors, Mr. Ji Gang, Dr. Rui Mingjie, Dr. Tu Qiyu, Dr. Xu Jianxin, Mr. Xie Hongbing and Dr. He Jianmin have reviewed the above continuing connected transactions and confirmed that these transactions have been entered into:

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

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

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

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

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

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

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

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

OTHER SIGNIFICANT CONNECTED TRANSACTIONS

Acquisition of 30% equity interests in Xintiantian Company by Jin Jiang Investment

On 11 August 2016, Jin Jiang Investment, a subsidiary of the Company, entered into the Equity Transfer Agreement with Mitsui & Co., Ltd. ("Mitsui & Co.") and Mitsui & Co. (China) Ltd. ("Mitsui China"). Pursuant to such agreement, Jin Jiang Investment agreed to acquire 17.5% equity interests in Xintiantian Company held by Mitsui & Co. at a consideration of RMB4,270,000 and acquire 12.5% equity interests in Xintiantian Company held by Mitsui China at a consideration of RMB3,050,000. Upon completion of the acquisition of such equity interests, Jin Jiang Investment will directly and indirectly hold an aggregate of 63% equity interests in Xintiantian Company, and Xintiantian Company will become a non-wholly owned subsidiary of the Company. This acquisition will benefit Jin Jiang Investment's further integration of its low-temperature logistic resources, forming an entire logistic supply chain to raise the competitiveness of Jin Jiang Investment.

Jin Jiang International, the controlling shareholder of the Company, is a substantial shareholder of Xintiantian Company holding 37% equity interests in Xintiantian Company. Meanwhile, Jin Jiang International is also a controller of the Company as defined under Chapter 14A of the Listing Rules. Therefore, in accordance with Rule 14A.28 of the Listing Rules, the acquisition of equity interests in Xintiantian Company by the Group from independent third parties constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios for the transactions under the Equity Transfer

REPORT OF THE DIRECTORS

Agreement exceed 0.1% but are less than 5%, such transactions are subject to the reporting and announcement requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. For details, please refer to the announcement published on 11 August 2016.

Establishment of Joint Venture WeHotel

On 5 December 2016, the Company entered into the shareholders' agreement (the "Previous Shareholders' Agreement") of establishing the joint venture WeHotel with Jin Jiang Hotels Development, Jin Jiang Capital, UnionPay Venture, Tibet Hony, Guosheng Investment and the qualified investors. Pursuant to the Previous Shareholders' Agreement, the parties shall co-invest an aggregate capital contribution of RMB1,000 million to establish Shanghai Qi Cheng Network Technology Co., Ltd. (上海齊程網絡科技有限公司) (which is the formal name of joint venture WeHotel approved by the authorities of the administration for industry and commerce). Each of the Company and Jin Jiang Hotels Development shall make a capital contribution of RMB100 million, holding 10% equity interest in WeHotel, respectively. In order to expedite the progress of the establishment of WeHotel, the Company, Jin Jiang Hotels Development, Jin Jiang Capital, UnionPay Venture, Tibet Hony and Guosheng Investment entered into a shareholders' agreement in connection with the establishment of joint venture WeHotel on 6 February 2017 to adjust the terms of the Previous Shareholders' Agreement. Pursuant to such agreement, the share of investment to be contributed by the qualified investors under the Previous Shareholders' Agreement shall be contributed by Jin Jiang Capital, which shall also hold the corresponding equity interests in WeHotel. Upon the establishment of joint venture WeHotel, the qualified investors shall be entitled to subscribe for the increase in the registered capital of WeHotel, the procedures and requirements of which shall be subject to the provisions of laws then applicable (including but not limited to pertinent regulations announced by authorities in charge of the supervision of state-owned assets) and of the articles of association of WeHotel. The amount of capital contribution and shareholding percentage of each of the Company, Jin Jiang Hotels Development, UnionPay Venture, Tibet Hony and Guosheng Investment shall remain unchanged. Save for the aforementioned adjustment, other major terms and conditions of the Previous Shareholders' Agreement shall remain unchanged.

The co-investment to establish WeHotel by the Company, Jin Jiang Hotels Development, Jin Jiang Capital, UnionPay Venture, Tibet Hony and Guosheng Investment is conducive to integrating the Group's resources and upgrading its capabilities, driving the convergence of domestic and international hotel systems, effectively enhancing its operating efficiency and lower service costs as well as building the shared economic platform based on the mobile internet.

Transactions contemplated by the Group under the shareholders' agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio exceeds 0.1% but is less than 5%, the transactions contemplated are subject to the reporting and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. For details, please refer to the announcements published on 5 December 2016 and 6 February 2017.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the Directors, Supervisors and senior management as at 31 December 2016 are set out on pages 17 to 20 in this annual report.

REPORT OF THE DIRECTORS

INTERESTS IN SHARES OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS

As at 31 December 2016, none of the Directors, chief executives of the Company or Supervisors had any interest or short positions in the shares, underlying shares or debentures of the Company which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") (including interests and short positions which he or she is taken or deemed to have under such provisions of the SFO) or which are required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which are otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules (which shall be deemed to apply to the Supervisors to the same extent as it applies to the Directors).

INTERESTS IN SHARES OR UNDERLYING SHARES OR DEBENTURES OF ASSOCIATED CORPORATIONS

As at 31 December 2016, Director Mr. Yu Minliang held the following number of shares in Jin Jiang Hotels Development:

Name	Number of shares in Jin Jiang Hotels Development held	Nature of interests	Capacity	Percentage in total share capital of Jin Jiang Hotels Development
Yu Minliang	14,305	Long position	Beneficial owner	0.0024%

Save as disclosed above, as at 31 December 2016, none of the Directors, chief executives of the Company or Supervisors had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors, chief executives of the Company or Supervisors is taken or deemed to have under such provisions of the SFO) or which are required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which are otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code (which shall be deemed to apply to the Supervisors to the same extent as it applies to the Directors).

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

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

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

As at 31 December 2016, so far as the Directors are aware, the following persons (other than a Director, chief executive of the Company or Supervisor) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the Company's register pursuant to section 336 of the SFO:

Name of shareholder	Class of shares	Number of shares/ underlying shares held	Capacity	Percentage in the relevant class of share capital	Percentage in total share capital of the Company
Jin Jiang International	Domestic shares	4,174,500,000 (Long position)	Beneficial owner	100%	75%
Kwok Hoi Hing	H shares	167,182,000 (Long position)	Beneficial owner	12.01%	3.00%
Morgan Stanley	H shares	76,890,000 (Long position)	Interest of controlled corporation *(Note 1)*	5.52%	1.38%
		10,125,400 (Short position)	Interest of controlled corporation *(Note 1)*	0.72%	0.18%
		0 (Shares available-for-borrowing)	Interest of controlled corporation *(Note 1)*	0%	0%

Note:

1. As shown in the form of disclosure of shareholders' interests submitted by Morgan Stanley on 3 January 2017 (the date of relevant event set out in the form was 30 December 2016), Morgan Stanley held a long position of 76,498,000 H shares, a short position of 10,125,400 H shares and 0 available-for-borrowing H shares of the Company in aggregate through its controlled corporations.

Save as disclosed above and so far as the Directors are aware, as at 31 December 2016, no other person had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the Company's register pursuant to section 336 of the SFO.

REPORT OF THE DIRECTORS

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

As at 31 December 2016, so far as the Directors are aware, each of the following parties, not being (1) a Director, chief executive of the Company or Supervisor or (2) a member of the Group, was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

	Name of subsidiary	Name of shareholder	Percentage of shareholding
1.	上海錦花旅館有限公司 (Shanghai Jinhua Hotel Co., Ltd.)	上海花木經濟發展總公司 (Shanghai Huamu Economic Development Company Limited)	20%
2.	揚州錦揚旅館有限公司 (Yangzhou Jinyang Hotel Co., Ltd.)	揚州市雙橋鄉農工商總公司 (Yangzhou Shuangqiao Town NGS Co., Ltd.)	25%
3.	上海錦海旅館有限公司 (Shanghai Jinhai Hotel Co., Ltd)	閔行區商業建設公司 (Minhang Commercial Construction Co., Ltd.)	30%
4.	蘇州新區錦獅旅館有限公司 (Suzhou New Area Jinshi Hotel Co., Ltd.)	蘇州新區獅山農工商總公司 (Suzhou Shishan Industry & Commercial Co., Ltd.)	40%
5.	上海海侖賓館有限公司 (Sofitel Hyland Shanghai Co., Ltd)	上海國際集團投資管理有限公司 (SIG Investment Management Co., Ltd.)	33.33%
6.	上海建國賓館有限公司 (Shanghai Jian Guo Hotel Co., Ltd)	上海國際集團投資管理有限公司 (SIG Investment Management Co., Ltd.)	35%
7.	北京錦江北方物業管理有限公司 (Beijing Jin Jiang Northern Property Management Company Limited)	北京市崑崙經貿公司 (Beijing Kun Lun Economy & Trade Company Limited)	20%
8.	澳大利亞新亞大包快餐（連鎖）有限公司 (New Asia Chains of Snack (Australia) PTY. Ltd.)	英華進出口有限公司 (Ying Hua Import & Expert Pty Limited)	45%
9.	上海錦江同樂餐飲管理有限公司 (Shanghai Jin Jiang Tung Lok Catering Management Inc.)	新加坡同樂（中國）控股有限公司 (Tung Lok (China) Holdings Pte. Ltd.)	49%
10.	上海豫錦酒店管理有限公司 (Shanghai YuJin Hotel Management Company Limited)	上海豫園（集團）有限公司 (Shanghai Yuyuan (Group) Co., Ltd.)	40%
11.	上海浦東友誼汽車服務有限公司 (Shanghai Pudong Friendship Automobile Service Co., Ltd.)	廣茂投資發展中心 (Guangmao Investment and Development Centre)	12.17%
12.	上海中油錦友油品經營有限公司 (Shanghai Zhong You Jin You Oil Products Co., Ltd.)	中油上海銷售有限公司 (Zhong You Shanghai Sales Co., Ltd.)	19%
	上海中油錦友油品經營有限公司 (Shanghai Zhong You Jin You Oil Products Co., Ltd.)	上海興恒拍賣有限公司 (Shanghai Xingheng Auction Company Limited)	5%
13.	上海嘉定錦江汽車服務有限公司 (Shanghai Jiading Jin Jiang Automobile Services Co., Ltd.)	上海振申汽車服務公司 (Shanghai Zhenshen Taxi Services Co., Ltd.)	30%
14.	上海錦江豐田汽車銷售服務有限公司 (Shanghai Toyota Automobile Sales Co., Ltd.)	上海永達（集團）股份有限公司 (Shanghai Yong Da (Group) Co., Ltd.)	20%
15.	上海花樣年華廣告有限公司 (Shanghai Colorful Day Advertising Co., Ltd.)	周力平 (Liping Zhou)	20%

REPORT OF THE DIRECTORS

	Name of subsidiary	Name of shareholder	Percentage of shareholding
16.	上海錦茂汽車銷售服務有限公司 (Shanghai Jinmao Automobile Distribution and Services Co., Ltd.)	上海榮茂工貿有限公司 (Shanghai Rongmao Industry & Trade Co., Ltd.)	49.02%
	上海錦茂汽車銷售服務有限公司 (Shanghai Jinmao Automobile Distribution and Services Co., Ltd.)	上海市駕駛員培訓學校 (Shanghai Vehicle Drivers Training School)	0.98%
17.	上海錦海捷亞物流管理有限公司 (Shanghai JHJ Logistic Management Co., Ltd.)	錦江國際集團（香港）有限公司 (Jin Jiang International Group (HK) Co., Ltd.)	21.75%
	上海錦海捷亞物流管理有限公司 (Shanghai JHJ Logistic Management Co., Ltd.)	香港旋光有限公司 (Hong Kong Xuanguang Co., Ltd.)	13.25%
18.	上海錦江國際綠色假期旅遊有限公司 (Shanghai Jin Jiang International Green Holiday Travel Co., Ltd.)	上海廊下集體資產有限公司 (Shanghai Langxia Assets Management Co., Ltd.)	30%
19.	靜安麵包房控股有限公司 (Jing An Bakery Holding Company Limited)	中國麵包投資有限公司 (China Bread Investment Limited)	30%
	靜安麵包房控股有限公司 (Jing An Bakery Holding Company Limited)	中國烘焙集團有限公司 (China Baking Group Co., Ltd.)	10%
20.	瀋陽錦富酒店投資管理有限公司 (Shenyang Jin Fu Hotel Investment and Management Company Limited)	瀋陽副食品集團公司 (Shenyang Foodstuff Group Company)	45%
21.	廬山錦江國際旅館投資有限公司 (Lushan Mountain Jin Jiang International Hotel Investment Co., Ltd.)	廬山旅遊發展股份有限公司 (Lushan Tourism Development Co., Ltd.)	40%
22.	維也納酒店有限公司 (Vienna Hotels Group Co., Ltd.)	黃德滿 (Huang Deman)	12.95%
	維也納酒店有限公司 (Vienna Hotels Group Co., Ltd.)	深圳市維也納之星管理有限公司 (Shenzhen Vienna Star Hotels Management Co., Ltd.)	7.05%
23.	深圳市百歲村餐飲連鎖有限公司 (Shenzhen Baisuicun Restaurants Chain Co., Ltd.)	黃德滿 (Huang Deman)	20%
24.	Keystone Lodging Holdings Limited	寶全企業有限公司 (Prototal Enterprises Limited)	12.0001%
	Keystone Lodging Holdings Limited	瑞信國際有限公司 (Fortune News International Limited)	6.5364%
	Keystone Lodging Holdings Limited	Ever Felicitous Limited	0.4661%

Save as disclosed above and so far as the Directors are aware, as at 31 December 2016, no other party, not being (1) a Director, chief executive or Supervisor or (2) a member of the Group, was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

REPORT OF THE DIRECTORS

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

Other than those transactions disclosed in the section "CONNECTED TRANSACTIONS" above, as of 31 December 2016 and at any time during the Reporting Period, there is or was no transaction, arrangement and contract of significance (as defined in Appendix 16 of the Listing Rules) subsisting in which any of the Directors or the Supervisors is or was, whether directly or indirectly, materially interested in.

As of 31 December 2016 and at any time during the Reporting Period, there is or was no transaction, arrangement and contract of significance in relation to the Company's business subsisting to which the Company, its subsidiaries, its holding company or a subsidiary of its holding company is or was a party and in which any of the Directors or the Supervisors has or had, or at any time during that period, in any way, whether directly or indirectly, a material interest.

As of 31 December 2016 and at any time during the Reporting Period, none of the Directors or the Supervisors is or was in any way, directly or indirectly, materially interested in any transaction, arrangement and contract of significance in relation to the Company's business entered into or proposed to be entered into with the Company.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors has entered into a service contract with the Company for a term expiring upon the conclusion of the annual general meeting of the Company to be held in 2018. Commencement dates of the terms of each independent non-executive Director are as follows:

Name	Title	Commencement Date
Mr. Ji Gang	Independent non-executive Director	20 November 2006 (re-appointed on 16 October 2012 and 25 September 2015)
Dr. Rui Mingjie	Independent non-executive Director	20 November 2006 (re-appointed on 16 October 2012 and 25 September 2015)
Dr. Tu Qiyu	Independent non-executive Director	20 November 2006 (re-appointed on 16 October 2012 and 25 September 2015)
Dr. Xu Jianxin	Independent non-executive Director	25 September 2015
Mr. Xie Hongbing	Independent non-executive Director	25 September 2015
Dr. He Jianmin	Independent non-executive Director	25 September 2015

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

REPORT OF THE DIRECTORS

EMOLUMENT POLICY OF THE GROUP

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

The compensation of the Directors, Supervisors, the five highest paid individuals and senior management and information regarding pension scheme have been stated in Note 27, Note 39(d) and Note 40 to the consolidated financial statements. The Group has adopted the PRC government's social security system that comprises retirement fund, housing fund and medical insurance. For the retirement funds, the employer contribution ratio and employee contribution ratio in Shanghai are currently 20% and 8% respectively.

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

EXECUTIVE DIRECTORS, NON-EXECUTIVE DIRECTORS, INDEPENDENT NON-EXECUTIVE DIRECTORS, SUPERVISORS

As of 31 December 2016, the executive Directors were Mr. Yu Minliang (Chairman), Ms. Guo Lijuan (vice chairman), Mr. Chen Liming (vice chairman), Mr. Zhang Qian, Mr. Han Min and Mr. Kang Ming; and the independent non-executive Directors were Mr. Ji Gang, Dr. Rui Mingjie, Dr. Tu Qiyu, Dr. Xu Jianxin, Mr. Xie Hongbing and Dr. He Jianmin. Mr. Chen Liming was appointed as a vice chairman with effect from 27 July 2016. Mr. Xu Ming and Mr. Zhang Xiaoqiang have ceased to be executive Directors with effect from 27 July 2016 due to changes to their works.

As of 31 December 2016, the Supervisors are Mr. Wang Guoxing (chairman of the Supervisory Committee), Mr. Ma Mingju, Mr. Zhou Qiquan, Ms. Zhou Yi, Mr. Chen Yinghao and Mr. He Yichi. Ms. Chen Junjin has ceased to be Supervisor with effect from 30 March 2016 and Ms. Liu Chenjian has been elected as a Supervisor with effect from 30 March 2016. Ms. Zhang Wei and Ms. Liu Chenjian have ceased to be Supervisors with effect from 27 July 2016, and Mr. Chen Yinghao and Mr. He Yichi were elected as Supervisors with effect from 27 July 2016.

Biographical details of the Directors and the Supervisors are set out on pages 17 to 20 in this annual report.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As of 31 December 2016, none of the Directors were interested in businesses that were deemed to be competing or possibly competing, whether directly or indirectly, with the business of the Group.

PERMITTED INDEMNITY PROVISION

During the Reporting Period and as at 31 December 2016, the Company had taken out liability insurance for its Directors and Supervisors to provide appropriate protection for the Directors and Supervisors.

PENSION SCHEMES

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

REPORT OF THE DIRECTORS

NOMINATION COMMITTEE

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

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

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

PUBLIC FLOAT

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

EQUITY-LINKED AGREEMENTS

The Company has not entered into any equity-linked agreement for the year ended 31 December 2016.

REPORT OF THE DIRECTORS

NON-EXECUTIVE DIRECTOR

For the year ended 31 December 2016, the Company did not have any non-executive Director.

CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from all independent non-executive Directors, namely Mr. Ji Gang, Dr. Rui Mingjie, Dr. Tu Qiyu, Dr. Xu Jianxin, Mr. Xie Hongbing and Dr. He Jianmin, the confirmation letters for the year ended 31 December 2016 confirming their independence pursuant to Rule 3.13 of the Listing Rules. Based on their confirmations, the Company considers that all independent non-executive Directors are independent.

MANAGEMENT CONTRACTS

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

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

INTERNATIONAL AUDITOR

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

By order of the Board
Yu Minliang
Chairman

29 March 2017

REPORT OF THE SUPERVISORY COMMITTEE

Dear shareholders,

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

The Supervisory Committee convened three meetings in 2016. On 30 March 2016, the Supervisory Committee received relevant reports on the financial conditions of the Group in 2015, and considered and approved the 2015 Supervisory Committee report and the resolution relating to changes of certain members of the Supervisory Committee. On 20 July 2016, the Supervisory Committee considered and approved the resolution relating to changes of certain members of the Supervisory Committee of the Company. On 30 August 2016, the Supervisory Committee received relevant reports on the financial conditions of the Group during the first half of 2016.

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

The current session of the Supervisory Committee has exercised supervision over the Group's operations in respect of its financial control, operational control and compliance control, as well as its risk management functions. The Supervisory Committee is of the view that, with the construction of the performance excellence management and comprehensive risk management system since 2016, the Group has established comprehensive internal control systems, made significant improvements in the formation, implementation and ongoing oversight of risk management, internal control and business procedures, and effectively controlled various risks with respect to strategic, operational, market, financial and legal matters. The Group has carried out its business operations in accordance with the PRC laws and regulations and the Articles of Association as well as internal work procedures.

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

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

29 March 2017

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

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

THE BOARD

The fourth session of the Board currently consists of six executive Directors and six independent non-executive Directors (at least one independent non-executive Director possesses appropriate professional qualifications or possesses accounting or related financial management expertise). Biographical details of the Directors are set out on pages 17 to 18 in this annual report.

CORPORATE GOVERNANCE REPORT

During the Reporting Period, the fourth session of the Board held 7 meetings. The attendance record of each respective Director of the fourth session of the Board at the Board meetings held in 2016 is set out in the following table:

Directors	Attendance/number of meetings held or eligible to join
Mr. Yu Minliang *(Chairman)*	7/7
Ms. Guo Lijuan *(Vice Chairman)*	7/7
Mr. Chen Liming *(Vice Chairman)****	7/7
Mr. Xu Ming**	4/4
Mr. Zhang Qian	7/7
Mr. Zhang Xiaoqiang**	4/4
Mr. Han Min	7/7
Mr. Kang Ming	7/7
Mr. Ji Gang*	7/7
Dr. Rui Mingjie*	7/7
Dr. Tu Qiyu*	7/7
Dr. Xu Jianxin*	7/7
Mr. Xie Hongbing*	7/7
Dr. He Jianmin*	7/7

* Independent non-executive Director

** Mr. Xu Ming ceased to hold the position of executive Director and executive president of the Company with effect from 27 July 2016. Mr. Zhang Xiaoqiang ceased to hold the position of executive Director and vice chairman of the Company with effect from 27 July 2016.

*** Mr. Chen Liming was appointed as a vice chairman with effect from 27 July 2016.

CONTINUOUS TRAINING AND DEVELOPMENT FOR DIRECTORS

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

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

CORPORATE GOVERNANCE REPORT

NOMINATION OF DIRECTORS AND TERM OF OFFICE

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

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

RESPONSIBILITIES OF THE BOARD

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

The time and venue for a Board meeting may be determined in advance by the Board and no separate notice for the meeting shall be necessary if such pre-determined time and venue have been put on record in the minutes of a previous meeting and such minutes have been sent to all Directors at least 10 days before the convening of the forthcoming Board meeting.

If the time and venue for a Board meeting have not been determined in advance by the Board, the chairman or the secretary of the Board shall dispatch a notice containing the time and venue of the Board meeting to all Directors at least 5 days (but not earlier than 10 days) prior to the date of the meeting by way of telex, telegraph, facsimile, express mail, registered mail or by hand.

The meeting agenda and relevant documents for regular Board meetings shall be delivered in full in a timely manner to all Directors at least 3 days (or any other agreed length of time) before the date set for such Board meetings.

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

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

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

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

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

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

SUPERVISORY COMMITTEE

As at the end of 2016, the Supervisory Committee comprised six members. The background and biographical details of the Supervisors are set out in the section headed "Directors, Supervisors and Senior Management". Supervisors acted diligently to effectively supervise on the lawfulness and compliance of the Company's financial matters and the performance of duties by the Directors and senior management.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

(1) Audit Committee

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

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

In 2016, the Audit Committee held 3 meetings in total. The attendance record of each respective member at the meetings of the Audit Committee held in 2016 is set out in the following table:

Directors	Attendance/number of meetings held or eligible to join
Dr. Xu Jianxin *(Chairman)*	3/3
Mr. Ji Gang	3/3
Dr. He Jianmin	3/3

The first meeting of the Audit Committee for 2016 was held on 20 January 2016, at which major operation results, review on internal audit, and audit plans in 2015 and the key tasks for internal audit in 2016 were reviewed and discussed. The second meeting of the Audit Committee for 2016 was held on 24 March 2016, at which the audit for 2015 and amendments to the terms of reference for Audit Committee were reviewed and discussed. The third meeting of the Audit Committee for 2016 was held on 26 August 2016, at which the financial position of the Company for the first half of 2016 and concerns and advice relating to the major items in the interim period of 2016 were reviewed and discussed.

CORPORATE GOVERNANCE REPORT

(2) Remuneration Committee

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

In 2016, the remuneration committee held 2 meetings in total. The attendance record of each respective member at the meetings of the remuneration committee held in 2016 is set out in the following table:

Directors	Attendance/number of meetings held or eligible to join
Mr. Ji Gang *(Chairman)*	2/2
Ms. Guo Lijuan	2/2
Mr. Xie Hongbing	2/2

The first meeting of the remuneration committee for 2016 was held on 30 March 2016, at which the work summary for salaries and remuneration in 2016 and work plan for salaries and remuneration in 2016 were considered, the resolution on the remuneration for the senior management of the Company for 2016 was reviewed and passed, and the disclosures in the annual report on salaries of the Directors, Supervisors and senior management were reviewed. The second meeting of the remuneration committee for 2016 was held on 26 October 2016, at which the implementation rules of rewards for headquarters employees 2012-2014 were reviewed and passed.

(3) Nomination Committee

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

CORPORATE GOVERNANCE REPORT

In 2016, the nomination committee held 2 meetings in total. The attendance record of each respective member at the meetings of the nomination committee held in 2016 is set out in the following table:

Directors	Attendance/number of meetings held
Mr. Yu Minliang *(Chairman)*	2/2
Dr. Rui Mingjue	2/2
Dr. Tu Qiyu	2/2

The first meeting of the nomination committee for 2016 was held on 30 March 2016, at which, among other things, the structure, size and composition of the Board, the skills, know-how and experience of the Directors, members of the Board committees, and senior management of the Company, and qualifications of candidates for directorship were reviewed. The second meeting of the nomination committee for 2016 was held on 27 July 2016, at which, among other things, the addition of vice chairman and certain adjustments to the qualifications of candidates for directorship and senior management membership were reviewed.

(4) Strategic Investment Committee

The strategic investment committee of the Company ("Strategic Investment Committee") is a committee established under the Board. Its main duties are to provide advices and hypotheses with regard to strategic investments proposed to be made by the Company, and to oversee the execution and performance of other supervisory duties. The current Strategic Investment Committee comprises three members, including two executive Directors, Ms. Guo Lijuan and Mr. Han Min, and one independent non-executive Director, Dr. Rui Mingjie. The chairman of the Strategic Investment Committee is Ms. Guo Lijuan.

In 2016, the Strategic Investment Committee held 1 meeting in total. The attendance record of each respective member at the meeting of the Strategic Investment Committee held in 2016 is set out in the following table:

Directors	Attendance/number of meetings held or eligible to join
Ms. Guo Lijuan *(Chairman)*	1/1
Mr. Han Min	1/1
Dr. Rui Mingjie	1/1

The meeting of the strategic investment committee for 2016 were held on 28 April 2016, at which the acquisitions of 80% equity interests in each of Vienna Hotels and Baisuicun Restaurants by Jin Jiang Hotels Development were considered and approved.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code regarding Directors' and Supervisors' securities transactions. Every Director and Supervisor at the time of appointment was given a copy of the Model Code. The Company confirms, having made specific enquiries with all Directors and Supervisors, that for the year ended 31 December 2016, each of its Directors and Supervisors has complied with the requirements relating to Directors' and Supervisors' securities transactions as set out in the Model Code.

EXTERNAL AUDITORS

The independence of the Company's external auditors is confirmed. The external auditors will retire on the date of convening the following annual general meeting and offer themselves for re-election at such meeting. During the Reporting Period, two external auditors were appointed, namely PricewaterhouseCoopers in Hong Kong for consolidated financial statements of the Group prepared in accordance with HKFRS and PricewaterhouseCoopers Zhong Tian LLP in the PRC for financial statements of the Group and the Company prepared in accordance with China Accounting Standards for Business Enterprises. An aggregate remuneration of RMB5,966,700 for the provision of audit services on the consolidated financial statements and financial statements for the Company during the Reporting Period was paid to PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES

The Directors have acknowledged their responsibilities for the preparation of the consolidated financial statements for the year ended 31 December 2016, and confirm that such statements give a true and fair view of the state of affairs of the Group as at 31 December 2016 and of the profit and cash flows for the Reporting Period. In preparing these consolidated financial statements, the Directors have selected and adopted suitable accounting policies and made accounting estimates that are reasonable under the circumstances; and have prepared the consolidated financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Group at any time.

PricewaterhouseCoopers, the international auditor of the Company, have set out their responsibilities in the independent auditor's report as set out on pages 73 to 79.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

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

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

GENERAL MEETINGS

The Company convened the annual general meeting on 15 June 2016, at which six ordinary resolutions and one special resolution on granting a general mandate to the Board were considered and approved.

Details of the attendance of the Directors in the general meetings in 2016 are as follows:

Directors	Attendance/number of meetings held or eligible to join
Mr. Yu Minliang *(Chairman)*	1/1
Ms. Guo Lijuan *(Vice Chairman)*	1/1
Mr. Chen Liming *(Vice Chairman)*	1/1
Mr. Xu Ming (resigned on 27 July 2016)	1/1
Mr. Zhang Qian	1/1
Mr. Zhang Xiaoqiang (resigned on 27 July 2016)	1/1
Mr. Han Min	1/1
Mr. Kang Ming	1/1
Mr. Ji Gang	1/1
Dr. Rui Mingjie	1/1
Dr. Tu Qiyu	1/1
Dr. Xu Jianxin	1/1
Mr. Xie Hongbing	1/1
Dr. He Jianmin	1/1

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

Shareholders' Rights

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

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

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

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

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

Enquires of and Communication with Shareholders

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

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

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS AND AUDIT

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

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

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

To further strengthen and meet the need for performance excellence, the Company initiated the establishment of its performance excellence management system in 2016, formulating relevant work plans in respect with strategic control, system of indicators, brand marketing, operation and management, platform building and human resources. A task force headed by Mr. Zhang Qian, the chief executive officer of the Company, was established. Risk management and internal controls are highlighted in the strategic control in the six aspects pinpointed for performance excellence management systems. The task force embarked on the establishment of the risk management and control systems in the second half of 2016. The current conditions of the risk control works performed by the Company were studied, and pilot companies for risk assessment were selected. A work plan and schedule for establishing risk control system was proposed, and the process of risk identification had begun. In particular, the implementation also included the optimization of the established protocols, summarization of common issues in the internal control for the previous three years, review on internal controls on GDL, and on-site study of risk-related issues and internal control systems of Plateno Group and Vienna Hotels. From 2017 onward, the Company will continue to make advancements on the various works relating to risk control including the performance of identification, assessment and coping of risks for the pilot companies, engaging in specialized training in risk control, strengthening the establishment of risk control teams, raising the awareness of risk control for all employees and bringing forth a new culture of risk control.

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

CORPORATE GOVERNANCE REPORT

JOINT COMPANY SECRETARIES

The Company has appointed Ms. Mok Ming Wai as the joint company secretary of the Company with effect from 28 March 2014. Her primary corporate contact person at the Company is Mr. Kang Ming, another joint company secretary of the Company and executive Director.

In compliance with Rule 3.29 of the Listing Rules, the joint company secretaries of the Company have undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2016.

MAJOR DUTIES OF INTERNAL AUDIT

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

— to conduct audit on the integrity of department heads of members of the Group during their appointment period and separate audit for those who have been transferred, resigned, dismissed or retired;

— to conduct audit on income, expenses and related business activities;

— to conduct audit on construction projects as well as upgrade and renovation projects for fixed assets of over a designated amount;

— to conduct audit on the implementation of investment management, fund management, properties management and internal control;

— to coordinate each of the departments and subsidiaries in the ongoing testing and self-evaluation for internal control on an annual basis;

— to conduct annual review on major compliance issues of the Company;

— to implement internal control and formulate and optimize risk management and internal control policies and standards according to management requirements;

— to conduct analysis and independent assessment on the effectiveness of the risk management and internal control systems of the Company;

— to be responsible for the development of full-time and part-time internal audit workforce, and organize relevant assignments in the Company's system; and

— to accomplish other audit assignments from senior management team, the Board and the Supervisory Committee.

CORPORATE GOVERNANCE REPORT

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

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

In accordance with the arrangements disclosed in the Prospectus, the independent non-executive Directors held four meetings in 2016 to consider whether or not to exercise the relevant rights granted to the Company by Jin Jiang International over the relevant excluded hotel businesses and new union business under the Deed of Non-Competition and whether to take up any business opportunity which was referred to the Company by Jin Jiang International or any of its subsidiaries (other than the Group).

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

Shanghai Eastern Jin Jiang Hotel Company Limited ("Eastern Jin Jiang"): Pursuant to the written notice of Jin Jiang International, Eastern Jin Jiang has been converted into a limited liability company and has obtained the business license of a limited liability company. The proportion of capital injected by each of the shareholders of Eastern Jin Jiang after it became a limited liability company was confirmed. As at the date of this report, Jin Jiang International has transferred its 90% equity interests in Eastern Jin Jiang to its wholly-owned subsidiary, Jin Jiang International Investment. Jin Jiang International Investment currently holds 90% equity interests in Eastern Jin Jiang. Jin Jiang International Investment is in a position to transfer its interests in Eastern Jin Jiang to the Company. It is up to the Company's decision whether to exercise its Right to purchase Jin Jiang International Investment's 90% direct and indirect equity interests in Eastern Jin Jiang.

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

Eastern Jin Jiang has in total 850 rooms. The revenue and net assets of Eastern Jin Jiang as set out in its management account prepared in accordance with the PRC Accounting Standards for Business Enterprises for the year ended and as at 31 December 2016 amounted to approximately RMB178,568,000 and RMB628,773,000, respectively.

CORPORATE GOVERNANCE REPORT

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

Pacific Shanghai has in total 587 rooms. The revenue and net assets of Pacific Shanghai as set out in its management account prepared in accordance with the PRC Accounting Standards for Business Enterprises for the year ended and as at 31 December 2016 amounted to approximately RMB205,826,000 and RMB722,078,000 respectively.

Garden Hotel Shanghai: As at the date of this annual report, Jin Jiang International has transferred its right to acquire all the buildings and facilities of Garden Hotel Shanghai to Jin Jiang International Investment after the expiry of the joint venture term of operation of Garden Hotel Shanghai. Jin Jiang International Investment currently has the above-mentioned right to acquire all the buildings and facilities of Garden Hotel Shanghai.

The joint venture term of operation of Garden Hotel Shanghai has not expired and Jin Jiang International Investment has not yet obtained any of the buildings or facilities of this company. Accordingly, the Company is currently unable to exercise the relevant right.

Garden Hotel Shanghai has in total 471 rooms. The revenue and net assets of Garden Hotel Shanghai as set out in its management account prepared in accordance with the PRC Accounting Standards for Business Enterprises for the year ended and as at 31 December 2016 amounted to approximately RMB251,709,000 and RMB115,268,000 respectively.

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

Jiaozhou Road Inn each has in total 82 rooms. The revenue and net assets of Jiaozhou Road Inn as set out in its management account prepared in accordance with the PRC Accounting Standards for Business Enterprises for the year ended and as at 31 December 2016 amounted to approximately RMB8,235,000 and RMB nil respectively.

CORPORATE GOVERNANCE REPORT

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

New Union has in total 270 rooms. The revenue and net assets of New Union as set out in its management account prepared in accordance with the PRC Accounting Standards for Business Enterprises for the year ended and as at 31 December 2016 amounted to approximately RMB269,464,000 and RMB196,553,000 respectively.

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

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Shanghai Jin Jiang International Hotels (Group) Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 80 to 216, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Identification and valuation of intangible assets arising from business combinations

- Impairment assessment of goodwill and intangible assets with indefinite useful lives

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Identification and valuation of intangible assets arising from business combinations	
Refer to Note 37 "Business combination other than common control combination" to the consolidated financial statements. During the year, the Group acquired 81.0034% equity interests in Keystone Lodging Holdings Limited ("Keystone") and 80% equity interests in Vienna Hotels Group Co., Ltd. ("Vienna Hotels") at considerations of RMB8,133 million and RMB1,750 million, respectively. Management engaged external valuation experts to assist in determining the fair values of the identifiable assets acquired (including intangibles) and liabilities assumed as at the acquisition dates. Such valuations included estimation about the future operating performance of the acquired businesses and the use of significant assumptions, including Revenue Per Available Room, number of self-owned and franchised hotels and discount rates. As a result of these valuations, trademarks and other intangible assets other than goodwill of RMB3,724 million, and RMB1,115 million, respectively, were recognised in the Group's consolidated financial statements. We focused on this area because of the significance of the identified intangible assets, and the significant judgements involved in the valuations, including the appropriateness of the significant assumptions adopted.	We assessed the competence, capabilities and objectivity of the external valuation experts used by management. We assessed management's identification of intangible assets by discussion with management and its external valuation experts, taking into consideration of industry practices. We assessed management's determination of fair values of the identified intangible assets. Our procedures included: • assessing the appropriateness of the valuation methodology by reference to market practices; • assessing the key assumptions, including Revenue Per Available Room, and number of self-owned and franchised hotels, by comparing with the historical operating results and future operating plans of the acquired businesses, taking into consideration of economic and industry forecasts; • assessing the discount rates by reference to external data, including the risk factor of comparable companies and market risk premium; • assessing the appropriateness of other key input data by comparing with the historical data, approved budget or future business plan; and • testing the mathematical accuracy of the calculations of fair value. We found that management's judgements in connection with the identification and valuation of intangible assets arising from business combinations were supported by the evidence we gathered.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and intangible assets with indefinite useful lives	
Refer to note 2.2 (i) "Significant accounting policies of intangible assets" and note 9 "Intangible assets" to the consolidated financial statements. As at 31 December 2016, goodwill and intangible assets with indefinite useful lives recorded on the Group's balance sheet amounted to RMB10,954 million and RMB6,124 million, respectively. In assessing the recoverable amounts of the Group's cash generating units ("CGUs") that include these goodwill and intangibles assets, management engaged external valuation experts to assist in determining the value in use calculations of these CGUs, being the present value of the future cash flows expected to be derived from these CGUs. Such calculations involved developing assumptions and estimates about the future results of the relevant businesses, including: • Revenue Per Available Room; • number of self-owned and franchised hotels; and • discount rates. We focused our audit effort on this area because of the significance of the related balances, the uncertainties associated with estimating the future operating performance of these CGU, and the significant management judgements involved in determining the valuations, including the appropriateness of significant assumptions adopted.	We assessed the competence, capabilities and objectivity of the external valuation experts who assisted management in determining the value in use calculations of these CGUs. We assessed management's future cash flow forecasts and calculation of value in use of each CGU. Our procedures included: • assessing the appropriateness of the valuation methodology by reference to market practices; • assessing the key assumptions, including Revenue Per Available Room, and number of self-owned and franchised hotels, by comparing with the historical operating results and future operating plans of the acquired businesses, taking into consideration of economic and industry forecasts; • assessing the discount rates by reference to external data, including the risk factor of comparable companies and market risk premium; • assessing the appropriateness of other key input data by comparing with the approved budget, historical data or future business plan; and • testing the mathematical accuracy of the discounted cash flows calculations. We assessed management's sensitivity analysis to evaluate the assumptions to which the outcomes of the discounted cash flows are more sensitive and the degree to which and likelihood that these assumptions may move to trigger an impairment. We found that management's judgements in connection with the impairment assessment of goodwill and intangible assets with indefinite useful lives were supported by the evidence we gathered.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the Company's 2016 Annual Report other than the consolidated financial statements and our auditor's report thereon.

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

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

The engagement partner on the audit resulting in this independent auditor's report is Jane Kong.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2017

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

	Note	As at 31 December 2016 RMB'000	As at 31 December 2015 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	6	**12,515,403**	10,999,969
Investment properties	7	**288,448**	215,759
Land use rights	8	**1,951,609**	1,904,781
Intangible assets	9	**18,259,164**	6,771,108
Investments in joint ventures	11	**1,168,759**	1,550,497
Investments in associates	12	**780,441**	668,965
Available-for-sale financial assets	14	**3,485,450**	4,079,267
Deferred income tax assets	15	**695,490**	551,689
Trade receivables, prepayments and other receivables	17	**434,024**	265,640
Restricted cash	19	**3,306,492**	3,778,848
Bank deposits with maturities over 12 months	19	**—**	236,000
		42,885,280	31,022,523
Current assets			
Financial assets at fair value through profit or loss	18	**60,924**	137,795
Available-for-sale financial assets	14	**182,022**	297,976
Inventories	16	**195,781**	197,253
Trade receivables, prepayments and other receivables	17	**2,877,760**	2,338,055
Restricted cash	19	**1,659,753**	1,114,888
Bank deposits with maturities over 3 months	19	**2,350,271**	2,146,138
Cash and cash equivalents	20	**6,559,042**	5,043,538
		13,885,553	11,275,643
Total assets		**56,770,833**	42,298,166

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2016

	Note	As at 31 December 2016 RMB'000	As at 31 December 2015 RMB'000 (Restated)
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital	21	**5,566,000**	5,566,000
Reserves	21	**3,790,960**	3,730,175
		9,356,960	9,296,175
Non-controlling interests		**10,783,115**	7,482,204
Total equity		**20,140,075**	16,778,379
LIABILITIES			
Non-current liabilities			
Borrowings	23	**16,388,796**	11,135,204
Deferred income tax liabilities	15	**3,141,998**	2,229,689
Trade and other payables	22	**927,987**	1,135,670
		20,458,781	14,500,563
Current liabilities			
Borrowings	23	**8,553,405**	5,250,089
Derivative financial instruments		**6,158**	6,360
Income tax payable		**279,457**	236,131
Trade and other payables	22	**7,332,957**	5,526,644
		16,171,977	11,019,224
Total liabilities		**36,630,758**	25,519,787
Total equity and liabilities		**56,770,833**	42,298,166

The notes on pages 88 to 216 are an integral part of these consolidated financial statements.

The consolidated financial statements on page 80 to 216 were approved by the Board of Directors on 29 March 2017 and were signed on its behalf by:

Yu Minliang
Chairman and Executive Director

Zhang Qian
Chief Executive Officer and Executive Director

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

		Year ended 31 December	
	Note	**2016 RMB'000**	2015 RMB'000 (Restated)
Revenue	5(a)	**17,013,125**	12,197,158
Cost of sales	26	**(13,254,487)**	(9,558,239)
Gross profit		**3,758,638**	2,638,919
Other income and gain	24	**1,207,757**	1,583,186
Selling and marketing expenses	26	**(1,050,169)**	(696,455)
Administrative expenses	26	**(1,625,799)**	(1,347,533)
Other expenses and losses	25	**(119,939)**	(167,680)
Operating profit		**2,170,488**	2,010,437
Finance income	28	**178,565**	148,772
Finance costs	28	**(746,375)**	(502,965)
Finance costs — net		**(567,810)**	(354,193)
Share of results of joint ventures and associates	29	**185,679**	235,596
Profit before income tax		**1,788,357**	1,891,840
Income tax expense	30	**(434,053)**	(494,125)
Profit for the year		**1,354,304**	1,397,715
Attributable to:			
Shareholders of the Company		**758,446**	865,528
Non-controlling interests		**595,858**	532,187
		1,354,304	1,397,715
Earnings per share for profit attributable to shareholders of the Company during the year (expressed in RMB cents per share) — basic and diluted	31	**13.63**	15.55

The notes on pages 88 to 216 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

As at 31 December 2016

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000 (Restated)
Profit for the year		**1,354,304**	1,397,715
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		**(4,320)**	587
Items that may be subsequently reclassified to profit or loss			
Fair value changes on available-for-sale financial assets — gross	14	**(528,930)**	973,557
Transfer of fair value changes on disposal of available-for-sale financial assets — gross		**(381,442)**	(485,573)
Fair value changes on available-for-sale financial assets and transfer of fair value changes on disposal of available-for-sale financial assets — tax	30	**264,036**	(121,774)
Cash flow hedges		**(78)**	817
Currency translation differences		**(3,028)**	23,226
Total other comprehensive income for the year		**(653,762)**	390,840
Total comprehensive income for the year		**700,542**	1,788,555
Attributable to:			
Shareholders of the Company		**449,093**	949,617
Non-controlling interests		**251,449**	838,938
		700,542	1,788,555

The notes on pages 88 to 216 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to shareholders of the Company					
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2015, as previously stated	5,566,000	1,033,256	2,020,036	8,619,292	6,757,006	15,376,298
Common control combination (note 36)	—	5,563	(289)	5,274	24,861	30,135
Balance at 1 January 2015 (Restated)	5,566,000	1,038,819	2,019,747	8,624,566	6,781,867	15,406,433
Comprehensive income:						
Profit for the year	—	—	865,528	865,528	532,187	1,397,715
Other Comprehensive income:						
Remeasurements of post-employment benefit obligations	—	295	—	295	292	587
Fair value changes on available-for-sale financial assets — gross	—	339,585	—	339,585	633,972	973,557
Transfer of fair value changes on disposal of available-for-sale financial assets — gross	—	(245,449)	—	(245,449)	(240,124)	(485,573)
Fair value changes on available-for-sale financial assets and transfer of fair value changes on disposal of available-for-sale financial assets — tax (note 30)	—	(23,534)	—	(23,534)	(98,240)	(121,774)
Cash flow hedges	—	411	—	411	406	817
Currency translation differences	—	12,781	—	12,781	10,445	23,226
Total other comprehensive income	—	84,089	—	84,089	306,751	390,840
Total comprehensive income	—	84,089	865,528	949,617	838,938	1,788,555
Transactions with owners:						
Contributions by and distributions to owners of the Company recognised directly in equity:						
Profit appropriation	—	39,756	(39,756)	—	—	—
Dividends (note 32)	—	—	(278,300)	(278,300)	—	(278,300)
Total contributions by and distributions to owners of the Company recognised directly in equity	—	39,756	(318,056)	(278,300)	—	(278,300)
Dividends to non-controlling interests	—	—	—	—	(320,299)	(320,299)
Establishment of a subsidiary with non-controlling interest	—	—	—	—	8,274	8,274
Non-controlling interest arising from business combination	—	—	—	—	172,933	172,933
Others	—	292	—	292	491	783
Total transactions with owners	—	40,048	(318,056)	(278,008)	(138,601)	(416,609)
Balance at 31 December 2015 (Restated)	5,566,000	1,162,956	2,567,219	9,296,175	7,482,204	16,778,379

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2016

	Attributable to shareholders of the Company					
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016 (Restated)	5,566,000	1,162,956	2,567,219	9,296,175	7,482,204	16,778,379
Comprehensive income:						
Profit for the year	—	—	758,446	758,446	595,858	1,354,304
Other Comprehensive income:						
Remeasurements of post-employment benefit obligations	—	(2,174)	—	(2,174)	(2,146)	(4,320)
Fair value changes on available-for-sale financial assets — gross	—	(247,279)	—	(247,279)	(281,651)	(528,930)
Transfer of fair value changes on disposal of available-for-sale financial assets — gross	—	(193,051)	—	(193,051)	(188,391)	(381,442)
Fair value changes on available-for-sale financial assets and transfer of fair value changes on disposal of available-for-sale financial assets — tax (note 30)	—	128,535	—	128,535	135,501	264,036
Cash flow hedges	—	(39)	—	(39)	(39)	(78)
Currency translation differences	—	4,655	—	4,655	(7,683)	(3,028)
Total other comprehensive income	—	(309,353)	—	(309,353)	(344,409)	(653,762)
Total comprehensive income	—	(309,353)	758,446	449,093	251,449	700,542
Transactions with owners:						
Contributions by and distributions to owners of the Company recognised directly in equity:						
Profit appropriation	—	35,098	(35,098)	—	—	—
Dividends (note 32)	—	—	(361,790)	(361,790)	—	(361,790)
Total contributions by and distributions to owners of the Company recognised directly in equity	—	35,098	(396,888)	(361,790)	—	(361,790)
Dividends to non-controlling interests	—	—	—	—	(345,065)	(345,065)
Acquisition of equity interests in from non-controlling equity holders (note 38)	—	(22,571)	—	(22,571)	(124,951)	(147,522)
Disposal of a subsidiary	—	—	—	—	(1,438)	(1,438)
Capital contribution from non-controlling interests	—	(886)	—	(886)	2,267,756	2,266,870
Non-controlling interest arising from business combination (note 37)	—	—	—	—	1,257,896	1,257,896
Effect of business combination under common control combination	—	(3,061)	—	(3,061)	(4,736)	(7,797)
Total transactions with owners	—	8,580	(396,888)	(388,308)	3,049,462	2,661,154
Balance at 31 December 2016	5,566,000	862,183	2,928,777	9,356,960	10,783,115	20,140,075

The notes on pages 88 to 216 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000 (Restated)
Cash flows from operating activities:			
Cash generated from operations	33(a)	3,735,006	2,157,944
Net (decrease)/increase in deposits from customers(*)		(1,044,513)	1,513,491
Net increase in loans to customers(*)		(366,000)	(453,000)
Interest paid		(711,961)	(400,762)
Interest income from restricted deposits pledged for borrowings		19,365	42,435
Income tax expense		(485,958)	(396,293)
Net cash generated from operating activities		1,145,939	2,463,815
Cash flows used in investing activities:			
Proceeds from disposal of property, plant and equipment	33(a)	96,370	60,637
Proceeds from disposal of intangible assets		1,282	197
Proceeds from disposal of interests in associates		—	502
Proceeds from partially disposal of a joint venture	33(b)	488,404	—
Proceeds from disposal of available-for-sale financial assets		2,832,417	1,546,007
Proceeds from disposal of financial assets at fair value through profit or loss		258,199	146,783
Proceeds from disposal of subsidiaries		—	195,057
Purchase of property, plant and equipment		(1,031,494)	(1,007,711)
Purchase of intangible assets		(50,789)	(48,591)
Purchase of available-for-sale financial assets	14	(2,251,570)	(1,236,532)
Purchase of financial assets at fair value through profit or loss	18	(160,527)	(163,853)
Cash outflow for increase in investments in associates		(8,732)	—
Deferred consideration of GDL for acquisition of subsidiaries		(11,694)	—
Payment of bank deposits with maturities over 3 months		(2,382,138)	(2,622,838)
Receipt from bank deposits with maturities over 3 months		2,350,271	1,069,075
Interest received		80,244	69,082
Dividends received		415,604	301,265
Withdraw prepayments for acquisition of subsidiaries		473,180	—
Prepayments for acquisition of a subsidiary		(422,380)	—
Net cash outflow for business combination	33&36&37	(8,201.493)	(2,956,188)
Loans repayments received from related parties		78,080	—
Return of capital of investment from a joint venture		—	237,878
Net cash used in investing activities		(7,446,766)	(4,409,230)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2016

		Year ended 31 December	
	Note	2016 RMB'000	2015 RMB'000 (Restated)
Cash flows from financing activities:			
Capital contribution from non-controlling interests		2,261,787	8,274
Proceeds from borrowings		24,847,255	21,286,668
Repayments of borrowings		(18,483,156)	(14,951,671)
Dividends paid to non-controlling interests		(345,225)	(326,610)
Dividends paid to shareholders of the Company	32	(361,790)	(278,300)
Acquisition of equity shares from minority shareholders		(147,440)	—
Restricted deposits pledged for borrowings		—	(4,692,965)
Withdraw borrowing deposits		45,816	—
Withdraw deposits for private placing share		(45,167)	—
Deposits for private placing share		—	45,167
Net cash generated from financing activities		7,772,080	1,090,563
Increase/(decrease) in cash and cash equivalents		1,471,253	(854,852)
Cash and cash equivalents at beginning of the year		5,043,538	5,879,069
Exchange losses on cash and cash equivalents		44,251	19,321
Cash and cash equivalents at end of the year	20	6,559,042	5,043,538

* The deposits/loans from/to customers of Finance Company, a subsidiary of the Company and non-bank finance company, are included in the cash flows from operating activities.

The notes on pages 88 to 216 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1 GENERAL INFORMATION

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

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

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

The Company is listed on the Main Board of the Stock Exchange (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 Company and its subsidiaries are principally engaged in investment and operation of hotels and related businesses (the "Hotel Related Business"), investment and operation of passenger transportation vehicles, logistics and related businesses (the "Vehicles and Logistics Business") and investment and operation of travel agency and related businesses (the "Travel Agency Business").

These consolidated financial statements were approved for issue by the Board of Directors of the Company on 29 March 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

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

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

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

  — Amendment to HKFRS 7 'Financial instruments: Disclosures'.

  — Amendment to HKAS 19, 'Employee benefits'.

  — Amendment to HKAS 34, 'Interim financial reporting'.

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

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

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

- Amendment to HKFRS 14 'Regulatory Deferral Accounts'.
- Amendment to HKFRS 11 'Accounting for acquisitions of interests in joint operations'.
- Amendments to HKAS 16 and HKAS 38 'Clarification of acceptable methods of depreciation and amortisation'.
- Amendments to HKFRS 10, HKFRS 12 and HKAS 28 'Investment entities: applying the consolidation exception'.
- Amendments to HKAS 1 'Disclosure initiative'.
- Amendments to HKAS 16 and HKAS 41 'Agriculture: bearer plants'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

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

- Amendment to HKAS 7 'Statement of cash flows', effective for annual periods beginning on or after 1 January 2017.
- Amendment to HKAS 12 'Income taxes', effective for annual periods beginning on or after 1 January 2017.
- Amendments to HKFRS 2 'Classification and Measurement of Share-based Payment Transactions', effective for annual periods beginning on or after 1 January 2018.
- HKFRS 9 'Financial Instruments', effective for annual periods beginning on or after 1 January 2018.
- HKFRS 15 'Revenue from Contracts with Customers', effective for annual periods beginning on or after 1 January 2018.
- HKFRS 16 'Leases', effective for annual periods beginning on or after 1 January 2019.
- Amendments to HKFRS 10 and HKAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture', effective date to be determined.

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

2.2 Significant accounting policies

(a) Subsidiaries

(i) Consolidation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(a) Subsidiaries (continued)

(i) Consolidation (continued)

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and loss resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Business Combinations

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

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement (note 2.2(i)).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(a) Subsidiaries (continued)

(i) Consolidation (continued)

Business Combinations (continued)

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

Common control combinations

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(a) Subsidiaries (continued)

(i) Consolidation (continued)

Changes in ownership interests in subsidiaries without change of control

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

Disposal of subsidiaries

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

(ii) Separate financial statements

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment (note 2.2(j)). Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(b) Joint ventures

Joint ventures are all entities over which the Group has joint control but not solo control. Investments in joint ventures are accounted for using the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition of profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures. The Group's investment in joint ventures includes goodwill identified on acquisition, net of any accumulated impairment loss (notes 2.2(j)). See note 2.2(j) for the impairment of non-financial assets including goodwill.

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

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

In the Company's balance sheet, the investments in joint ventures are stated at cost less provision for impairment losses (note 2.2(j)). The results of joint ventures are accounted for by the Company on the basis of dividend received or receivable.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (notes 2.2(j)). See note 2.2(j) for the impairment of non-financial assets including goodwill.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(c) Associates (continued)

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

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

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

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

In the Company's balance sheet, the investments in associates are stated at cost less provision for impairment losses (note 2.2(j)). The results of associates are accounted for by the Company on the basis of dividend received or receivable.

(d) Segment reporting

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

(e) Foreign currency translation

(i) Functional and presentation currency

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(e) Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in other comprehensive income.

(iii) Group companies

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(e) Foreign currency translation (continued)

(iii) Group companies (continued)

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

(f) Property, plant and equipment

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

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

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

Buildings	20 to 50 years
Renovations and leasehold improvements	3 to 10 years but not exceeding the lease period
Plant and machinery	3 to 20 years
Operating vehicles	4 to 10 years
Motor vehicles	3 to 10 years
Furniture, fittings and equipment	3 to 15 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.2(j)).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(g) Investment properties

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

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

(h) Land use rights

Land use rights represent the prepaid operating lease payments, which are charged to the consolidated income statement on a straight-line basis over the period of the lease. The accounting policy is described in note 2.2(z)(i).

(i) Intangible assets

(i) Goodwill

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(i) Intangible assets (continued)

(ii) Computer software, patents and other rights

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

(iii) Trademarks

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

(iv) Favourable lease contracts

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

(v) Licenses of operating vehicles

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

(vi) Memberships

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

(j) Impairment of investments in subsidiaries, joint ventures, associates and non-financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(j) Impairment of investments in subsidiaries, joint ventures, associates and non-financial assets (continued)

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

(k) Non-current assets held for sale

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

(l) Financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

This category includes financial assets designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade receivables and other receivables, restricted cash and bank deposits over 3 months and cash and cash equivalents in the consolidated and company balance sheets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(l) Financial assets (continued)

Classification (continued)

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At the year ended 31 December 2016 and 2015, the Group did not hold any investments in this category.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the financial assets within 12 months from the balance sheet date.

Recognition and measurement

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 initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated income statement. 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 risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category, including interest and dividend income, are included in the consolidated income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the consolidated income statement as "other income". Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(l) Financial assets (continued)

Recognition and measurement (continued)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. Impairment testing of trade receivables, prepayments and other receivables is described in note 2.2(o).

(m) Derivative financial instruments and hedging activities

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

(i) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(m) Derivative financial instruments and hedging activities (continued)

(ii) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or

(iii) hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within “finance cost”. The gain or loss relating to the ineffective portion is recognised in the income statement within “other income and gains”. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the income statement within “finance cost”.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within “other gains”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(m) Derivative financial instruments and hedging activities (continued)

(ii) Cash flow hedge (continued)

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within “revenue”. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within “other gains”.

(iii) Net investment hedge

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

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

(n) Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(o) Trade receivables, prepayments and other receivables

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

Trade receivables, prepayments and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables, prepayments and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

(q) Share capital

Ordinary shares are classified as equity.

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

(r) Trade and other payables

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(s) Borrowings

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

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

(t) Borrowing costs

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

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(u) Current and deferred income tax

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

(i) Current income tax

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

Cotisation sur la Valeur Ajoutée des Entreprises ("CVAE") tax of GDL is calculated and paid based on the value added contribution, and it is deductible for corporate income tax purposes following the 2010 Finance Act by the "Contribution Economique Territoriale" tax. In accordance with HKAS 12, CVAE tax is recognised in "income tax expense".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(u) Current and deferred income tax (continued)

(ii) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

(iii) Offsetting

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

(v) Employee benefits

(i) Pension obligations

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(v) Employee benefits (continued)

(i) Pension obligations (continued)

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

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

(ii) Housing benefits

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

(iii) Defined benefit plans

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

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

Past-service costs are recognised immediately in income statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(v) Employee benefits (continued)

(iii) Defined benefit plans (continued)

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

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

(iv) Termination and early retirement benefits

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

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

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

(w) Provisions and contingent liabilities

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(w) Provisions and contingent liabilities (continued)

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

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

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

(x) Government grants

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

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

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

(y) Revenue recognition

Revenue from hotel accommodation, hotel management and refrigerated logistics is recognised on a straight-line basis over the periods of the respective services.

Revenue from food and beverage sales, vehicle operating, freight forwarding, travel agency and other ancillary services is recognised when the services are rendered.

Sales of goods are recognised when the Group has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

Rental revenue from properties and vehicles is recognised on a straight-line basis over the periods of the respective leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(y) Revenue recognition (continued)

Amounts received or receivable from hotel accommodation and food and beverage sales with awards points granted to customers, should be allocated between revenue from the service and fair value of awards points. Cash received or amounts receivable less the fair value of awards points is recognized as revenue, the fair value of awards points is recognized as deferred income. When customers exchange awards points, the Group recognised amounts previously recorded as deferred income as revenue calculated upon the basis of percentage of amounts exchanged to amounts expected to be exchanged.

The Group operates a loyalty programme where customers accumulate points for hotel service purchases made which entitle them to discounts on future hotel service purchases. The reward points are recognised as a separately identifiable component of the initial sale transaction by allocating the fair value of the consideration received between the award points and the other components of the sale such that the reward points are initially recognised as 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.

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

Dividend income is recognised when the right to receive payment is established.

(z) Lease

(i) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(ii) Finance leases

The Group leases certain lands, buildings and equipments. Lease of lands, buildings and equipments where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased equipment and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(aa) Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks on behalf of subsidiaries, joint ventures or associates to secure loans and other banking facilities.

Financial guarantees are initially recognised in the consolidated financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other operating expenses.

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

(ab) Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(i) Market risk

(1) Foreign exchange risk

For the Group's operation in Mainland China, most of the transactions, assets and liabilities are denominated in RMB and US$. For the Group's operation in Europe, most of the transactions, assets and liabilities are denominated in EUR. Other foreign currencies are however required to settle payments for the Group's purchases of equipment from overseas suppliers and certain expenses, and for foreign investments. Other foreign currencies are also received from overseas customers. The Group's trade receivables, prepayments and other receivables, restrict cash, bank deposits, cash and cash equivalents, trade and other payables, and borrowings as at 31 December 2016 and 2015 included foreign currencies, denominated in either US$, EUR or other foreign currencies other than EUR and US$ ("Other foreign currencies") are disclosed in notes 17, 19, 20, 22 and 23.

As at 31 December 2016, if RMB strengthens/weakens by 10% (2015: 10%) (i.e. RMB/US$6.9370 from 7.6307 to 6.2433) against US$ with all other variables held constant, post-tax profit for the operation in Mainland China for the year would have changed mainly as a result of foreign exchange gains/losses on translation of US$ denominated trade receivables, prepayments and other receivables, restrict cash, bank deposits, cash and cash equivalent, trade and other payables and borrowings. Details of the changes are as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
The Group operated in Mainland China:		
(Decrease)/increase in profit for the year		
— Strengthened	**(10,163)**	113,658
— Weakened	**10,163**	(113,658)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(i) Market risk (continued)

(1) Foreign exchange risk (continued)

As at 31 December 2016, if EUR strengthens/weakens by 10% (i.e. EUR/US$1.0533 from 1.1586 to 0.9480) against other currency with all other variables held constant, post-tax profit for the Group operated in Europe for the year would have changed mainly as a result of foreign exchange gains/losses on translation of other foreign currencies denominated trade receivables, prepayments and other receivables, cash and cash equivalent, trade and other payables and borrowings. Details of the changes are as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
The Group operated in Europe:		
Increase/(decrease) in profit for the year		
— Strengthened	**5,772**	9,304
— Weakened	**(5,772)**	(9,304)

(2) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets and liabilities other than its bank deposits and borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Bank deposits and borrowings at fixed rates expose the Group to fair value interest rate risk. Details of the Group's bank deposits and borrowings have been disclosed in notes 19, 20 and 23.

As at 31 December 2016, if interest rates on bank deposits and borrowings are 10% (2015: 10%) (i.e. 5% from 4.5% to 5.5%) higher/lower with all other variables held constant, the post-tax profit for the year would have changed mainly as a result of higher/lower interest expenses. Details of the changes are as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
(Decrease)/increase in profit for the year		
— Increase in interest rates	**(31,577)**	(12,230)
— Decrease in interest rates	**31,577**	12,230

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(i) Market risk (continued)

(3) Price risk

The Group is exposed to major equity securities price risk because of its holding of listed equity investments which are classified on the consolidated balance sheet as available-for-sale financial assets (note 14). The Group has not hedged its price risk arising from investments in equity securities.

As at 31 December 2016, if the quoted market price of the listed equity investments increases/decreases 30% with all other variables held constant, the equity would have changed mainly as a result of fair value gain/losses on available-for-sales financial assets. Details of the changes are as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Increase/(decrease) in other comprehensive income		
— Increase in quoted market price	**592,954**	870,181
— Decrease in quoted market price	**(592,954)**	(870,181)

(ii) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, prepayments and other receivables, restricted cash, bank deposits with maturities over 3 months, cash and cash equivalent included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(ii) Credit risk (continued)

As at 31 December 2016, these bank deposits and cash at bank were deposited in reputable financial institutions which are considered with low credit risk. The table below shows bank deposits and cash at bank balances by counterparties:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Counterparties		
— People's Bank of China	**209,761**	164,234
— Big 4 domestic banks*	**9,733,819**	6,825,108
— Other domestic commercial banks	**2,558,812**	3,325,106
— Foreign-owned banks	**1,354,080**	1,995,069
	13,856,472	12,309,517

* Big 4 domestic banks comprise Industrial and Commercial Bank of China Limited, Agricultural Bank of China Limited, Bank of China Limited and China Construction Bank Corporation.

Management does not expect any losses from non-performance by these counterparties.

Most of the Group's sales are settled in cash or in credit card by its customers. Credit sales are made to selected customers with good credit history. The Group has policies in place to ensure that trade receivables are followed up on a timely basis.

The Group granted financial guarantees to its related parties with maximum exposure to credit risk as follows:

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Credit risk exposure relating to off-balance sheet items		
— Financial guarantees	**7,000**	848,681

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalent and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

As at 31 December 2016, the Group's current liabilities exceeded its current assets by RMB2,286,424,000, which includes that the subsidiary Jin Jiang Hotels Development current liability exceeded its current assets by RMB2,378,722,000. Jin Jiang International, the ultimate holding company of the Company, has confirmed its intention to provide continuous financial support for the continuing operation of Jin Jiang Hotels Development. Subsequently, the Group has replaced current borrowings amounted to RMB900,000,000 with non-current borrowings.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Over 5 years RMB'000
As at 31 December 2016				
Borrowings (excluding finance lease liabilities)	8,541,954	6,856,315	9,230,000	144,155
Finance lease payables	13,273	13,270	40,288	154,280
Contractual interest payable	572,091	377,593	638,927	27,795
Trade and other payables (excluding non-financial liabilities)	4,081,226	283,563	—	—
Financial guarantees (off-balance sheet items) (note 34)	7,000	—	—	—
As at 31 December 2015 (Restated)				
Borrowings (excluding finance lease liabilities)	5,237,995	4,404,731	6,403,513	160,803
Finance lease payables	13,471	13,237	47,090	173,054
Contractual interest payable	245,597	84,138	36,540	15,652
Trade and other payables (excluding non-financial liabilities)	3,247,844	1,135,670	—	—
Financial guarantees (off-balance sheet items) (note 34)	848,681	—	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total assets. Total borrowings include non-current borrowings and current borrowings.

The gearing ratios at 31 December 2016 and 2015 were as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Total borrowings (note 23)	**24,942,201**	16,385,293
Total assets	**56,770,833**	42,298,166
Gearing ratio	**43.93%**	38.74%

The increase in the gearing ratio of the Group during 2016 results from the increase of total borrowings for the business combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (continued)

The fair value measurements by level of the fair value measurement hierarchy were as follows:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2016				
Available-for-sale financial assets				
— Equity securities (note 14)	2,731,585	—	681,416	3,413,001
— Debenture securities (note 14)	—	182,022	—	182,022
Financial assets at fair value through profit or loss				
— Equity securities (note 18)	436	—	—	436
— Debenture securities (note 18)	60,488	—	—	60,488
Total Assets	2,792,509	182,022	681,416	3,655,947
Derivative financial instruments				
— Interest rate swaps	—	(6,158)	—	(6,158)
Total Liabilities	—	(6,158)	—	(6,158)
As at 31 December 2015 (Restated)				
Available-for-sale financial assets				
— Equity securities (note 14)	3,840,968	—	45,856	3,886,824
— Debenture securities (note 14)	102,610	316,349	—	418,959
— Convertible bond (note 14)	652	—	—	652
Financial assets at fair value through profit or loss				
— Equity securities (note 18)	622	14,300	—	14,922
— Debenture securities (note 18)	122,873	—	—	122,873
Total Assets	4,067,725	330,649	45,856	4,444,230
Derivative financial instruments				
— Interest rate swaps	—	(6,360)	—	(6,360)
Total Liabilities	—	(6,360)	—	(6,360)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (continued)

Fair value measurements using quoted prices (Level 1)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily in Mainland China classified as financial assets at fair value through profit or loss or available-for-sale financial assets.

The Group's investments in equity securities in level 1 mainly comprise investments in shares which are listed on Shanghai Stock Exchange and Shenzhen Stock Exchange in Mainland China. The fair values of the listed securities are determined based on the quoted market prices at the balance sheet date.

Valuation techniques used to derive fair value (Level 2)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The Group's investments in debenture securities in level 2 are fair valued using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market prices of other quoted debenture securities of the counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (continued)

Fair value measurements using significant unobservable inputs (Level 3)

For the Group's investments in equity securities in level 3 that are not publicly traded, the Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. In connection with the investments in these equity securities, the Group adopts income approaches. The income approach adopts a discounted cash flow method to assess the fair value of the available-for-sale financial assets. Under this methodology, fair value is determined by discounting the projected cash flow of the investee companies to present worth based on profit and cash flows forecast and other relevant information provided by the investee companies.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

The following table presents the changes in level 3 instruments for the year ended 31 December 2016 and 31 December 2015.

The Group

	RMB'000
At 1 January 2016	45,856
Additions	635,560
At 31 December 2016	681,416
At 1 January 2015	125,989
Impairment losses for available-for-sale financial assets	(80,133)
At 31 December 2015	45,856

There were no significant transfers of financial assets among level 1, level 2 and level 3 fair value hierarchy classifications.

The fair value of available-for-sale financial assets and financial assets at fair value through profit or loss traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

When the fair value cannot be reliably measured because the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, such available-for-sale financial assets are measured at cost and assessed whether there is objective evidence of impairment at each balance sheet date.

The fair values estimation of non-current borrowings are disclosed in note 23.

The carrying amounts for other financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. If the useful lives for property, plant and equipment had been 10% longer/shorter with all other variables held constant, profit for the year would have been RMB98,587,000 higher or RMB120,496,000 lower.

(ii) Deferred income tax assets and liabilities

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax assets are realised or the deferred income tax liabilities are settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The Group's management determines the deferred income tax assets based on the enacted or substantially enacted tax rates and laws and best knowledge of profit projections of the Group for coming years during which the deferred income tax assets are expected to be utilised. Management revises the assumptions and profit projections by the balance sheet date. If the profit projections of the Group had been 10% greater/less with all other variables held constant, profit for the year would have been RMB75,052,000 higher/lower.

(iii) Impairment of property, plant and equipment, investment properties, land use rights and intangible assets

Under HKAS 36, it is required to assess the conditions that could cause an asset to become impaired and to perform a recoverability test for potentially impaired assets held by the entity. These conditions include whether a significant decrease in the market value of the asset has occurred, whether changes in the entity's business plan for the asset have been made or whether a significant adverse change in the business and legal climate has arisen.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

(iii) Impairment of property, plant and equipment, investment properties, land use rights and intangible assets (continued)

The Group's management assesses at each of the balance sheet date whether property, plant and equipment, investment properties, land use rights and intangible assets have any indication of impairment, in accordance with the accounting policy stated in note 2.2(j). The recoverable amount is higher of an asset's value in use and fair value less costs to sell, which is estimated based on the best information available to reflect the amount that is obtainable at each of the balance sheet date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs to disposal, or cash to be generated from continuously using the assets. Management of the Group believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of the CGUs to fall below its carrying amount. The impairment of property, plant and equipment is disclosed in note 6.

(iv) Impairment of trade receivables

The Group's management estimates the provision of impairment of trade receivables by assessing their recoverability. Provisions are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible and require the use of estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of trade receivables and impairment charge in the period in which such estimate has been changed. If the provision for impairment of trade receivables had been 10% higher/lower with all other variables held constant, profit for the year would have been RMB10,553,000 lower/higher.

(v) Useful lives and estimated impairment of intangible assets — license of operating vehicles, trademarks

The intangible assets of Jin Jiang Investment mainly represented the license of operating vehicles which will not be expired and need no renewal. The management of the Group believes that the license will be in use and can bring in expected inflows of economic benefits in the foreseeable future. So, the useful lives of the license are indefinite. The license is subject to test of impairment losses annually and whenever there is an indicator that it may have been impaired.

The intangible assets of GDL, Plateno Group and Vienna Hotels included the trademarks. Various studies including market, competitive and environmental trends and brand extension opportunities have been performed by the management of the Group, which supports that the trademarks has no foreseeable limit to the period over which the branded products are expected to generate net cash flows. So the management of Group believes that the trademarks will be in use and can bring in expected inflows of economic benefits in the foreseeable future. So, the useful lives of the trademarks are indefinite. The trademarks are subject to test of impairment losses annually and whenever there is an indicator that they may have been impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

(v) Useful lives and estimated impairment of intangible assets — license of operating vehicles, trademarks (continued)

Determining whether intangible assets — license of operating vehicles, trademarks are impaired requires an estimation of the value in use of the cash-generating units to which intangible assets — license of operating vehicles, trademarks has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and appropriate discount rates in order to calculate the present values. Where the actual cash flows are less than expected, a material impairment loss may arise.

For the purposes of impairment testing, license of operating vehicles has been allocated to the CGU of vehicle operating business that is expected to generate future economic benefits; the trademarks have been allocated to CGUs of respective operating businesses related to the trademarks that are expected to generate future economic benefits.

As at 31 December 2016, management determined that the CGUs containing license of operating vehicles, trademarks had not suffered any impairment. The basis of recoverable amount of the above CGUs and the major underlying assumptions are summarised below:

The recoverable amount of the CGUs has been determined based on the value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management of the Group and applicable discount rates. Other key assumptions for the value in use calculation related to the estimation of cash inflows/outflows included budgeted sales and gross margin and such estimation was based on the CGUs' past performance and management's expectations for the market development. Management of the Group believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of the CGUs to fall below its carrying amount.

(vi) Estimated impairment of goodwill

Determining whether intangible goodwill are impaired requires an estimation of the value in use of the CGUs to goodwill has been allocated.

For the purposes of impairment testing, goodwill has been allocated to the CGUs of different businesses that is expected to generate future economic benefits. As at 31 December 2016, management determined that the CGUs containing goodwill had suffered material impairment other than the impairment recorded in profit and loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

(vi) Estimated impairment of goodwill (continued)

The basis of recoverable amount of the CGUs in Mainland China and the major underlying assumptions are summarised below:

The recoverable amount of the CGU in Mainland China has been determined based on the value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management of the Group and applicable discount rates. Other key assumptions for the value in use calculation related to the estimation of cash inflows/outflows included budgeted sales and gross margin and such estimation was based on the CGU's past performance and management's expectations for the market development. Management of the Group believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of the CGU to fall below its carrying amount. No material impairment loss was considered necessary other than the impairment recorded in profit and loss.

The basis of recoverable amount of the CGUs of GDL and the major underlying assumptions are summarised below:

The recoverable amount of the CGU of GDL determined by fair value less costs of disposal. The fair value of the CGU is a level 3 input which is calculated based on the multiple of earnings before interest, taxes, depreciation and amortisation ("EBITDA") method. The multiple of EBITDA method use the average discounted EBITDA and the retained multiplier which taking into account several criteria including occupancy rate, GOP ratio on total revenue, market positioning versus competition and socio-economic environment. The calculation of average EBITDA is based on a yearly forecasted EBITDA covering a ten-year period which is discounted at the inflation rate. Management of the Group believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of the CGU to fall below its carrying amount. No impairment loss was considered necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Critical judgements in applying the Group's accounting policies

(i) Fair value of available-for-sale financial assets

The fair value of available-for-sale financial assets that are not traded in an active market can be determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on existing market conditions at each balance sheet date. When the fair value cannot be reliably measured because the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, such available-for-sale financial assets are measured at cost and assessed whether there is objective evidence of impairment at each balance sheet date.

(ii) Consolidation of entities in which the group holds less than 50%

Management consider that the Group has de facto control of Jin Jiang Investment even though it has less than 50% of the voting rights. The Group is the majority shareholder of Jin Jiang Investment with a 38.54% equity interest, while all other shareholders individually own less than 2% of its equity shares. There is no history of other shareholders forming a group to exercise their votes collectively.

(iii) Joint arrangements

The Group holds a series of joint arrangements with equity interests ranging from 25.5% to 50%. The Group has joint control over such arrangements as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities.

The Group's joint arrangements are structured as a series of limited companies and provides the Group and the parties to the agreements with rights to the net assets of the limited companies under the arrangements. Therefore, such arrangements are classified as joint ventures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

5 TURNOVER AND SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

5 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(a) Turnover

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

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

The majority of the Group's sales are retail sales and no revenues from transactions with a single external customer account for 10% or more of the Group's revenue for the year ended 31 December 2016 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

5 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information

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

	Full Service Hotels RMB'000	Select Service Hotels — managed and operated in Mainland China RMB'000	Select Service Hotels — managed and operated overseas RMB'000	Food and Restaurants RMB'000	Passenger Transportation Vehicles and Logistics RMB'000	Travel Agency RMB'000	Other Operations RMB'000	The Group RMB'000
External sales (note 5(a))	1,947,430	6,888,083	3,494,131	352,080	2,354,893	1,907,387	69,121	17,013,125
Inter-segment sales	6,892	2,999	–	7,672	1,382	144	47,879	66,968
Total gross segment sales	1,954,322	6,891,082	3,494,131	359,752	2,356,275	1,907,531	117,000	17,080,093
Profit for the year	291,536	343,792	165,382	104,490	283,620	64,390	101,094	1,354,304
Other income and gain (note 24)	308,723	75,618	83,357	49,491	86,877	120,833	482,858	1,207,757
Including: interest income (note 24)	11,931	19,783	1,896	92	13,130	9,413	95,653	151,898
Depreciation and impairment of property, plant and equipment (note 6)	(155,016)	(817,780)	(310,660)	(7,150)	(226,823)	(6,918)	(1,298)	(1,525,645)
Depreciation of investment properties (note 7)	(4,386)	–	–	–	(513)	(4,140)	–	(9,039)
Amortisation of land use rights (note 8)	(18,491)	(39,699)	–	–	(1,080)	–	(311)	(59,581)
Amortisation and impairment of intangible assets (note 9)	(2,837)	(129,191)	(34,203)	(980)	–	(560)	–	(167,771)
Provision for inventories write-down (note 16)	(443)	(73)	–	–	–	–	–	(516)
(Provision for)/reversal of impairment of trade receivables, prepayments and other receivables (note 17)	(782)	(14,521)	(8,061)	–	(2,393)	1,513	–	(24,244)
Finance costs — net (note 28)	(147,320)	(54,941)	(162,850)	(1,620)	(2,315)	–	(198,764)	(567,810)
Share of results of joint ventures and associates (note 29)	(60,428)	(2,002)	6,589	91,203	145,848	1,609	2,860	185,679
Income tax expense (note 30)	(103,393)	(198,028)	(33,184)	(1,870)	(36,385)	(12,402)	(48,791)	(434,053)
Capital expenditure	46,887	13,797,474	561,356	23,285	290,729	851	4,123	14,724,705

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

5 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

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

	Full Service Hotels RMB'000	Select Service Hotels — managed and operated in Mainland China RMB'000	Select Service Hotels — managed and operated overseas RMB'000	Food and Restaurants RMB'000	Passenger Transportation Vehicles and Logistics RMB'000	Travel Agency RMB'000	Other Operations RMB'000	The Group RMB'000
External sales (note 5(a))	1,962,110	2,682,287	2,612,268	366,243	2,225,370	2,280,187	68,693	12,197,158
Inter-segment sales	9,508	2,413	—	8,223	3,319	52	42,961	66,476
Total gross segment sales	1,971,618	2,684,700	2,612,268	374,466	2,228,689	2,280,239	111,654	12,263,634
Profit for the year	429,836	188,555	153,752	31,404	264,691	56,918	272,559	1,397,715
Other income and gain (note 24)	820,367	37,845	7,942	33,094	81,046	97,638	505,254	1,583,186
Including: interest income (note 24)	29,692	9,308	1,385	272	13,851	12,736	30,863	98,107
Depreciation and impairment of property, plant and equipment (note 6)	(178,556)	(395,555)	(227,628)	(13,073)	(223,444)	(7,416)	(1,199)	(1,046,871)
Depreciation of investment properties (note 7)	(1,433)	—	—	—	(513)	(4,140)	—	(6,086)
Amortisation of land use rights (note 8)	(18,369)	(37,374)	—	—	(1,080)	—	(311)	(57,134)
Amortisation and impairment of intangible assets (note 9)	(3,271)	(10,687)	(25,940)	(1,188)	—	(533)	(142)	(41,761)
Reversal of inventories write-down (note 16)	24	41	—	—	—	—	—	65
(Provision for)/reversal of impairment of trade receivables, prepayments and other receivables (note 17)	(1,585)	(2,824)	(19,306)	—	(108)	638	—	(23,185)
Finance costs — net (note 28)	(182,954)	(3,458)	(116,537)	(203)	(4,028)	—	(47,013)	(354,193)
Share of results of joint ventures and associates (note 29)	37,353	—	11,588	38,104	148,465	273	(187)	235,596
Income tax expense (note 30)	(191,244)	(68,473)	(74,007)	(1,574)	(39,192)	(7,720)	(111,915)	(494,125)
Capital expenditure	64,074	526,200	10,407,890	11,187	295,741	1,557	1,608	11,308,257

The segment assets as at 31 December 2016 are as follows:

	Full Service Hotels RMB'000	Select Service Hotels — managed and operated in Mainland China RMB'000	Select Service Hotels — managed and operated overseas RMB'000	Food and Restaurants RMB'000	Passenger Transportation Vehicles and Logistics RMB'000	Travel Agency RMB'000	Other Operations RMB'000	The Group RMB'000
Segment assets	4,554,496	22,109,605	12,600,026	195,327	3,618,979	1,591,858	10,151,342	54,821,633
Investments in joint ventures	793,352	—	—	—	373,617	—	1,790	1,168,759
Investments in associates	39,189	25,249	83,271	221,706	378,305	17,304	15,417	780,441
Total assets	5,387,037	22,134,854	12,683,297	417,033	4,370,901	1,609,162	10,168,549	56,770,833

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

5 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

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

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

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

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

Capital expenditure comprises additions to property, plant and equipment (note 6), investment properties (note 7), land use rights (note 8), intangible assets (note 9), which include additions resulting from acquisition through business combination (note 37) and prepayment for capital expenditure.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

6 PROPERTY, PLANT AND EQUIPMENT

	Freehold land RMB'000	Buildings RMB'000	Renovations and leasehold improvements RMB'000	Plant and machinery RMB'000	Operating vehicles RMB'000	Motor vehicles RMB'000	Furniture, fittings and equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost									
At 1 January 2015 (Restated)	–	5,193,756	3,724,389	1,528,969	1,567,315	64,821	892,657	369,720	13,341,627
Additions	10,015	58,101	17,761	39,382	789	2,482	49,603	862,542	1,040,675
Additions resulting from acquisition through business combination	1,100,353	2,412,438	86,227	256,506	–	–	86,614	93,181	4,035,319
Transfers from construction-in-progress	–	56,882	243,037	52,490	261,450	2,895	61,256	(678,010)	–
Disposals	–	(24,830)	(28,881)	(86,581)	(249,356)	(7,545)	(51,194)	–	(448,387)
Currency translation differences	26,079	120,698	2,116	20,343	–	–	4,581	2,186	176,003
At 31 December 2015 (Restated)	1,136,447	7,817,045	4,044,649	1,811,109	1,580,198	62,653	1,043,517	649,619	18,145,237
Additions	1,463	44,097	115	82,049	9,032	2,711	58,773	1,076,714	1,274,954
Additions resulting from acquisition through business combination (note 37)	118	3,501	1,415,373	369,689	–	7,974	–	76,846	1,873,501
Transfers from construction-in-progress	32,196	70,201	611,475	83,157	249,358	5,816	97,030	(1,149,233)	–
Transferred to investment properties (note 7)	–	(149,194)	–	–	–	–	–	–	(149,194)
Disposals	(1,095)	(27,385)	(53,987)	(104,102)	(208,501)	(9,235)	(92,649)	–	(496,954)
Currency translation differences	19,014	48,913	2,695	12,858	–	–	3,651	2,233	89,364
At 31 December 2016	**1,188,143**	**7,807,178**	**6,020,320**	**2,254,760**	**1,630,087**	**69,919**	**1,110,322**	**656,179**	**20,736,908**
Accumulated depreciation and impairment									
At 1 January 2015 (Restated)	–	(1,930,532)	(1,955,162)	(911,953)	(833,082)	(46,162)	(719,472)	–	(6,396,363)
Depreciation and impairment charge for the year (note 26)	(2,913)	(268,732)	(304,244)	(137,733)	(196,649)	(8,248)	(128,352)	–	(1,046,871)
Disposals	–	20,408	6,155	83,371	223,633	5,102	48,366	–	387,035
Currency translation differences	(1,366)	(69,807)	(161)	(15,207)	–	–	(2,528)	–	(89,069)
At 31 December 2015 (Restated)	(4,279)	(2,248,663)	(2,253,412)	(981,522)	(806,098)	(49,308)	(801,986)	–	(7,145,268)
Depreciation and impairment charge for the year (note 26)	(547)	(338,039)	(618,812)	(219,709)	(198,242)	(8,824)	(138,792)	(2,680)	(1,525,645)
Disposals	–	18,755	11,080	85,095	194,036	7,654	88,143	–	404,763
Transferred to investment properties (note 7)	–	67,466	–	–	–	–	–	–	67,466
Currency translation differences	(834)	(15,488)	(123)	(4,977)	–	–	(1,399)	–	(22,821)
At 31 December 2016	**(5,660)**	**(2,515,969)**	**(2,861,267)**	**(1,121,113)**	**(810,304)**	**(50,478)**	**(854,034)**	**(2,680)**	**(8,221,505)**
Net book amount									
At 31 December 2016	**1,182,483**	**5,291,209**	**3,159,053**	**1,133,647**	**819,783**	**19,441**	**256,288**	**653,499**	**12,515,403**
At 31 December 2015 (Restated)	1,132,168	5,568,382	1,791,237	829,587	774,100	13,345	241,531	649,619	10,999,969

Operating vehicles represent the vehicles operated for the business segment of Passenger Transportation Vehicle and Logistics, and motor vehicles represent the vehicles used for other business segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation and impairment has been charged to the consolidated income statement as follows (note 26):

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Cost of sales	**1,410,977**	963,908
Selling and marketing expenses	**21,291**	21,108
Administrative expenses	**93,377**	61,855
	1,525,645	1,046,871

The net book amount (note 33) of property, plant and equipment disposed is:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Cost	**496,954**	448,387
Less: accumulated depreciation and impairment	**(404,763)**	(387,035)
	92,191	61,352

Construction-in-progress mainly includes renovations, leasehold improvements and operating vehicles, which are under construction for their intended use.

No borrowing costs (2015: nil) arising on financing entered into for the construction of certain property, plant and equipment have been capitalised and are included in "Additions" in property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Freehold land, building and machinery includes the following amounts where the Group is a lessee under a finance lease:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Cost — capitalised finance leases		
Land	**113,460**	110,174
Buildings	**743,542**	722,010
Plant and machinery	**37,758**	50,401
Total	**894,760**	882,585
Accumulated depreciation		
Land	**(66)**	(64)
Buildings	**(609,584)**	(570,730)
Plant and machinery	**(19,992)**	(29,753)
Total	**(629,642)**	(600,547)
Net book amount	**265,118**	282,038

The Group leases freehold land, building and machinery under non-cancellable finance lease agreements. The lease terms are between 10 and 15 years.

All freehold land is located in Europe.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

7 INVESTMENT PROPERTIES

	Buildings RMB'000
Cost	
At 1 January 2015 and at 31 December 2015	313,725
Transferred from property, plant and equipment (note 6)	149,194
At 31 December 2016	**462,919**
Accumulated depreciation	
At 1 January 2015	(91,880)
Charge for the year (note 26)	(6,086)
At 31 December 2015	(97,966)
Transferred from property, plant and equipment (note 6)	(67,466)
Charge for the year (note 26)	(9,039)
At 31 December 2016	**(174,471)**
Net book amount	
At 31 December 2016	**288,448**
At 31 December 2015	215,759

Depreciation has been charged to the consolidated income statement as follows (note 26):

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Cost of sales	**9,039**	6,086

Amounts recognised in profit and loss for investment properties

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Rental revenue	**107,658**	72,931
Direct operating expenses from properties that generated rental revenue	**(12,210)**	(10,420)
	95,448	62,511

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

7 INVESTMENT PROPERTIES (CONTINUED)

Valuation basis

The land use right and buildings located on, which are held to earn rentals, could not be separated for valuation purpose under income approach. The fair value of the properties as at 31 December 2016, which includes the building with the carrying amount of RMB288,488,000 (31 December 2015: RMB215,759,000) and the related land use right with the carrying amount of RMB33,747,000 (31 December 2015: RMB19,859,000), is approximately RMB991,313,000 (31 December 2015: RMB871,573,000).

At the end of each reporting period, the Directors update their assessment of the fair value of each property. The Directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar investment properties. Where such information is not available, the Directors consider information from a variety of sources including:

(i) current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;

(ii) discounted cash flow projections based on reliable estimates of future cash flows;

(iii) capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

The Group adopted the income approach to arrive at the fair value. The fair value is a level 3 input which is determined by discounting its annual expected cash flows using an appropriate rate of return.

At the end of the reporting year, the key assumptions used by the Directors in determining fair value were in the following ranges for the Group's portfolio of properties:

	Year ended 31 December	
	2016	2015
Discount rate	**8.8%–11.0%**	8.8%–11.0%
Rental growth rate	**0.0%–10.0%**	0.0%–10.0%

All of the above key assumptions have been taken from the latest valuation assessment in the portfolio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

7 INVESTMENT PROPERTIES (CONTINUED)

Leasing arrangements

Some of the investment properties are leased to tenants under long term operating leases with rentals payable monthly. Minimum future lease rentals under non cancellable operating leases of investment properties not recognised in the consolidated financial statements are as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Not later than 1 year	**105,298**	70,369
Later than 1 year but not later than 5 years	**393,381**	245,220
Later than 5 years	**493,244**	375,210
	991,923	690,799

8 LAND USE RIGHTS

Land use rights represent the net book amount of prepaid operating lease payments. Movements in land use rights are as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Cost		
At beginning of the year	**2,317,188**	2,317,188
Additions resulting from acquisition through business combination (note 37)	**106,409**	—
At end of the year	**2,423,597**	2,317,188
Accumulated amortisation		
At beginning of the year	**(412,407)**	(355,273)
Charge for the year (note 26)	**(59,581)**	(57,134)
At end of the year	**(471,988)**	(412,407)
Net book amount		
At end of the year	**1,951,609**	1,904,781

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

8 LAND USE RIGHTS (CONTINUED)

Amortisation has been charged to the consolidated income statement as follows (note 26):

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Cost of sales	**(59,581)**	(57,134)

9 INTANGIBLE ASSETS

	Goodwill RMB'000	Trademarks RMB'000	Computer software, patents and others RMB'000	Favourable lease contract RMB'000	Licences of operation vehicles RMB'000	Membership RMB'000	Total RMB'000
Cost							
At 1 January 2015	131,154	—	94,422	58,139	243,101	—	526,816
Additions	—	—	48,444	—	147	—	48,591
Additions resulting from acquisition through business combination	4,022,274	2,039,056	79,513	42,829	—	—	6,183,672
Disposal	—	—	(985)	—	(178)	—	(1,163)
Currency translation differences	98,500	49,932	6,313	1,111	—	—	155,856
At 31 December 2015	4,251,928	2,088,988	227,707	102,079	243,070	—	6,913,772
Additions	—	—	45,099	—	5,690	—	50,789
Additions resulting from acquisition through business combination (i) (note 37)	6,580,484	3,724,037	416,295	362,636	—	335,600	11,419,052
Disposal	—	—	(1,966)	—	—	—	(1,966)
Currency translation differences	121,330	62,300	6,794	1,388	—	—	191,812
At 31 December 2016	**10,953,742**	**5,875,325**	**693,929**	**466,103**	**248,760**	**335,600**	**18,573,459**

(i) The goodwill's additions resulting from acquisition through business combination also included the goodwill amounted to RMB7,557,000, related to the price adjustment on the acquisition of GDL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

9 INTANGIBLE ASSETS (CONTINUED)

	Goodwill RMB'000	Trademarks RMB'000	Computer software, patents and others RMB'000	Favourable lease contract RMB'000	Licences of operation vehicles RMB'000	Membership RMB'000	Total RMB'000
Accumulated amortisation and impairment							
At 1 January 2015	—	—	(74,154)	(23,245)	—	—	(97,399)
Charge for the year (note 26)	—	—	(36,109)	(5,652)	—	—	(41,761)
Disposal	—	—	966	—	—	—	966
Currency translation differences	—	—	(4,405)	(65)	—	—	(4,470)
At 31 December 2015	—	—	(113,702)	(28,962)	—	—	(142,664)
Charge for the year (note 26)	(3,741)	(18)	(110,643)	(40,794)	—	(12,575)	(167,771)
Disposal	—	—	684	—	—	—	684
Currency translation differences	—	—	(4,459)	(85)	—	—	(4,544)
At 31 December 2016	**(3,741)**	**(18)**	**(228,120)**	**(69,841)**	**—**	**(12,575)**	**(314,295)**
Net book amount							
At 31 December 2016	**10,950,001**	**5,875,307**	**465,809**	**396,262**	**248,760**	**323,025**	**18,259,164**
At 31 December 2015	4,251,928	2,088,988	114,005	73,117	243,070	—	6,771,108

Amortisation has been charged to the consolidated income statement as follows (note 26):

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Cost of sales	**167,771**	41,761

Impairment tests for goodwill

Goodwill is allocated to the Group's CGUs. The goodwill allocated to the CGUs is presented below:

	At 31 December	
	2016 RMB'000	2015 RMB'000
Full service hotels (a)	**28,377**	28,377
Select Service Hotels — managed and operated by Jin Jiang Metropolo (a)	**99,036**	102,777
Select Service Hotels — managed and operated by GDL (b)	**4,386,896**	4,120,774
Select Service Hotels — managed and operated by Plateno Group (a)	**5,766,875**	—
Select Service Hotels — managed and operated by Vienna Hotels (a)	**668,817**	—
	10,950,001	4,251,928

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

9 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for goodwill (continued)

The principal component of goodwill represents the excess of cost of acquisition of certain full service hotels and select service hotels over the fair value of the identified net assets acquired. The goodwill impairment assessment is based on recoverable amounts of respective CGUs which are determined by their value in use.

(a) The recoverable amounts of CGUs are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGUs operates.

The key assumption used for value-in-use calculations in 2016 are as follows:

	Full Service Hotels	Select Service Hotels — managed and operated by Jin Jiang Metropolo	Select Service Hotels — managed and operated by Plateno Group	Select Service Hotels — managed and operated by Vienna Hotels
Gross margin	37.6%	20.1%	28.1%	20.5%
Growth rate	3.8%	3.8%	8.1%	7.2%
Discount rate (pre-tax)	10.0%	10.0%	11.5%	11.4%

The key assumption used for value-in-use calculations in 2015 are as follows:

	Full Service Hotels	Select Service Hotels — managed and operated by Jin Jiang in Mainland China
Gross margin	34.3%	21.8%
Growth rate	3.8%	3.8%
Discount rate (pre-tax)	10.0%	10.0%

In view of the value-in-use of the CGUs, no provision for impairment losses is considered necessary.

(b) The recoverable amount of Select Service Hotels — managed and operated overseas generated from the business combination is determined based on fair value less costs of disposal. The fair value of the CGU is a level 3 input which is calculated based on the multiple of EBITDA method for the owned hotels and direct capitalization method for the management and franchised contracts. The valuation of owned hotels use the average discounted EBITDA of owned hotels and the retained multiplier which taking into account several criteria. The calculation of average EBITDA is based on a yearly forecasted EBITDA covering a ten-year period which is discounted at the inflation rate. The valuation of management and franchised contracts is based on direct capitalization of 2016 EBITDA derived from the management and franchised contracts to perpetuity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

9 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for goodwill (continued)

The key assumptions used for fair value less cost of disposal calculations in 2016 are as follows:

	Select Service Hotels — managed and operated overseas
Average EBITDA of owned hotels	**74,102,000**
2016 EBITDA of management and franchised contracts	**58,749,000**
Multiplier of owned hotels	**12.80**
Average capitalisation rate	**11.0%**

The key assumptions used for fair value less cost of disposal calculations in 2015 are as follows:

	Select Service Hotels — managed and operated overseas
Average EBITDA of owned hotels	67,403,000
2015 EBITDA of management and franchised contracts	57,170,000
Multiplier of owned hotels	12.80
Average capitalisation rate	10.6%

Impairment tests for licenses of operation vehicles

The licenses of operation vehicles impairment assessment is based on recoverable amounts which are determined by their value in use.

The recoverable amounts of licenses of operation vehicles are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

The key assumption used for value-in-use calculations are as follows:

	2016	2015
Gross margin	**20.5%**	20.9%
Growth rate	**0.0%**	0.0%
Discount rate (pre-tax)	**3.7%**	4.0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

9 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for trademarks

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Select Service Hotels — managed and operated by GDL (a)	**2,151,288**	2,088,988
Select Service Hotels — managed and operated by Plateno Group (b)	**2,965,700**	—
Select Service Hotels — managed and operated by Vienna Hotels (b)	**758,319**	—
	5,875,307	2,088,988

(a) The trademarks impairment test for GDL is based on recoverable amounts which are determined from the discounted future income flows attributable to each of the trademarks, including Première Classe,Campanile,Kyriad series, the Golden Tulip series.

The recoverable amounts of each trademark are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the Management covering a seven-year period. Cash flows beyond the seven-year period are extrapolated using the estimated growth rates stated below.

The key assumption used for value-in-use calculations as at 31 December 2016 are as follows:

	Première Classe	**Campanile**	**Kyriad series**	**Golden Tulip series**
Net Royalty Rate %	**2.80%–3.40%**	**2.60%–3.20%**	**2.00%**	**0.30%**
Growth rate	**1.50%**	**1.50%**	**1.50%**	**1.50%**
Discount rate (pre-tax)	**14.49%**	**14.49%**	**14.49%**	**14.49%**

The key assumption used for value-in-use calculations as at 31 December 2015 are as follows:

	Première Classe	Campanile	Kyriad series	Golden Tulip series
Net Royalty Rate %	3.20%–4.00%	3.30%–4.10%	2.80%	3.70%
Growth rate	1.50%	1.50%	1.50%	1.50%
Discount rate (pre-tax)	14.49%	14.49%	14.49%	14.49%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

9 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for trademarks (continued)

(b) The trademarks impairment test for Plateno Group and Vienna Hotels is based on recoverable amounts which are determined from the discounted future income flows attributable to its trademarks.

The recoverable amounts of each trademark are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the Management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

The key assumption used for value-in-use calculations as at 31 December 2016 are as follows:

	Plateno Group	Vienna Hotels
Growth rate	2%–7.4%	12%
Share rate	1.6%	1.6%
Discount rate (pre-tax)	12.4%	12.4%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

10 SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 42.

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

Summarised balance sheet

	Jin Jiang Hotels Development		Jin Jiang Travel		Jin Jiang Investment	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000 (Restated)
Non-current assets	**34,508,872**	21,367,076	**1,015,270**	1,207,631	**3,521,576**	3,821,032
Current assets	**9,687,193**	5,659,302	**642,548**	588,165	**943,140**	1,167,194
Total Assets	**44,196,065**	27,026,378	**1,657,818**	1,795,796	**4,464,716**	4,988,226
Non-current liabilities	**(17,812,153)**	(11,236,167)	**(152,093)**	(196,049)	**(345,749)**	(426,387)
Current liabilities	**(12,065,915)**	(7,315,706)	**(339,417)**	(332,124)	**(603,801)**	(745,824)
Total liabilities	**(29,878,068)**	(18,551,873)	**(491,510)**	(528,173)	**(949,550)**	(1,172,211)
Net assets (i)	**14,317,997**	8,474,505	**1,166,308**	1,267,623	**3,515,166**	3,816,015

(i) The additions in net assets of Jin Jiang Hotels Development as at 31 December 2016 mainly include the increase in share capital amounted to RMB4,506,284,000.

On an extraordinary general meeting of shareholders of Jin Jiang Hotels Development held on 27 November 2015, a private placing (the "Private Placing") was approved to issue 150,958,260 A Shares at a price of RMB29.93 per share to the Company and other 5 investors. Private Placing was intended to raise total proceeds of not more than RMB4,518,180,800. In April 2016, the Private Placing was adjusted to issue 153,418,700 A shares at a price of RMB29.45 per share. On 2 August 2016, Jin Jiang Hotels Development completed the Private Placing. The Company and other 5 investors were issued 77,196,290 shares and 76,222,410 shares with cash consideration of RMB2,267,562,000 and RMB2,238,722,000 (netting off transaction cost), respectively. The Company's interest in Jin Jiang Hotels Development as a percentage of Jin Jiang Hotels Development's total issued share capital is maintained at 50.32% before and after the completion of the Private Placing, and the Group received the capital contribution of RMB2,238,722,000 from the non-controlling interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

10 SUBSIDIARIES (CONTINUED)

Summarised financial information on subsidiaries with material non-controlling interests (continued)

Summarised statement of comprehensive income

	Jin Jiang Hotels Development		Jin Jiang Travel		Jin Jiang Investment	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000 (Restated)
Revenue	**10,635,544**	5,562,703	**1,907,531**	2,280,187	**2,356,275**	2,228,840
Profit before income tax expense	**978,090**	880,123	**73,439**	67,892	**321,388**	306,963
Income tax expense	**(259,230)**	(238,637)	**(12,402)**	(7,720)	**(36,385)**	(39,192)
Profit for the year	**718,860**	641,486	**61,037**	60,172	**285,003**	267,771
Other comprehensive income	**(274,895)**	(727,225)	**(131,864)**	47,029	**(260,721)**	1,058,171
Total comprehensive income	**443,965**	(85,739)	**(70,827)**	107,201	**24,282**	1,325,942
Total comprehensive income allocated to non-controlling interests	**220,562**	(42,595)	**(35,265)**	53,375	**14,749**	805,377
Dividends paid to non-controlling interests	**11,743**	26,752	**–**	–	**32,468**	26,882

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

10 SUBSIDIARIES (CONTINUED)

Summarised financial information on subsidiaries with material non-controlling interests (continued)

Summarised cash flows

	Jin Jiang Hotels Development		Jin Jiang Travel		Jin Jiang Investment	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000 (Restated)
Net cash generated from/(used in) operating activities	2,281,977	1,124,261	(64,802)	(30,554)	271,235	331,565
Net cash (used in)/generated from investing activities	(8,614,550)	(2,469,063)	26,933	144,269	(267,803)	(238,606)
Net cash generated from/(used in) financing activities	8,857,984	1,536,312	(30,488)	(29,427)	(210,608)	(179,572)
Exchange losses on cash and cash equivalents	35,552	54,005	—	—	—	—
Net increase/(decrease) in cash and cash equivalents	2,560,963	245,515	(68,357)	84,288	(207,176)	(86,613)

The information above is the amount (100% basis) before inter-company eliminations.

11 INVESTMENTS IN JOINT VENTURES

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
At 1 January	1,550,497	1,394,187
Additions for the retained interest in the entity remeasured to its fair value when control is lost for the disposal of 50% equity interests in a subsidiary	—	363,556
Share of results (note 29)	(38,829)	67,911
— Profit before income tax	(21,479)	87,768
— Income tax expense	(17,350)	(19,857)
Declaration of dividends	(129,865)	(85,680)
Return of capital	—	(237,878)
Disposals (note 33(b))	(208,289)	—
Currency translation differences	(4,755)	48,401
At 31 December	1,168,759	1,550,497

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

11 INVESTMENTS IN JOINT VENTURES (CONTINUED)

The joint ventures have share capital consisting solely of ordinary shares, which is held directly by the Group.

Particulars of the Group's principal joint ventures are set out in note 42.

All joint ventures are private companies and there is no quoted market price available for their shares.

Commitments and contingent liabilities in respect of joint ventures

The Group has the following commitments relating to its joint ventures.

	2016 RMB'000	2015 RMB'000
Proportionate interests in joint ventures' capital and lease commitments	29,746	159,399

There are no material contingent liabilities relating to the Group's interest in the joint ventures.

Summarised financial information for joint ventures

All joint ventures of the Group as at 31 December 2016 are immaterial to the Group. A summary of the financial information of the Group's joint ventures, attributable to the shares of the Group and in aggregate, is as follows:

Summarised statement of comprehensive income

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Profit for the year	(38,829)	67,911
Other comprehensive income	(4,755)	48,401
Total comprehensive income	(43,584)	116,312

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

11 INVESTMENTS IN JOINT VENTURES (CONTINUED)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interests in joint ventures.

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Opening net assets	**1,550,497**	1,394,187
Additions for the retained interest in the entity remeasured to its fair value when control is lost for the disposal of 50% equity interests in a subsidiary	**—**	363,556
Profit for the year (note 29)	**(38,829)**	67,911
Declaration of dividends	**(129,865)**	(85,680)
Return of capital	**—**	(237,878)
Disposals	**(208,289)**	—
Currency translation differences	**(4,755)**	48,401
Closing net assets	**1,168,759**	1,550,497
Carrying value	**1,168,759**	1,550,497

12 INVESTMENTS IN ASSOCIATES

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
At beginning of the year	**668,965**	536,643
Additions	**8,732**	—
Additions resulting from acquisition through business combination (note 37)	**28,530**	75,585
Share of results (note 29)	**224,508**	167,685
— Profit before income tax	**293,872**	214,146
— Income tax expense	**(69,364)**	(46,461)
Declaration of dividends	**(148,149)**	(114,258)
Impairment losses	**(4,859)**	—
Disposals	**—**	(502)
Currency translation differences	**2,714**	3,812
At end of the year	**780,441**	668,965

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

12 INVESTMENTS IN ASSOCIATES (CONTINUED)

Particulars of the Group's principal associates are set of in note 42.

All associates are private companies and there is no quoted market price available for their shares.

There are no material contingent liabilities relating to the Group's interest in the associates.

Summarised financial information for associates

All associates of the Group as at 31 December 2016 are immaterial to the Group. A summary of the financial information of the Group's associates attributable to the shares of the Group and in aggregate is as follows:

Summarised statement of comprehensive income

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Profit for the year	**224,508**	167,685
Other comprehensive income	**2,714**	3,812
Total comprehensive income	**227,222**	171,497

Reconciliation of summaries financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interests in associates.

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Opening net assets	**668,965**	536,643
Additions	**8,732**	—
Additions resulting from acquisition through business Combination (note 37)	**28,530**	75,585
Profit for the year	**224,508**	167,685
Declaration of dividends	**(148,149)**	(114,258)
Impairment losses	**(4,859)**	—
Disposal	**—**	(502)
Currency translation differences	**2,714**	3,812
Closing net assets	**780,441**	668,965
Carrying value	**780,441**	668,965

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

13 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables RMB'000	Financial assets at fair value through the profit or loss RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
31 December 2016				
Available-for-sale financial assets (note 14)	—	—	3,667,472	3,667,472
Trade receivables, prepayments and other receivables excluding non-financial assets	2,630,863	—	—	2,630,863
Financial assets at fair value through profit or loss (note 18)	—	60,924	—	60,924
Restricted cash and bank deposits (note 19)	7,316,516	—	—	7,316,516
Cash and cash equivalents (note 20)	6,559,042	—	—	6,559,042
	16,506,421	60,924	3,667,472	20,234,817

	Financial liabilities at amortised cost RMB'000	Derivatives used for hedging RMB'000	Total RMB'000
31 December 2016			
Borrowings (excluding finance lease liabilities) (note 23)	24,772,424	—	24,772,424
Finance lease liabilities (note 23)	169,777	—	169,777
Derivative financial instruments	—	6,158	6,158
Trade and other payables excluding non-financial liabilities	5,018,657	—	5,018,657
	29,960,858	6,158	29,967,016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

13 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Loans and receivables RMB'000	Financial assets at fair value through the profit or loss RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
31 December 2015 (Restated)				
Available-for-sale financial assets (note 14)	—	—	4,377,243	4,377,243
Trade receivables, prepayments and other receivables excluding non-financial assets	2,313,454	—	—	2,313,454
Financial assets at fair value through profit or loss (note 18)	—	137,795	—	137,795
Restricted cash and bank deposits (note 19)	7,275,874	—	—	7,275,874
Cash and cash equivalents (note 20)	5,043,538	—	—	5,043,538
	14,632,866	137,795	4,377,243	19,147,904

	Financial liabilities at amortised cost RMB'000	Derivatives used for hedging RMB'000	Total RMB'000
31 December 2015 (Restated)			
Borrowings (excluding finance lease liabilities) (note 23)	16,207,042	—	16,207,042
Finance lease liabilities (note 23)	178,251	—	178,251
Derivative financial instruments	—	6,360	6,360
Trade and other payables excluding non-financial liabilities	4,383,624	—	4,383,624
	20,768,917	6,360	20,775,277

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
At beginning of the year	**4,377,243**	3,790,307
Additions	**2,251,570**	1,236,532
Additions resulting from acquisition through business combinations (note 37)	**400,603**	9,444
Fair value changes (recorded under other comprehensive income)	**(528,930)**	973,557
Disposals	**(2,832,585)**	(1,544,888)
Impairment losses	**(508)**	(87,725)
Currency translation differences	**79**	16
At end of the year	**3,667,472**	4,377,243
Less: current portion of available-for-sale financial assets (i)	**(182,022)**	(297,976)
	3,485,450	4,079,267
Current portion of available-for-sale financial assets (i)	**182,022**	297,976

(i) Current portion of available-for-sale financial assets represents the unlisted debenture securities with maturity within 12 months.

	At 31 December	
	2016	2015
		(Restated)
Listed securities, at fair value		
— Equity securities, listed in Mainland China	**2,731,585**	3,840,968
Unlisted securities, at fair value		
— Equity securities	**761,549**	125,989
— Debenture securities	**182,022**	418,959
— Convertible bond	**—**	652
Unlisted securities, at cost		
— Equity securities (i)	**85,286**	83,598
Less: provision for impairment of unlisted equity investments	**(92,970)**	(92,923)
	3,667,472	4,377,243
Market value of listed equity investments	**2,731,585**	3,840,968

(i) The balance represents the Group's investments in various companies which do not have a quoted market price in an active market and whose fair value cannot be reliably measured because the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

15 DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Deferred income tax assets		
— Deferred income tax assets to be recovered after more than 12 months	**641,473**	500,837
— Deferred income tax assets to be recovered within 12 months	**54,017**	50,852
	695,490	551,689
Deferred income tax liabilities		
— Deferred income tax liabilities to be settled after more than 12 months	**(3,087,794)**	(2,208,415)
— Deferred income tax liabilities to be settled within 12 months	**(54,204)**	(21,274)
	(3,141,998)	(2,229,689)
	(2,446,508)	(1,678,000)

The movement on the deferred income tax account is as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
At beginning of the year	**(1,678,000)**	(675,389)
Additions resulting from acquisition through business combination (note 37)	**(1,055,083)**	(691,461)
Credited/(charged) to consolidated income statement	**42,988**	(170,278)
Credited/(charged) to other comprehensive income (note 30)	**266,345**	(122,398)
Currency translation differences	**(22,758)**	(18,474)
At end of the year	**(2,446,508)**	(1,678,000)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

15 DEFERRED INCOME TAX (CONTINUED)

The movement in deferred income tax assets and liabilities during the year ended 31 December 2016, without taking into consideration of the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets:

	Impairment of assets RMB'000	Accelerated accounting depreciation RMB'000	Tax losses RMB'000	Provisions RMB'000	Asset basis differences (i) RMB'000	Other temporary differences (ii) RMB'000	Total RMB'000
At 1 January 2015	5,422	7,730	45,613	99,393	80,688	67,134	305,980
Additions resulting from acquisition through business combination	–	–	530,972	54,662	–	20,869	606,503
Credited/(charged) to consolidated income statement	92	(336)	(50,131)	(45,698)	–	(540)	(96,613)
Currency translation differences	–	–	11,773	1,332	–	(120)	12,985
At 31 December 2015	5,514	7,394	538,227	109,689	80,688	87,343	828,855
Additions resulting from acquisition through business combination (note 37)	23,710	–	58,245	34,795	–	57,277	174,027
Credited/(charged) to consolidated income statement	12,733	(271)	1,272	(67,332)	–	18,731	(34,867)
Currency translation differences	–	–	14,905	1,807	–	(70)	16,642
At 31 December 2016	**41,957**	**7,123**	**612,649**	**78,959**	**80,688**	**163,281**	**984,657**

(i) The amount as at 31 December 2016 and 31 December 2015 represents the land appreciation tax in connection with reorganisation with Jin Jiang Hotels Development, which can be deducted against future appreciation when the related land use right and properties are sold out of the Group. However, these appreciation of the related land use right and properties were eliminated in the consolidated balance sheet under intercompany transactions, which resulted in a deferred income tax asset.

(ii) The amount mainly includes the deferred income tax effect for deferred revenue under customer loyalty program and accrued rental expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

15 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities:

	Impairment of assets (i) RMB'000	Accelerated tax depreciation RMB'000	Fair value changes on financial instruments RMB'000	Fair value adjustments on other assets RMB'000	Other temporary differences (ii) RMB'000	Total RMB'000
At 1 January 2015	(8,369)	(47,032)	(753,512)	(172,456)	—	(981,369)
Additions resulting from acquisition through business combination	—	(44,693)	—	(1,205,969)	(47,302)	(1,297,964)
(Charged)/credited to consolidated income statement	(2,441)	4,549	(3,575)	(61,477)	(10,721)	(73,665)
Charged to other comprehensive income	—	—	(121,774)	—	(624)	(122,398)
Currency translation differences	—	(965)	—	(29,054)	(1,440)	(31,459)
At 31 December 2015	(10,810)	(88,141)	(878,861)	(1,468,956)	(60,087)	(2,506,855)
Additions resulting from acquisition through business combination (note 37)	—	—	—	(1,227,477)	(1,633)	(1,229,110)
(Charged)/credited to consolidated income statement	(1,718)	3,953	3,575	64,043	8,002	77,855
Charged to other comprehensive income	—	—	264,036	—	2,309	266,345
Currency translation differences	—	(1,248)	—	(36,460)	(1,692)	(39,400)
At 31 December 2016	**(12,528)**	**(85,436)**	**(611,250)**	**(2,668,850)**	**(53,101)**	**(3,431,165)**

(i) Certain provisions for impairment of loans granted to subsidiaries were deductible for PRC current income tax purpose. However, these provisions were eliminated in the consolidated balance sheet, which resulted in a deferred income tax liability.

(ii) The amount mainly includes the deferred income tax effect for finance lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

15 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB301,116,000 (2015: RMB255,991,000) in respect of tax losses, as the Directors believe it is more likely than not that such tax losses would not be realised before their expiry. The expiry of related unrecognised deferred income tax assets are analysed as follows:

	At 31 December	
	2016 **RMB'000**	2015 RMB'000 (Restated)
Within 1 year	**45,194**	48,211
Between 1 and 2 years	**31,072**	39,322
Between 2 and 3 years	**49,545**	27,414
Between 3 and 4 years	**71,074**	36,938
Between 4 and 5 years	**60,247**	44,301
Over 5 year (i)	**43,984**	59,805
	301,116	255,991

(i) The amount represents the unrecognized deferred income tax assets of GDL, whose tax losses have no expiring date.

16 INVENTORIES

	At 31 December	
	2016 **RMB'000**	2015 RMB'000 (Restated)
Raw materials	**89,493**	73,374
Finished goods/goods held for resale	**77,266**	99,698
Consumables and supplies	**29,022**	24,181
	195,781	197,253

The cost of inventories recognised as expense and included in cost of sales amounted to RMB3,876,693,000 (2015: RMB3,620,393,000) (note 26).

The Group provision for inventories by RMB516,000 for the year ended 31 December 2016 (2015: reversal of inventories write-down by RMB65,000) (note 26).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

17 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Trade receivables	**999,476**	766,021
Less: provision for impairment of trade receivables	**(135,060)**	(104,227)
Trade receivables — net	**864,416**	661,794
Prepayments and deposits	**1,105,008**	501,114
Loans to related parties by Finance Company (note 39(b))	**422,000**	788,000
Interest receivables	**359,670**	129,519
Other prepaid and recoverable tax	**203,318**	131,757
Other amounts due from related parties (note 39(b))	**133,674**	116,651
Loans to related parties by the Group other than Finance Company (note 39(b))	**130,820**	209,000
Accrued rental revenue	**49,694**	38,062
Loans to third parties	**28,422**	—
Value-added tax ("VAT") recoverable	**3,157**	7,642
Others	**68,024**	50,413
Less: provision for impairment of other receivables	**(56,419)**	(30,257)
Prepayments and other receivables — net	**2,447,368**	1,941,901
	3,311,784	2,603,695
Less: non-current portion of trade receivables, prepayments and other receivables	**(434,024)**	(265,640)
	2,877,760	2,338,055
Non-current portion of trade receivables, prepayments and other receivables:		
Interest receivables	**224,511**	96,452
Prepayments and deposits	**136,599**	95,913
Accrued rental revenue	**49,694**	38,062
Amounts due from related parties	**23,120**	35,213
Loans to third parties	**100**	—
	434,024	265,640

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

17 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

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

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

As of 31 December 2016, trade receivables of RMB169,132,000 (31 December 2015: RMB215,431,000) were impaired and the corresponding amount of the provision was RMB135,060,000 (31 December 2015: RMB104,227,000). The impairment is firstly assessed individually for individual significant or long ageing balances, and the remaining balances are grouped for collective assessment according to their ageing and historical default rates as these customers are of similar credit risk characteristics. Ageing analysis of these impaired receivables at respective balance sheet dates are as follows:

	At 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
3 months to 1 year	**73,946**	148,236
Over 1 year	**95,186**	67,195
	169,132	215,431

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

17 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

As of 31 December 2016, trade receivables of RMB37,699,000 (31 December 2015: RMB39,505,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	At 31 December	
	2016	2015
	RMB'000	RMB'000
3 months to 1 year	**23,621**	28,336
Over 1 year	**14,078**	11,169
	37,699	39,505

The carrying amounts of the Group's trade receivables, prepayments and other receivables are denominated in the following currencies:

	At 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
RMB	**2,617,675**	1,953,340
EUR	**671,219**	642,959
US$	**22,889**	7,396
HK$	**1**	—
	3,311,784	2,603,695

Movements on the provision for impairment of trade receivables, prepayments and other receivables are as follows:

	At 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
At beginning of the year	**(134,484)**	(12,381)
Additions resulting from acquisition through business combination	**(29,800)**	(96,273)
Provision for of impairment of trade receivables, prepayments and other receivables (note 26)	**(24,244)**	(23,185)
Currency translation differences	**(2,951)**	(2,645)
At end of the year	**(191,479)**	(134,484)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

17 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

The creation and usage of provision for impaired receivables have been included in "Administrative expenses" in the consolidated income statement (note 26).

The maximum exposure of the Group to credit risk at the balance sheet date was the carrying value of trade receivables, prepayments and other receivables as mentioned above.

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December	
	2016	2015
	RMB'000	RMB'000
At beginning of the year	**137,795**	94,629
Additions	**160,527**	163,853
Additions resulting from acquisition through business combination	**—**	6,442
Fair value changes transferred to profit or loss	**(14,486)**	14,549
Disposals	**(222,912)**	(141,678)
At end of the year	**60,924**	137,795

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Listed securities, at fair value		
— Equity securities, listed in Mainland China	**436**	14,922
Unlisted securities, at fair value		
— Debenture securities	**60,488**	122,873
	60,924	137,795
Market value of listed equity investments	**436**	14,922

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

19 RESTRICTED CASH AND BANK DEPOSITS

(a) Restricted cash

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Mandatory reserve deposit (i)	**209,761**	164,235
Deposits pledged for borrowings (ii)	**4,723,560**	4,723,560
Other restricted cash (iii)	**32,924**	5,941
	4,966,245	4,893,736
Less: non-current portion of restricted cash	**(3,306,492)**	(3,778,848)
	1,659,753	1,114,888
Restricted cash denominated in		
— RMB	**4,965,954**	4,893,736
— US$	**291**	—
	4,966,245	4,893,736

(i) Mandatory reserve deposit of Finance Company, a subsidiary and non-bank finance company, was placed with the People's Bank of China, the central bank of the Mainland China. The weighted average effective interest rate on mandatory reserve deposit was 1.62% (2015: 1.62%) per annum.

(ii) At 31 December 2016, the deposit amounted to RMB4,723,560,000 was placed with commercial banks as pledge for borrowings amounted to EUR1,289,484,000 equivalent to RMB9,423,308,000 (note 23). The weighted average effective interest rate on the deposit was 3.56% per annum. The deposits with maturities within one year amounted to RMB1,417,068,000 is recorded in current assets, while deposits with maturities over one year amounted to RMB3,306,492,000 is recorded in non-current assets;

At 31 December 2015, the deposit amounted to RMB4,723,560,000 was placed with commercial banks as pledge for borrowings amounted to EUR1,289,305,000, equivalent to RMB9,147,876,000 (note 23). The weighted average effective interest rate on the deposit was 3.81% per annum. The deposits with maturities within one year amounted to RMB944,712,000 was recorded in current assets, while deposits with maturities over one year amounted to RMB3,778,848,000 was recorded in non-current assets.

(iii) Other restricted cash included: (1) guarantee fund for providing travel agency services of RMB3,700,000 (31 December 2015: RMB5,100,000) as is required by National Tourism Administration of the People's Republic of China with effective interest rate of 3.25% (2015: 3.25%); (2)deposit pledged for issuance of letters of credit of RMB15,144,000 (31 December 2015: RMB841,000) with effective interest rate of 0.35% (2015: 0.35%); (3) restricted cash deposits for litigation of RMB14,080,000 (31 December 2015: nil) with effective interest rate of 0.35% (2015: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

19 RESTRICTED CASH AND BANK DEPOSITS (CONTINUED)

(b) Bank deposits with maturities over 3 months

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Bank deposits with maturities ranging from 3 months to 12 months	**1,850,271**	1,046,138
Bank deposits with maturities over 12 months but to be early withdrawn (i)	**500,000**	1,100,000
	2,350,271	2,146,138
Denominated in:		
— RMB	**2,350,271**	2,096,400
— US$	**—**	49,738
	2,350,271	2,146,138

(i) As at 31 December 2016, bank deposits amounted to RMB500,000,000 (31 December 2015: RMB1,100,000,000) were with maturities over 12 months, but the management of the Group intended to early withdraw these deposits within one year according to their estimation on future cashflows. There is no restriction in early withdrawal of these bank deposits. Therefore, these bank deposits were recorded under current assets at the year end, and interests income accrued based on the original rate as of deposit over 1 year has been reversed.

(c) Bank deposits with maturities over 12 months

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Bank deposits with maturities over 12 months	**—**	236,000

Bank deposits with maturities over 12 months are all denominated in RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

20 CASH AND CASH EQUIVALENTS

	At 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Cash at bank and in hand	**5,525,542**	3,076,546
Bank deposits with maturities within 3 months	**1,033,500**	1,966,992
	6,559,042	5,043,538
Cash and cash equivalents denominated in		
— RMB	**5,341,686**	4,080,933
— EUR	**794,406**	795,228
— US$	**350,586**	97,538
— Other foreign currencies	**72,364**	69,839
	6,559,042	5,043,538

The weighted average effective interest rate on bank deposits with maturities within 3 months was 3.63% (2015: 3.12%) per annum.

21 SHARE CAPITAL AND RESERVES

(a) Share capital

	Share capital	
	Number of shares	Amount
	'000	RMB'000
At 31 December 2015 and 2016	5,566,000	5,566,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

21 SHARE CAPITAL AND RESERVES (CONTINUED)

(b) Reserves

	Other reserves								
	Capital surplus (i) RMB'000	Statutory and discretionary surplus reserve (ii) RMB'000	Merger reserve (iii) RMB'000	Available-for-sale financial assets (iv) RMB'000	Currency translation differences RMB'000	Other RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2015, as previously presented	2,041,625	622,416	(2,886,243)	1,274,518	(19,060)	—	1,033,256	2,020,036	3,053,292
Common control combination (note 36)	—	—	5,563	—	—	—	5,563	(289)	5,274
At 1 January 2015 (Restated)	2,041,625	622,416	(2,880,680)	1,274,518	(19,060)	—	1,038,819	2,019,747	3,058,566
Profit for the year	—	—	—	—	—	—	—	865,528	865,528
Remeasurements of post-employment benefit obligations net of tax	—	—	—	—	—	295	295	—	295
Fair value changes on available-for-sale financial assets — gross	—	—	—	339,585	—	—	339,585	—	339,585
Transfer of fair value changes on disposal of available-for-sale financial assets — gross	—	—	—	(245,449)	—	—	(245,449)	—	(245,449)
Fair value changes on available-for-sale financial assets and transfer of fair value changes on disposal of available-for-sale financial assets — tax	—	—	—	(23,534)	—	—	(23,534)	—	(23,534)
Cash flow hedges	—	—	—	—	—	411	411	—	411
Currency translation differences	—	—	—	—	12,781	—	12,781	—	12,781
Dividends declared (note 32)	—	—	—	—	—	—	—	(278,300)	(278,300)
Profit appropriation	—	39,756	—	—	—	—	39,756	(39,756)	—
Others	—	—	—	—	—	292	292	—	292
At 31 December 2015 (Restated)	2,041,625	662,172	(2,880,680)	1,345,120	(6,279)	998	1,162,956	2,567,219	3,730,175

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

21 SHARE CAPITAL AND RESERVES (CONTINUED)

(b) Reserves (continued)

	Other reserves								
	Capital surplus (i) RMB'000	Statutory and discretionary surplus reserve (ii) RMB'000	Merger reserve (iii) RMB'000	Available-for-sale financial assets (iv) RMB'000	Currency translation differences RMB'000	Other RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2016 (Restated)	2,041,625	662,172	(2,880,680)	1,345,120	(6,279)	998	1,162,956	2,567,219	3,730,175
Profit for the year	–	–	–	–	–	–	–	758,446	758,446
Remeasurements of post-employment benefit obligations net of tax	–	–	–	–	–	(2,174)	(2,174)	–	(2,174)
Fair value changes on available-for-sale financial assets — gross	–	–	–	(247,279)	–	–	(247,279)	–	(247,279)
Transfer of fair value changes on disposal of available-for-sale financial assets — gross	–	–	–	(193,051)	–	–	(193,051)	–	(193,051)
Fair value changes on available-for-sale financial assets and transfer of fair value changes on disposal of available-for-sale financial assets — tax	–	–	–	128,535	–	–	128,535	–	128,535
Cash flow hedges	–	–	–	–	–	(39)	(39)	–	(39)
Currency translation differences	–	–	–	–	4,655	–	4,655	–	4,655
Dividends declared (note 32)	–	–	–	–	–	–	–	(361,790)	(361,790)
Profit appropriation	–	35,098	–	–	–	–	35,098	(35,098)	–
Acquisition of equity interests in from non-controlling equity holders	(22,571)	–	–	–	–	–	(22,571)	–	(22,571)
Capital contribution from a non-controlling interest	(886)	–	–	–	–	–	(886)	–	(886)
Effect of business combination under common control combination	(3,061)	–	–	–	–	–	(3,061)	–	(3,061)
At 31 December 2016	2,015,107	697,270	(2,880,680)	1,033,325	(1,624)	(1,215)	862,183	2,928,777	3,790,960

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

21 SHARE CAPITAL AND RESERVES (CONTINUED)

(b) Reserves (continued)

(i) Capital surplus represents premium arising from shareholders' contribution in excess of paid-in capital or from the issue of shares at a price in excess of their par value per share, and the effect for transactions with non-controlling interests on changes in equity attributable to shareholders of the Company.

(ii) Pursuant to the Company Law of the Mainland China and the articles of association of certain group companies, the Company is required to transfer 10% of its net profit, as determined under the Mainland China accounting regulations, to statutory surplus reserve until the fund aggregates to 50% of their share capital; after the transfer of statutory surplus reserves, the Company can appropriate profit, subject to respective shareholders' approval, to discretionary surplus reserve.

The transfer to statutory and discretionary reserves must be made before distribution of dividends to shareholders. These reserves shall only be used to make good previous years' losses, to expand production operations, or to increase the capital of the Company. The Company may transfer the statutory surplus reserve into share capital, provided that the balance of the statutory surplus reserve after such transfer is not less than 25% of the registered capital.

(iii) Merger reserve represents the net effect arising from the application of merger accounting for business combinations resulting from transactions among entities under common control. It includes (1) the paid-in capital of certain subsidiaries, which were transferred to the Group in the group Reorganisation and Acquisition, and their retained earnings/(accumulated losses) before acquisitions by Jin Jiang International, which were credited/(debited) to merger reserve and (2) the considerations and other settlements paid by the Group in the Reorganisation and Acquisition to obtain the interests in these subsidiaries, which were debited to merger reserve.

(iv) Reserve on available-for-sale financial assets represents the accumulated changes in fair value, net of tax, on available-for-sale financial assets through equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

22 TRADE AND OTHER PAYABLES

	At 31 December	
	2016 RMB'000	2015 RMB'000 (Restated)
Trade payables	**1,698,379**	844,658
Employee benefit payables (i)	**1,572,740**	1,290,566
Advances from customers	**1,173,430**	636,295
Deposits from related parties in Finance Company (note 39(b))	**1,041,098**	1,947,610
Payables for purchases of property, plant and equipment, and intangible assets	**634,678**	392,430
Deposits from lessees and constructors	**395,797**	372,786
Advances on behalf of the franchises	**393,491**	—
Other tax payable	**303,105**	288,990
Accrued expenses	**188,892**	113,938
Deferred payment of acquisition of subsidiaries	**187,642**	34,345
Other amounts due to related parties (note 39(b))	**167,155**	182,103
Provisions for other liabilities and charges (iii)	**61,392**	68,575
Interest payable	**54,283**	25,007
Deferred government grants	**50,123**	61,910
Defined benefit plan of GDL (ii)	**49,010**	161,863
Deferred revenue for customer loyalty programme	**47,721**	1,043
Marketing fund	**43,361**	57,878
Payables related to the disposal of Galaxy Hotel	**36,962**	36,962
Dividend payable to non-controlling interests	**21,763**	21,923
Deposits for private placing share	**—**	45,167
Others	**139,922**	78,265
	8,260,944	6,662,314
Less: non-current portion of trade payables, provisions and other payables	**(927,987)**	(1,135,670)
Current portion of trade payables, provisions and other payables	**7,332,957**	5,526,644
Non-current portion of trade payables, provisions and other payables:		
Employee benefits payables	**554,310**	750,624
Deposits from related parties in Finance Company	**138,000**	179,767
Provisions for other liabilities and charges	**61,392**	68,575
Deferred revenue for customer royalty programme	**47,721**	1,043
Marketing fund	**43,361**	57,878
Deferred government grants	**42,393**	52,964
Payables for purchases of property, plant and equipment, and intangible assets	**9,776**	1,876
Deposits from lessees and constructors	**8,150**	14,500
Other payables	**22,884**	8,443
	927,987	1,135,670

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

22 TRADE AND OTHER PAYABLES (CONTINUED)

(i) The balance as at 31 December 2016 is mainly included the employee benefits payables of RMB504,941,000 (31 December 2015: RMB568,170,000) incurred for early retirement plan, and redundant employee plan for hotel renovation.

The table below outlines where the Group's termination benefits, early retirement welfare and long-term employee benefits for the redundant employees during hotel renovations amounts and activity are included in the consolidated balance sheet and consolidated income statement.

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Consolidated balance sheet obligations for:		
— Early retirement welfare (a)	**500,750**	563,030
— Employee benefits for the redundant employees during hotel renovations (b)	**4,191**	5,140
	504,941	568,170
Less: Current portion	**(65,651)**	(47,690)
Non-current portion	**439,290**	520,480

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Consolidated income statement charge included in employee benefit expenses for (note 27):		
Employee benefit expenses for Early Retirement Plan and Redundant Employee Plan for Hotel Renovation	**(23,459)**	95,101

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

22 TRADE AND OTHER PAYABLES (CONTINUED)

(i) (continued)

(a) Early retirement welfare

In 2014, the Group announced a series of detailed formal plan (the "Early Retirement Plan") to early retire certain current redundant employees without possibility of withdrawal. In 2015, the Group disposed 50% equity interest in Galaxy Hotel, and some employees of Galaxy Hotel were also brought into the Early Retirement Plan. Under the Early Retirement Plan, the Group is obliged to make monthly payment of wages, salaries and social welfare to these early retired employees from the date of early retirement to the regulated retirement date.

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

In 2014, certain hotels under the Group have stopped or will stop operations to implement renovation of the whole hotel properties for certain periods. The Group announced a series of detailed formal plan (the "Redundant Employee Plan for Hotel Renovation") and the Group is obliged to make monthly payment of wages, salaries and social welfare to these redundant employees during the renovation period. The Redundant Employee Plan for Hotel Renovation is without possibility of withdrawal.

The movement in the obligations for Early Retirement Plan and Redundant Employee Plan for Hotel Renovation over the year is as follows:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
At beginning of the year	**568,170**	528,840
Employee benefit expenses recognised in consolidated income statement (note 27)	**(23,459)**	95,101
Benefit payments during the year	**(39,770)**	(55,771)
At end of the year	**504,941**	568,170

The above obligations were determined based on actuarial valuations performed by an independent qualified actuarial firm, Towers Perrin Consulting Company Limited (member of the Society of Actuaries and the China Association of Actuaries).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

22 TRADE AND OTHER PAYABLES (CONTINUED)

(i) (continued)

The significant actuarial assumptions were as follows:

	At 31 December	
	2016	2015
Discount rate	**2.50%–3.00%**	2.50%–2.75%
Mortality rate	**Chinese residents ordinary life span**	Chinese residents ordinary life span
Benefit increase rate	**8%**	8%

The sensitivity of the employee benefit obligations to changes in the weighted principal assumptions is:

	Change in assumption	Increase in obligations balance RMB'000	Decrease in obligations balance RMB'000
Discount rate	0.25%	5,690	(5,540)
Benefit increase rate	0.25%	5,030	(4,920)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the employee benefit obligations to significant actuarial assumptions, the calculation method is the same as that used in the calculation of liability recognised in the consolidated financial statements (i.e. present value of the employee benefit obligations calculated with the projected unit credit method at the end of the reporting period).

Expected maturity analysis of undiscounted employee benefits:

	At 31 December	
	2016 RMB'000	2015 RMB'000
Within 1 year	**61,460**	42,550
Between 1 year and 2 years	**88,330**	65,700
Between 2 years and 5 years	**168,690**	206,170
Over 5 years	**218,910**	316,750
	537,390	631,170

The retirement termination payment plans pursuant to collective bargaining agreements and/or company-wide agreements provide for the payment of an amount on retirement based on length of service and salary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

22 TRADE AND OTHER PAYABLES (CONTINUED)

(ii) The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Present value of obligation Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Beginning balance	**161,863**	—
Additions resulted from acquisition through business combination	**—**	158,747
Current service cost (note 27)	**3,808**	3,239
Interest cost	**104**	193
Remeasurement gain/(loss)	**6,588**	(895)
Benefits payments	**(128,603)**	(2,956)
Currency translation differences	**5,250**	3,535
Ending balance	**49,010**	161,863

The actuarial valuations of the present value of the defined benefit obligation were carried out at 31 December 2016 by actuarial firms. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2016	2015
Discount rates	**1.50%**	2.20%
Long-term rate of inflation	**1.75%**	1.75%
Increase in wages	**2.50%–4.00%**	2.50%–4.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

22 TRADE AND OTHER PAYABLES (CONTINUED)

(ii) (continued)

The sensitivity of the defined benefit obligations to changes in the weighted principal assumptions is:

	Change in assumption	Increase in obligations balance RMB'000	Decrease in obligations balance RMB'000
Discount rate	0.50%	3,636	(4,029)
Long-term rate of inflation	0.50%	111	(119)
Increase in wages	0.50%	3,505	(3,844)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognised within the statement of financial position.

(iii) The movement in the provisions for other liabilities and charges over the year is as follows:

	Year ended 31 December		
	Legal Claims (a) RMB'000	Others RMB'000	Total RMB'000
At 1 January 2016	58,341	10,234	68,575
Additions	4,671	1,236	5,907
Paid	(13,707)	—	(13,707)
Currency translation differences	617	—	617
At 31 December 2016	49,922	11,470	61,392

(a) Legal Claims

As at 31 December 2016, the amounts mainly represented a provision for certain legal claims brought against the GDL by the third parties. The provision charge is recognised in profit or loss. The balance at 31 December 2016 is not expected to be utilised in 2017. After taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2016.

As at 31 December 2015, the amounts mainly represented a provision for a legal claim brought against certain subsidiary of GDL by Poland Handlowy Bank. A plot of land acquired in Poland was subject to a dispute on the mortgage. In 2016, the litigation between the certain subsidiary of GDL and Poland Handlowy Banks was settled. As a result, the certain subsidiary of GDL paid the compensation amounted to PLN8,239,766, equivalent to RMB13,707,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

22 TRADE AND OTHER PAYABLES (CONTINUED)

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

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

(v) The carrying amount of the financial liabilities of trade and other payables approximates their fair value. The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	At 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
RMB	**7,001,826**	5,396,588
EUR	**1,198,306**	1,213,540
US$	**50,097**	37,193
Other foreign currencies	**10,715**	14,993
	8,260,944	6,662,314

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

23 BORROWINGS

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings — secured	**14,456,995**	9,229,321
Bank borrowings — unsecured	**4,533,148**	2,006,014
Borrowings from related parties (note 39(b))	**300,000**	—
Finance lease liabilities	**169,777**	178,251
	19,459,920	11,413,586
Less: current portion of long-term secured bank borrowings	**(2,994,404)**	(5,613)
current portion of long-term unsecured bank borrowings	**(65,269)**	(260,675)
current portion of long-term finance lease	**(11,451)**	(12,094)
	16,388,796	11,135,204
Borrowings included in current liabilities:		
Bank borrowings — secured	**928,000**	23,668
Bank borrowings — unsecured	**4,334,281**	4,848,039
Borrowings from related parties (note 39(b))	**220,000**	100,000
Current portion of long-term secured bank borrowings	**2,994,404**	5,613
Current portion of long-term unsecured bank borrowings	**65,269**	260,675
Current portion of long-term finance lease	**11,451**	12,094
	8,553,405	5,250,089

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

(a) Bank borrowings of EUR1,289,484,000, equivalent to RMB9,423,308,000 (31 December 2015: EUR1,289,305,000, equivalent to RMB9,147,876,000), which were pledged by the bank deposits RMB4,723,560,000 (note 19) and the ownership of a subsidiary, and guaranteed by Jin Jiang International;

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

23 BORROWINGS (CONTINUED)

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

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

(a) Bank borrowings of RMB23,668,000, which were guaranteed by a non-controlling shareholder of a subsidiary of the Group.

(i) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity whichever is the earlier date are as follows:

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Within 6 months	**21,664,627**	11,944,897
Between 6 and 12 months	**1,974,277**	4,431,010
Between 1 and 5 years	**1,303,297**	4,739
Over 5 years	**—**	4,647
	24,942,201	16,385,293

(ii) The maturity of the borrowings included in non-current liabilities is as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

23 BORROWINGS (CONTINUED)

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

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

(iv) The carrying amounts and fair values of non-current bank borrowings are as follows:

	Carrying amounts RMB'000	Fair values RMB'000
At 31 December 2016		
— Bank borrowings	16,230,470	16,056,942
— Finance lease liabilities	158,326	158,326
	16,388,796	16,215,268
At 31 December 2015		
— Bank borrowings	10,969,047	10,920,782
— Finance lease liabilities	166,157	166,157
	11,135,204	11,086,939

The fair values of non-current borrowings are estimated based on discounted cash flow approach using the market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates.

The carrying amounts of current borrowings approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

23 BORROWINGS (CONTINUED)

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

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

(vi) Finance lease liabilities

Finance lease liabilities with carrying amount of RMB169,777,000 (2015: RMB178,251,000) are effectively secured as the rights to the leased asset with carrying amount of RMB265,118,000 (2015: RMB282,038,000) (note 6) revert to the lessor in the event of default.

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Gross finance lease liabilities — minimum lease payments		
Within 1 year	**13,273**	13,471
Between 1 year and 2 years	**13,270**	13,237
Between 2 years and 5 years	**40,288**	47,090
Over 5 years	**154,281**	173,054
	221,112	246,852
Future finance charges on finance leases	**(51,335)**	(68,601)
Present value of finance lease liabilities	**169,777**	178,251
The present value of finance lease liabilities is as follows:		
Within 1 year	**11,451**	12,094
Between 1 year and 2 years	**11,480**	9,725
Between 2 years and 5 years	**35,630**	34,751
Over 5 years	**111,216**	121,681
	169,777	178,251

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

24 OTHER INCOME AND GAIN

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000 (Restated)
Gain on disposal of available-for-sale financial assets	381,274	486,692
Gain on partially disposal of investment in a joint venture (note 33(b))	280,115	—
Interest income	151,898	98,107
Dividend income	144,516	103,500
— Unlisted equity investments	56,442	41,620
— Listed equity investments	88,074	61,880
Government grants income (i)	97,511	80,568
Gain on disposal of financial assets at fair value through profit or loss	35,287	5,105
Gain on business combination	26,384	—
Gain on disposal of property, plant and equipment	9,818	9,558
Gain on disposal of investments in a subsidiary	—	716,701
Gain on foreign exchange forward contract	—	14,300
Others	80,954	68,655
	1,207,757	1,583,186

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

25 OTHER EXPENSES AND LOSSES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

26 EXPENSES BY NATURE

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Employee benefit expenses (note 27)	**4,829,243**	3,461,461
Changes in inventories (note 16)	**3,876,693**	3,620,393
Operating leases — land and buildings	**1,568,318**	600,616
Depreciation of property, plant and equipment (note 6)	**1,525,645**	1,046,871
Utility cost and consumables	**979,433**	722,976
Repairs and maintenance	**550,037**	400,818
Commissions paid to travel agencies	**388,656**	197,346
Business tax, property tax, VAT through a simplified method and other tax surcharges	**366,864**	399,414
Advertising costs	**250,408**	135,718
Laundry costs	**203,510**	94,027
Amortisation of intangible assets (note 9)	**167,771**	41,761
Consulting fee	**106,770**	83,097
Transportation expenses	**105,070**	58,482
Telecommunication expenses	**91,377**	15,403
Amortisation of land use rights (note 8)	**59,581**	57,134
Entertainment expenses	**51,530**	3,049
Auditors' remuneration	**30,275**	26,664
— Audit service	**28,311**	25,224
— Non-audit service	**1,964**	1,440
Provision for impairment of trade receivables, prepayments and other receivables (note 17)	**24,244**	23,185
Depreciation of investment properties (note 7)	**9,039**	6,086
Pre-operation expenses	**7,508**	6,220
Provision for/(Reversal of) inventories write-down (note 16)	**516**	(65)
Others	**737,967**	601,571
	15,930,455	11,602,227

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

27 EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Employee benefit expenses for in-service employees	**4,848,894**	3,363,121
— Wages and salaries	**3,493,525**	2,426,744
— Retirement and housing benefits (a)	**873,381**	608,571
— Welfare and other expenses	**481,988**	327,806
Employee benefit expenses for Early Retirement Plan and Redundant Employee Plan for Hotel Renovation (note 22)	**(23,459)**	95,101
Defined benefit plan of GDL (note 22)	**3,808**	3,239
	4,829,243	3,461,461
Number of employee	**57,400**	33,798

(a) Retirement benefit and housing benefits schemes

The employees of the Group participate in various pension plans organised by the relevant municipal and provincial governments under which the Group is obliged to make monthly defined contributions to these plans based on percentages of the employees' monthly salaries and wages, subject to a certain ceiling. The employees of the Group companies in Mainland China are also entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds.

The Group had no further obligation for post-retirement benefits or housing funds beyond the payments above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

27 EMPLOYEE BENEFIT EXPENSE (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year 2016 do not include any directors of the Company. The emoluments payable to these individuals during the year ended 31 December 2016 are as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Salary and allowances	**8,802**	4,669
Discretionary bonuses	**7,249**	1,627
Retirement scheme contributions	**74**	263
	16,125	6,559

The emoluments fell within the following bands:

	Year ended 31 December	
	2016	2015
	Number	Number
RMB894,500 (equivalent to HK$1,000,000) to RMB1,341,750 (equivalent to HK$1,500,000)	**—**	4
RMB1,341,750 (equivalent to HK$1,500,000) to RMB1,789,000 (equivalent to HK$2,000,000)	**—**	1
RMB1,789,000 (equivalent to HK$2,000,000) to RMB2,236,250 (equivalent to HK$2,500,000)	**2**	—
RMB2,236,250 (equivalent to HK$2,500,000) to RMB2,683,500 (equivalent to HK$3,000,000)	**2**	—
RMB7,603,250 (equivalent to HK$8,500,000) to RMB8,050,500 (equivalent to HK$9,000,000)	**1**	—
	5	5

(c) During the year 2016, no directors, supervisors, senior management or the five highest paid individuals of the Group waived any emoluments and no other emoluments were paid by the Group to any of the directors, supervisors, senior management or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

28 FINANCE COSTS — NET

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

29 SHARE OF RESULTS OF JOINT VENTURES AND ASSOCIATES

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Share of results of joint ventures (note 11)	**(38,829)**	67,911
Share of results of associates (note 12)	**224,508**	167,685
	185,679	235,596

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

30 INCOME TAX EXPENSE

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Current tax:		
Mainland China current corporate income tax ("CIT")	**392,511**	286,294
Overseas current corporate tax	**84,530**	37,553
Deferred tax:		
Mainland China deferred income tax (note 15)	**(21,647)**	104,575
Overseas deferred income tax (note 15)	**(21,341)**	65,703
	434,053	494,125

Other than the subsidiary registered in Tibet with preferential income tax rate of 15%, provision for Mainland China CIT is calculated based on the statutory income tax rate of 25% on the assessable income of the group companies operating in Mainland China for the year ended 31 December 2016 (2015: 25%) in accordance with the Corporate Income Tax Law of PRC and its Detail Implementation Regulations.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

30 INCOME TAX EXPENSE (CONTINUED)

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

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

(i) As disclosed in Note 2.2 (u), CVAE tax of GDL is calculated and paid based on the value added contribution subject to tax rate from 0% to 1.5% for the year ended 31 December 2016 (2015: 0%–1.5%), and it is deductible for CIT and recognised in income tax expense.

The tax credit/(charge) relating to other comprehensive income is as follow:

	2016			2015		
	Before tax RMB'000	**Tax credit RMB'000**	**After tax RMB'000**	Before tax RMB'000	Tax (charge)/ credit RMB'000	After tax RMB'000
Fair value changes on available-for-sale financial assets	**(605,925)**	**187,924**	**(418,001)**	973,557	(243,167)	730,390
Transfer of fair value changes on disposal of available-for-sale financial assets	**(304,447)**	**76,112**	**(228,335)**	(485,573)	121,393	(364,180)
Cash flow hedges net of tax	**(119)**	**41**	**(78)**	1,133	(316)	817
Remeasurements on the net defined benefit liabilities or assets	**(6,588)**	**2,268**	**(4,320)**	895	(308)	587
Currency translation differences	**(3,028)**	**—**	**(3,028)**	23,226	—	23,226
Other comprehensive income	**(920,107)**	**266,345**	**(653,762)**	513,238	(122,398)	390,840

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

31 EARNINGS PER SHARE

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

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

32 DIVIDENDS

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

On 29 March 2017, the Directors recommended the payment of a final dividend of RMB8.0 cents per share, totalling RMB445,280,000 in respect of the year ended 31 December 2016. Such dividend is to be approved by the shareholders at the Annual General Meeting. The consolidated financial statements do not reflect this dividend payable.

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Proposed final dividend of RMB8.0 cents (2015: RMB6.5 cents) per share	**445,280**	361,790

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

33 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit for the year to cash generated from operations:

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000 (Restated)
Profit before income tax		**1,788,357**	1,891,840
Adjustments for:			
— depreciation of property, plant and equipment	26	**1,525,645**	1,046,871
— depreciation of investment properties	26	**9,039**	6,086
— amortisation of land use rights	26	**59,581**	57,134
— amortisation of intangible assets	26	**167,771**	41,761
— gain on disposal of property, plant and equipment	24	**(9,818)**	(9,558)
— loss on disposal of property, plant and equipment	25	**5,639**	10,273
— gain on partially disposal of investments in a joint venture	24	**(280,115)**	—
— gain on disposal of available-for-sale financial assets	24	**(381,274)**	(486,692)
— gain on disposal of investments in a subsidiary	24	**—**	(716,701)
— loss/(gain) on revaluation of financial assets at fair value through profit or loss	18	**14,486**	(14,549)
— gain on disposal of financial assets at fair value through profit or loss	24	**(35,287)**	(5,105)
— Provision for impairment of trade receivables, prepayments and other receivables	26	**24,244**	23,185
— Provision for/(reversal of) inventories to net realisable value	26	**516**	(65)
— impairment for available-for-sale financial assets	25	**508**	87,725
— Impairment of Investments in associates	25	**4,859**	—
— interest income	24	**(151,898)**	(98,107)
— interest expenses	28	**751,459**	410,573
— interest income from restricted deposits pledged for borrowings	28	**(178,565)**	(148,772)
— net foreign exchange (gain)/loss on borrowings	28	**(5,084)**	92,392
— share of results of joint ventures and associates	29	**(185,679)**	(235,596)
— dividend income	24	**(144,516)**	(103,500)
Changes in working capital:			
— restricted cash		**(8,775)**	111,851
— inventories		**39,512**	(7,436)
— trade receivables, prepayments and other receivables		**787,125**	(22,017)
— trade and other payables		**(62,724)**	226,351
Cash generated from operations		**3,735,006**	2,157,944

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

33 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) (continued)

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Net book amount (note 6)	**92,191**	61,352
Gain on disposal of property, plant and equipment (note 24)	**9,818**	9,558
Loss on disposal of property, plant and equipment (note 25)	**(5,639)**	(10,273)
Proceeds from disposal of property, plant and equipment	**96,370**	60,637

(b) Effect of disposal of the entire equity interest in HAC after segregation of the retained assets

In 2010, HAC, a joint venture of CG acquired 100% equity interest of IHR Group. The Group indirectly held 50% equity interest in IHR Group through HAC and accounted for IHR Group as a joint venture.

In 2016, pursuant to the "Equity Acquisition Agreement" among CG, another shareholder and an independent third party (the "Buyer"), the Buyer shall acquire all equity interests in HAC held by CG after segregation of the retained assets. The retained assets shall include 5 retained proprietary hotels, retained proprietary hotel entities, retained joint ventures, etc.. HAC established IHHC to hold all retained assets and undertake relevant responsibilities.

As at 3 May 2016, the transaction was completed. Subsequently, CG holds 50% equity interest of IHHC, which holds the retained assets segregated from HAC. The Company ceased to hold any interest in HAC and HAC was no longer a joint venture of the Company.

	Year ended 31 December 2016 RMB'000
Total cash consideration received	**488,404**
Less: carrying amount of investment in a joint venture disposed	**(208,289)**
Gain on partially disposal of investment in a joint venture (note 24)	**280,115**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

33 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Principal non-cash transactions

The principal non-cash transactions include:

(i) The purchases of property, plant and equipment, and intangible assets not been settled as at 31 December 2016 and 2015 was disclosed in note 22.

(ii) The finance lease arrangements of the Group is disclosed in note 23(vi).

34 FINANCIAL GUARANTEE CONTRACTS

	At 31 December	
	2016 RMB'000	2015 RMB'000
Not later than 1 year	**7,000**	848,681

The Group provides guarantees for bank borrowings of joint ventures and associates of the Group. Under the terms of the financial guarantee contracts, the Group will make payments to reimburse the lenders upon failure of the guaranteed entities to make payments when due.

The financial guarantee contracts have not been recognised in the consolidated financial statements as the Group considered that the possibility of failure of the guaranteed entities to make payments when the bank borrowings due is remote and the fair value of the guarantees contract was insignificant.

35 COMMITMENTS

(a) Capital commitments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

35 COMMITMENTS (CONTINUED)

(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 and the operating lease expenses recognised in the consolidated income statement for the year ended 31 December 2016 are disclosed in notes 5(a) and 26, 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 31 December	
	2016	2015
	RMB'000	RMB'000
Not later than 1 year	**186,358**	196,834
Later than 1 year and not later than 5 years	**663,945**	511,474
Later than 5 years	**595,695**	708,917
	1,445,998	1,417,225

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

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

(c) Loan commitments

Loan commitments of RMB451,500,000 (31 December 2015: RMB297,000,000) represent undrawn loan facilities offered by Finance Company and granted to related parties (note 39(c)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

36 COMMON CONTROL COMBINATION

Acquisition of 30% equity interests in Xintiantian Company (the "Transaction")

On 11 August 2016, Jin Jiang Investment, entered into the Agreement in Relation to the Transfer of Equity Interests in Xintiantian Company (the "Xintiantian Company Equity Transfer Agreement") with Mitsui & Co. and Mitsui China. Pursuant to the Xintiantian Company Equity Transfer Agreement, Jin Jiang Investment agreed to acquire 17.5% equity interest s in Xintiantian Company held by Mitsui & Co. at a consideration of RMB4,270,000 and acquire 12.5% equity interests in Xintiantian Company held by Mitsui China at a consideration of RMB3,050,000.

Before the Transaction, Jin Jiang Investment indirectly held 33% equity interests of Xintiantian Company, and Jin Jiang International held 37% equity interests of Xintiantian Company. As a result, Jin Jiang international held 70% equity interests of Xintiantian Company. Upon the completion of the Transaction of such equity interests on 30 November 2016, Jin Jiang Investment directly and indirectly held an aggregate of 63% equity interests in Xintiantian Company, and Xintiantian Company became a non-wholly owned subsidiary of the Company.

The Company and Xintiantian Company are under common control of Jin Jiang International both before and after the Transaction. The Transaction is therefore regarded as a common control combination and accounted for using the principles of merger accounting in accordance with the Accounting Guideline No. 5 — "Merger Accounting for Common Control Combination" issued by the HKICPA. Since completion of the Transaction, the financial statements of Xintiantian Company have been included in the consolidated financial statements of the Group for the year ended 31 December 2016 as if the Transaction had occurred from the date when Xintiantian Company first came under the control of Jin Jiang International. Comparative figures as at 31 December 2015 and for the year ended 31 December 2015 were also represented on the same basis.

Reconciliation of the results of operations for the year ended 31 December 2015 and the financial position as at 31 December 2015 previously reported by the Group and the restated amounts presented in the consolidated financial statements are set out below:

	As at 31 December 2015			**As at 31 December 2016**
	The Group (as previously reported) RMB'000	Xintiantian Company RMB'000	The Group (restated) RMB'000	**The Group RMB'000**
Financial position				
Current assets	11,239,827	35,816	11,275,643	**13,885,553**
Total assets	42,264,661	33,505	42,298,166	**56,770,833**
Current liabilities	11,015,869	3,355	11,019,224	**16,171,977**
Total liabilities	25,516,432	3,355	25,519,787	**36,630,758**
Equity attributable to the equity holders of the Company	9,290,896	5,279	9,296,175	**9,356,960**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

36 COMMON CONTROL COMBINATION (CONTINUED)

Acquisition of 30% equity interests in Xintiantian Company (the "Transaction") (continued)

	For the year ended 31 December 2015			**For the year ended 31 December 2016**
	The Group (as previously reported) RMB'000	Xintiantian Company RMB'000	The Group (restated) RMB'000	**The Group RMB'000**
Results of operations				
Revenue	12,160,429	36,729	12,197,158	**17,013,125**
Operating profit	2,010,414	23	2,010,437	**2,170,488**
Profit for the year	1,397,700	15	1,397,715	**1,354,304**
Profit attributable to the equity holders of the Company	865,523	5	865,528	**758,446**
Basic earnings per share (RMB)	15.55	—	15.55	**13.63**
Diluted earnings per share (RMB)	15.55	—	15.55	**13.63**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

37 BUSINESS COMBINATION OTHER THAN COMMON CONTROL COMBINATION

(a) Acquisition of 81.0034% shares in Keystone

On 18 September 2015, Jin Jiang Hotels Development entered into agreements (the "Acquisition Agreements") to acquire 81.0034% equity interest in Keystone with 13 counterparties. Keystone and its subsidiaries are principally engaged in operating high-end, mid-class and selected service hotels in PRC.

On 26 February 2016, such 81.0034% equity interest in Keystone was transferred to Jin Jiang Hotels Development and the total closing consideration of the transaction was USD1,236,424,800 (equivalent to RMB8,132,540,000).

Upon the completion of the transaction on 26 February 2016, Keystone became a subsidiary of the Group.

As a result of the acquisition, the Group is expected to increase its presence in the market of select service hotels. The goodwill of RMB5,766,875,000 arising from the acquisition is attributable to the acquired entity's workforce, acquired customer base and economies of scale expected from combining the operations of the Group and Plateno Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

If the acquisition had occurred on 1 January 2016, Group revenue would have been RMB17,512,356,000, and profit for the period would have been RMB1,204,603,000. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation that would have been charged assuming the fair value adjustments to property, plant and equipment had applied from 1 January 2016, together with the consequential tax effects.

Details of purchase consideration are as follows:

	RMB'000
Purchase consideration:	
— Cash paid	8,132,540

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

37 BUSINESS COMBINATION OTHER THAN COMMON CONTROL COMBINATION (CONTINUED)

(a) Acquisition of 81.0034% shares in Keystone (continued)

The assets and liabilities as of 26 February 2016 arising from the acquisition are as follows:

	Fair values RMB'000
Property, plant and equipment	1,388,920
Land use right	106,409
Intangible assets (other than goodwill)	3,830,618
Investments in associates	28,530
Available-for-sale financial assets	400,603
Deferred income tax assets	96,613
Trade receivables, prepayments and other receivables — non-current portion	223,534
Inventories	30,641
Trade receivables, prepayments and other receivables — current portion	382,206
Cash and cash equivalents	1,279,661
Deferred income tax liabilities	(973,346)
Trade and other payables — non-current portion	(336,779)
Borrowings — current portion	(1,865,325)
Trade and other payables — current portion	(1,208,544)
Income tax payable	(30,376)
Total identifiable net assets	3,353,365
Less: Non-controlling interest	(987,700)
Share of net assets (81.0034%)	2,365,665
Add: Goodwill	5,766,875
Total purchase consideration	8,132,540
Total purchase consideration settled in cash for the year ended 31 December 2016	(8,132,540)
Cash and cash equivalents in the subsidiary acquired	1,279,661
Cash outflow of cash consideration on acquisition	(6,852,879)
Total transaction cost	26,485

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

37 BUSINESS COMBINATION OTHER THAN COMMON CONTROL COMBINATION (CONTINUED)

(b) Acquisition of 80% equity interest of Vienna Hotels and 80% equity interest of Shenzhen Baisuicun Restaurants Chain Co., Ltd. ("Baisuicun Restaurants")

On 28 April 2016, Jin Jiang Hotels Development entered into the Vienna Hotels Equity Transfer Agreement and Baisuicun Restaurants Equity Transfer Agreement with an independent third party (the "Transferor"), pursuant to which Jin Jiang Hotels Development agreed to acquire 80% equity interest of Vienna Hotels at a cash consideration of RMB1,748,800,000, and acquire 80% equity interest in Baisuicun Restaurants at a cash consideration of RMB800,000.

Jin Jiang Hotels Development paid the consideration of RMB1,574,640,000 in 2016. On 1 July 2016, the closing of the above transactions has been completed and the total closing consideration of the transaction was RMB1,749,600,000.

Upon the completion of the transaction on 1 July 2016, Vienna Hotels and Baisuicun Restaurants became subsidiaries of the Group.

As a result of the acquisition, the Group is expected to increase its presence in the market of select service hotels. The goodwill of RMB668,817,000 arising from the acquisition is attributable to the acquired entity's workforce, acquired customer base and economies of scale expected from combining the operations of the Group, Vienna Hotels and Baisuicun Restaurants. None of the goodwill recognised is expected to be deductible for income tax purposes.

If the acquisition had occurred on 1 January 2016, Group revenue would have been RMB17,972,634,000, and profit for the period would have been RMB1,440,786,000. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation that would have been charged assuming the fair value adjustments to property, plant and equipment had applied from 1 January 2016, together with the consequential tax effects.

Details of purchase consideration are as follows:

	RMB'000
Purchase consideration:	
— Cash paid	1,574,640
— Deferred payment of acquisition of subsidiaries	174,960
Total purchase consideration	1,749,600

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

37 BUSINESS COMBINATION OTHER THAN COMMON CONTROL COMBINATION (CONTINUED)

(b) Acquisition of 80% equity interest of Vienna Hotels and 80% equity interest of Shenzhen Baisuicun Restaurants Chain Co., Ltd. ("Baisuicun Restaurants") (continued)

The assets and liabilities as of 1 July 2016 arising from the acquisition are as follows:

	Fair values RMB'000
Property, plant and equipment	470,343
Intangible assets (other than goodwill)	1,007,227
Deferred income tax assets	77,414
Trade receivables, prepayments and other receivables — non-current portion	16,286
Inventories	7,024
Trade receivables, prepayments and other receivables — current portion	434,432
Cash and cash equivalents	379,792
Deferred income tax liabilities	(255,764)
Borrowings — non-current portion	(47,000)
Trade and other payables — non-current portion	(8,360)
Trade and other payables — current portion	(688,099)
Income tax payable	(42,316)
Total identifiable net assets	1,350,979
Less: Non-controlling interest	(270,196)
Share of net assets (80%)	1,080,783
Add: Goodwill	668,817
Total purchase consideration	1,749,600
Total purchase consideration settled in cash for the year ended 31 December 2016	(1,574,640)
Cash and cash equivalents in the subsidiary acquired	379,792
Cash outflow of cash consideration on acquisition	(1,194,848)
Total transaction cost	9,342

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

37 BUSINESS COMBINATION OTHER THAN COMMON CONTROL COMBINATION (CONTINUED)

(c) Acquisition of 100% shares of Nordic Hotel AG Kiel GmbH and other 8 German hotels ("Nordic")

Pursuant to the equity transfer agreement signed among GDL and the former shareholders of Nordic, GDL acquired 100% equity interest shares in Nordic. Nordic is principally engaged in the operation of hotels.

The equity transfer was completed on 5 January 2016 with cash consideration of EUR20,895,000 (equivalent to RMB148,254,000) and GDL held 100% equity interest in Nordic. GDL paid EUR20,500,000 (equivalent to RMB145,452,000) in 2016.

Upon the completion of the transaction on 5 January 2016, Nordic became subsidiaries of the Group and the Group holds 50.32% indirect interest. As a result of the acquisition, the Group is expected to increase its presence in the market of select service hotels in German.

Details of purchase consideration are as follows:

	RMB'000
Purchase consideration:	
— Cash paid	145,452
— Deferred payment of acquisition of subsidiaries	2,802
Total purchase consideration	148,254

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

37 BUSINESS COMBINATION OTHER THAN COMMON CONTROL COMBINATION (CONTINUED)

(c) Acquisition of 100% shares of Nordic Hotel AG Kiel GmbH and other 8 German hotels ("Nordic") (continued)

The assets and liabilities as of 5 January 2016 arising from the acquisition are as follows:

	Fair values RMB'000
Property, plant and equipment	14,238
Intangible assets	723
Inventories	891
Trade and other receivables	30,010
Cash and cash equivalents	6,563
Trade and other payables — non-current portion	(286)
Borrowings	(7)
Trade and other payables — current portion	(41,113)
Net assets	11,019
Share of net assets (100%)	11,019
Add: Goodwill	137,235
Total purchase consideration	148,254
Total purchase consideration settled in cash for the year ended 31 December 2016	(145,452)
100% share of cash and cash equivalents in the subsidiary acquired	6,563
Cash outflow of cash consideration on acquisition	(138,889)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

38 CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

Acquisition of additional interest in a subsidiary

On 5 August 2016, Jin Jiang Investment, a subsidiary of the Company, acquired the remaining 49% equity interests in Jin Jiang Cold from its non-controlling equity holders for a purchase consideration of RMB147,440,000, and Jin Jiang Cold became a wholly-owned subsidiary of Jin Jiang Investment.

The carrying amount of the non-controlling equity holders in Jin Jiang Cold on the date of acquisition was RMB89,948,000, which was recognised by Jin Jin Investment as a decrease in non-controlling equity holders. Considering the 60.74% of non-controlling equity holders in Jin Jiang Investment, the Group recognised a decrease in non-controlling equity holders of RMB124,869,000 and a decrease in equity attributable to the shareholders of the Company of RMB22,571,000. The effect of changes on the equity attributable to the shareholders of the Company and non-controlling equity holders as at 5 August 2016 is summarised as follows:

	At 5 August 2016 RMB'000
Carrying amount of non-controlling equity holders acquired by Jin Jiang Investment	89,948
Consideration paid to non-controlling equity holders	(147,440)
Excess of consideration paid	(57,492)
Multiply: percentage of equity interests in Jin Jiang Investment	39.26%
Effect of changes on the equity attributable to the shareholders of the Company	(22,571)
Carrying amount of non-controlling equity holders acquired by Jin Jiang Investment	(89,948)
Excess of consideration paid recognised in non-controlling equity holders	(34,921)
Effect of changes on non-controlling equity holders	(124,869)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

39 SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group is controlled by Jin Jiang International (incorporated in Mainland China), which owns 75% of the Company's share. The remaining 25% of the shares are widely held. The ultimate parent and controlling party of the Group is Jin Jiang International.

(a) Related party transactions

The Group had the following significant related party transactions during the year ended 31 December 2016:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Transactions with Jin Jiang International		
— Borrowing received	350,000	1,000,000
— Interest Income received	8,986	2,674
— Provision of food and beverage service	88	123
— Provision of hotel services	46	27
— Rental income received	10	—
— Provision of other services	2	22
— Provision of training services	—	9
	359,132	1,002,855
— Rental expenses paid	8,965	8,993
— Interest expenses paid	1,070	37,137
— Receipt of food and beverage service	532	335
— Receipt of other services	32	284
— Borrowing repaid	—	1,000,000
	10,599	1,046,749
Transactions with subsidiaries of Jin Jiang International		
— Provision of hotel services	25,536	23,938
— Provision of tourism services	15,859	19,218
— Rental income received	6,870	3,027
— Sales of fixed assets	—	6,307
— Provision of other services	2,599	4,699
— Sales of hotel supplies	2,801	3,468
— Hotel franchise fees	1,395	1,054
	55,060	61,711
— Rental expenses paid	33,083	33,734
— Receipt of other services	25,487	13,136
— Interest expenses paid	17,657	11,813
— Purchase of intangible assets	5,349	—
— Purchase of food and beverage	1,439	913
	83,015	59,596

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related party transactions (continued)

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Transactions with joint ventures of the Group		
— Interest income received	12,708	15,085
— Management fees received	3,166	3,524
— Sales of hotel supplies	1,612	1,684
— Provision of other services	892	239
	18,378	20,532
— Interest expenses paid	7,540	7,244
— Purchase of goods	2,076	1,936
— Management fee paid	1,397	1,052
— Receipt of other services	43	274
	11,056	10,506
Transactions with associates of the Group		
— Sales of fixed assets	6,621	18,542
— Rental income received	2,717	4,018
— Management fees paid	2,267	2,443
— Sales of hotel supplies	755	611
— Interest income received	2,732	3,404
	15,092	29,018
— Purchase of vehicles and related parts	122,601	167,221
— Purchase of food and beverage	157	157
— Rental expense paid	17	127
— Interest expenses paid	10	9
	122,785	167,514

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Amounts due from/due to related parties

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Loan to related parties by Finance Company (note 17)		
— Jin Jiang International (i)	**100,000**	450,000
— Joint ventures of the Group (ii)	**267,000**	283,000
— Associates of the Group (iii)	**55,000**	55,000
	422,000	788,000
Loan to related parties by the Group other than Finance Company (note 17)		
— Joint ventures of the Group (iv)	**120,500**	200,000
— Associates of the Group (v)	**10,320**	9,000
	130,820	209,000
Other amounts due from related parties (note 17)		
— Joint ventures of the Group	**41,609**	55,988
— Associates of the Group	**68,413**	46,556
— Subsidiaries, joint ventures and associates of Jin Jiang International	**19,639**	13,318
— Jin Jiang International	**4,013**	789
	133,674	116,651
Deposits from related parties in Finance Company (note 22)		
— Jin Jiang International (vi)	**(258,800)**	(1,390,733)
— Subsidiaries, jointly ventures and associates of Jin Jiang International (vii)	**(593,060)**	(366,373)
— Joint ventures of the Group (viii)	**(181,577)**	(175,338)
— Associates of the Group (ix)	**(7,661)**	(15,166)
	(1,041,098)	(1,947,610)
Other amounts due to related parties (note 22)		
— Joint ventures of the Group	**(84,479)**	(85,760)
— Associates of the Group	**(43,341)**	(42,926)
— Jin Jiang International	**(20,302)**	(32,316)
— Subsidiaries, joint ventures and associates of Jin Jiang International	**(19,033)**	(21,101)
	(167,155)	(182,103)
Borrowings from related parties (note 23)		
— A subsidiary of Jin Jiang International (x)	**(520,000)**	(100,000)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Amounts due from/due to related parties (continued)

(i) The balance includes unsecured loans to Jin Jiang International of RMB100,000,000 as 31 December 2016 (31 December 2015: RMB450,000,000) with effective interest rate of 3.48% per annum.

(ii) The balance includes secured loans to a joint venture of RMB260,000,000 as at 31 December 2016 (31 December 2015: RMB265,500,000) with effective interest rate of 4.21% (2015: 4.93%) per annum which were guaranteed by its properties, and an unsecured loan to a joint venture of RMB7,000,000 as at 31 December 2016 (31 December 2015: RMB17,500,000) with effective interest rate of 3.62% (2015: 4.59%) per annum which was guaranteed by a subsidiary of the Group.

(iii) The balance includes secured loans to an associate of the Group of RMB55,000,000 as at 31 December 2016 (31 December 2015: RMB55,000,000) with effective interest rate of 6.15% (2015: 6.15%) per annum which were guaranteed by their properties.

(iv) The balance includes unsecured loans to joint ventures of RMB120,500,000 as at 31 December 2016 (31 December 2015: RMB200,000,000) with effective interest rate of 4.35%(2015: 4.79%) per annum.

(v) The balance includes unsecured loans to associates of the Group of RMB10,320,000 as at 31 December 2016 (31 December 2015: RMB9,000,000) with effective interest rate of 4.23% (2015: 4.85%) per annum.

(vi) The balance includes deposits from Jin Jiang International of RMB258,800,000 as at 31 December 2016 (31 December 2015: RMB1,390,733,000) with effective interest rate of 0.39% (2015: 0.39%) per annum.

(vii) The balance includes deposits from subsidiaries, joint ventures and associates of Jin Jiang International of RMB593,060,000 as at 31 December 2016 (31 December 2015: RMB366,373,000) with effective interest rate of 1.16% (2015: 2.40%) per annum.

(viii) The balance includes deposits from joint ventures of RMB181,577,000 as at 31 December 2016 (31 December 2015:RMB175,338,000) with effective interest rate of 4.20% (2015: 4.82%) per annum.

(ix) The balance includes deposits from associates of the Group of RMB7,661,000 as at 31 December 2016 (31 December 2015: RMB15,166,000) with effective interest rate of 2.15% (2015: 1.15%) per annum.

(x) The balance includes an unsecured borrowing from a subsidiary of Jin Jiang International of RMB520,000,000 as at 31 December 2016 (31 December 2015: RMB100,000,000) with effective interest rate of 3.50% (2015: 5.40%) per annum.

Other than disclosed above, balances with related parties are all unsecured and interest free.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Loan commitments and financial guarantees

	At 31 December	
	2016 RMB'000	2015 RMB'000
Loan commitments (note 35)		
— Jin Jiang International	**400,000**	50,000
— Joint ventures of the Group	**50,500**	247,000
— Associates of the Group	**1,000**	—
	451,500	297,000
Financial guarantees provided to related parties (note 34)		
— Joint ventures of the Group	**7,000**	848,681
	7,000	848,681

(d) Key management compensation

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Salary and other allowances	**1,029**	1,896
Discretionary bonus	**524**	1,989
Retirement scheme contributions	**332**	395
	1,885	4,280

The emoluments fell within following bands:

	Year ended 31 December	
	2016 Number	2015 Number
Nil to RMB447,250 (equivalent to HK$500,000)	**5**	4
RMB447,250 (equivalent to HK$500,000) to RMB894,500 (equivalent to HK$1,000,000)	**2**	5
	7	9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Other related party transactions

Pursuant to the agreements entered into between Jin Jiang Hotels Development and the non-controlling shareholders upon the acquisitions of Keystone, Vienna Hotels and Baisuicun Restaurants (note 37), the non-controlling shareholders of Keystone, Vienna Hotels and Baisuicun Restaurants are entitled to sell all or part of their equity interests in Keystone, Vienna Hotels and Baisuicun Restaurants at prices calculated based on agreed method to Jin Jiang Hotels Development in certain period of time in the future. In March and July 2016, Jin Jiang Hotels Development agreed with Jin Jiang International that when the non-controlling shareholders decide to sell their equity interests, Jin Jiang Hotels Development can require Jin Jiang International or other parties assigned by Jin Jiang International to purchase such equity interests.

(f) Balances and transactions with stated-owned enterprises in China other than Jin Jiang International and its subsidiaries, joint ventures and associates ("Other State-owned Enterprises")

As at 31 December 2016, majority of the Group's bank balances and borrowings are with state-owned banks. The Group also has transactions with Other State-owned Enterprises in China including but not limited to sales of products, purchases of raw material, utilities and services. The Directors of the Company are of the opinion that these transactions are conducted in the ordinary business of the Group.

40 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and supervisors' emoluments

	For the year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Directors and supervisors		
— Basic salaries, housing allowances, other allowances	**3,159**	3,820
— Contributions to retirement plans	**425**	384
	3,584	4,204

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

40 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and supervisors' emoluments (continued)

The emoluments of every director and supervisor for the year ended 31 December 2016, on a named basis, are set out as below:

(i) For the year ended 31 December 2016:

Name	Director's/ supervisor's fee RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Estimated money value of other benefits (note (5)) RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Directors							
Mr. Yu Minliang	–	–	–	–	–	–	–
Ms. Guo Lijuan	–	–	–	–	–	–	–
Mr. Chen Liming (note (1))	–	–	–	–	–	–	–
Mr. Xu Ming (note (2))	–	–	–	–	–	–	–
Mr. Zhang Xiaoqiang (note (2))	–	170	295	22	32	53	572
Mr. Zhang Qian (note (1))	–	–	–	–	–	–	–
Mr. Han Min	–	254	123	32	91	103	603
Mr. Kang Ming (note (1))	–	247	196	31	55	99	628
Mr. Ji Gang	120	–	–	–	–	–	120
Dr. Rui Mingjie	120	–	–	–	–	–	120
Dr. Tu Qiyu	–	–	–	–	–	–	–
Dr. Xu Jianxin	120	–	–	–	–	–	120
Mr. Xie Hongbing	120	–	–	–	–	–	120
Dr. He Jianmin	120	–	–	–	–	–	120
	600	671	614	85	178	255	2,403
Supervisors							
Mr. Wang Guoxing	–	–	–	–	–	–	–
Mr. Ma Mingju	–	–	–	–	–	–	–
Mr. Zhou Qiquan	36	–	–	–	–	–	36
Ms. Zhou Yi	36	–	–	–	–	–	36
Ms. Zhang Wei (note (4))	–	130	237	21	32	55	475
Ms. Liu Chenjian (note (4))	–	43	–	6	58	20	127
Mr. Chen Yinghao (note (3))	–	102	9	11	23	36	181
Mr. He Yichi (note (3))	–	254	–	13	–	59	326
	72	529	246	51	113	170	1,181
	672	1,200	860	136	291	425	3,584

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

40 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and supervisors' emoluments (continued)

(ii) For the year ended 31 December 2015:

Name	Director's/ supervisor's fee RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Estimated money value of other benefits (note (5)) RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Directors							
Mr. Yu Minliang	–	–	–	–	–	–	–
Ms. Guo Lijuan	–	–	–	–	–	–	–
Mr. Chen Liming	–	–	–	–	–	–	–
Ms. Chen Wenjun	–	–	–	–	–	–	–
Mr. Yang Weimin	–	39	196	7	25	11	278
Mr. Yang Yuanping	–	–	–	–	–	–	–
Mr. Shao Xiaoming	–	–	–	–	–	–	–
Mr. Xu Ming	–	108	131	20	22	26	307
Mr. Zhang Qian	–	108	149	20	22	26	325
Mr. Zhang Xiaoqiang	–	215	223	40	43	67	588
Mr. Han Min	–	183	180	37	79	64	543
Mr. Kang Ming	–	179	226	37	43	64	549
Mr. Ji Gang	120	–	–	–	–	–	120
Dr. Rui Mingjie	120	–	–	–	–	–	120
Mr. Yang Menghua	90	–	–	–	–	–	90
Mr. Sun Dajian	90	–	–	–	–	–	90
Dr. Tu Qiyu	–	–	–	–	–	–	–
Mr. Shen Chengxiang	90	–	–	–	–	–	90
Dr. Xu Jianxin	30	–	–	–	–	–	30
Mr. Xie Hongbing	30	–	–	–	–	–	30
Dr. He Jianmin	30	–	–	–	–	–	30
	600	832	1,105	161	234	258	3,190
Supervisors							
Mr. Wang Xingze	–	129	150	24	55	48	406
Mr. Wang Guoxing	–	–	–	–	–	–	–
Mr. Ma Mingju	–	–	–	–	–	–	–
Ms. Chen Junjin	–	139	192	34	–	62	427
Mr. Zhou Qiquan	36	–	–	–	–	–	36
Ms. Zhou Yi	36	–	–	–	–	–	36
Ms. Zhang Wei	–	44	24	9	16	16	109
	72	312	366	67	71	126	1,014
	672	1,144	1,471	228	305	384	4,204

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

40 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and supervisors' emoluments (continued)

Notes:

(1) These Directors were appointed on 27 July 2016.

(2) These Directors resigned on 27 July 2016.

(3) These Supervisors were appointed on 27 July 2016.

(4) These Supervisors resigned on 27 July 2016.

(5) Other benefits include medical and life issuance premium.

(6) The Company does not have a chief executive who is not a director of the Company (2015: same).

(7) For the years ended 31 December 2016 and 2015, no directors of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(8) No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	**505,685**	532,713
Investment properties	**26,421**	27,884
Land use rights	**277,971**	290,615
Intangible assets	**1,390**	2,708
Investments in subsidiaries	**11,761,758**	9,488,327
Investments in joint ventures	**838,825**	838,825
Investments in associates	**209,987**	209,987
Available-for-sale financial assets	**47,112**	47,112
Trade receivables, prepayments and other receivables	**30,227**	26,566
	13,699,376	11,464,737
Current assets		
Financial assets at fair value through profit or loss	**–**	14,300
Available-for-sale financial assets	**–**	150,000
Inventories	**2,333**	2,436
Trade receivables, prepayments and other receivables	**789,492**	948,703
Cash and cash equivalents	**390,186**	553,264
Bank deposits with maturities ranging from 3 months to 12 months	**199,000**	199,000
	1,381,011	1,867,703
Total assets	**15,080,387**	13,332,440

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
EQUITY		
Capital and reserves attributable to shareholders of the Company		
Share capital	**5,566,000**	5,566,000
Reserves (Note (a))	**4,837,433**	4,794,242
Total equity	**10,403,433**	10,360,242
LIABILITIES		
Non-current liabilities		
Borrowings	**1,300,000**	1,623,400
Deferred income tax liabilities	**623,484**	622,006
	1,923,484	2,245,406
Current liabilities		
Borrowings	**2,500,000**	440,000
Trade and other payables	**253,470**	259,583
Income taxes payable	**—**	27,209
	2,753,470	726,792
Total liabilities	**4,676,954**	2,972,198
Total equity and liabilities	**15,080,387**	13,332,440

The balance sheet of the Company was approved by the Board of Directors on 29 March 2017 and was signed on its behalf by:

Yu Minliang
Chairman and Executive Director

Zhang Qian
Chief Executive Officer and Executive Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (a):

Reserve movement of the Company

	Other reserves					
	Capital surplus RMB'000	Statutory surplus reserve RMB'000	Available-for sale financial assets RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2015	1,539,497	376,207	58,413	1,974,117	2,644,653	4,618,770
Profit for the year	—	—	—	—	438,624	438,624
Dividends declared (note 32)	—	—	—	—	(278,300)	(278,300)
Disposal of 50% equity interests in a subsidiary	15,148	—	—	15,148	—	15,148
Profit appropriation	—	39,756	—	39,756	(39,756)	—
At 31 December 2015	1,554,645	415,963	58,413	2,029,021	2,765,221	4,794,242
Balance at 1 January 2016	1,554,645	415,963	58,413	2,029,021	2,765,221	4,794,242
Profit for the year	—	—	—	—	404,981	404,981
Dividends declared (note 32)	—	—	—	—	(361,790)	(361,790)
Profit appropriation	—	35,098	—	35,098	(35,098)	—
At 31 December 2016	**1,554,645**	**451,061**	**58,413**	**2,064,119**	**2,773,314**	**4,837,433**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

As at 31 December 2016, the Company had direct and indirect interests in the following subsidiaries, joint ventures and associates:

Company name	Country and date of incorporation	Issued/ registered and paid in capital '000	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities and place of operation	Type of legal entity
(a) Subsidiaries						
Jin Jiang Hotel Company Limited 上海錦江飯店有限公司	Mainland China, 30 May 1982	RMB206,920	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Park Hotel Company Limited 上海錦江國際飯店有限公司	Mainland China, 21 December 1979	RMB91,583	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Cypress Hotel Company Limited 上海龍柏飯店有限公司	Mainland China, 28 January 1984	RMB84,182	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Pacific Hotel Company Limited 上海錦江金門大酒店有限公司	Mainland China, 21 December 1979	RMB40,649	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Marvel Hotel 上海商悦青年會大酒店有限公司	Mainland China, 23 October 1984	RMB40,000	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Rainbow Hotel Company Limited 上海虹橋賓館有限公司	Mainland China, 9 February 1988	RMB21,951	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Hua Ting Guest House Company Limited 上海南華亭酒店有限公司	Mainland China, 15 July 2002	RMB26,099	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Hotel Company Limited 上海市上海賓館有限公司	Mainland China, 23 August 1991	RMB88,000	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jing An Hotel Company Limited 上海靜安賓館有限公司	Mainland China, 31 December 2010	RMB46,886	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Jinsha Hotel Company Limited 上海金沙江大酒店有限公司	Mainland China, 22 January 2003	RMB68,000	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Magnolia Hotel Company Limited 上海白玉蘭賓館有限公司	Mainland China, 25 March 1998	RMB59,166	99.0%	1.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Da Hua Hotel Company Limited 上海錦江達華賓館有限公司	Mainland China, 18 February 1982	RMB31,704	–	100.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai New Asia Plaza Great Wall Hotel Company Limited 上海新亞廣場長城酒店有限公司	Mainland China, 26 April 1994	RMB120,000	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Peace Hotel Company Limited 上海和平飯店有限公司	Mainland China, 11 November 1998	RMB345,460	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Linqing Hotel Company Limited 上海臨青賓館有限公司	Mainland China, 18 November 1999	RMB16,600	–	100.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Kunming Jin Jiang Hotel Company Limited 昆明錦江大酒店有限公司	Mainland China, 7 December 1985	US$8,000	75.0%	25.0%	Hotel ownership and operations, Kunming, Mainland China	Limited liability company
Finance Company 錦江國際集團財務有限責任公司	Mainland China, 16 October 1997	RMB500,000	90.0%	10.0%	Provision of intra-group treasury and financing services, Shanghai, Mainland China	Limited liability company
Jin Jiang Inn Company Limited 錦江之星旅館有限公司	Mainland China, 17 May 1996	RMB179,712	–	100.0%	Budget hotel ownership, operations and franchising, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang International Hotel Investment Company Limited 上海錦江國際旅館投資有限公司	Mainland China, 20 December 2004	RMB1,225,000	–	100.0%	Budget hotel ownership, operations and franchising, Shanghai, Mainland China	Limited liability company
Wuhan Jin Jiang International Hotel Company Limited 武漢錦江國際大酒店有限公司	Mainland China, 22 November 2004	RMB220,000	100.0%	–	Hotel ownership and operations, Wuhan, Mainland China	Limited liability company
Shanghai Jin Jiang International Hotels Development Company Limited 上海錦江國際酒店發展股份有限公司	Mainland China, 9 June 1993	RMB957,936	50.3%	–	Hotel and restaurant ownership and operations, Shanghai, Mainland China	Joint stock limited company
Shanghai New Asia Food Company Limited 上海新亞食品有限公司	Mainland China, 1 November 1996	RMB11,415	–	100.0%	Food manufacturing, Shanghai, Mainland China	Limited liability company
Jin Jiang International Hotel Management Company Limited 錦江國際酒店管理有限公司	Mainland China, 1 December 1992	RMB200,000	100.0%	–	Star-rated hotel management, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang International Catering Investment Company Limited 上海錦江國際餐飲投資管理有限公司	Mainland China, 1 December 1992	RMB149,930	–	100.0%	Investment in and operation of restaurants, Shanghai, Mainland China	Limited liability company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/ registered and paid in capital '000	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities and place of operation	Type of legal entity
(a) Subsidiaries (continued)						
Shanghai Jin Ya Hotel Company Limited 上海錦亞旅館有限公司	Mainland China, 1 December 1992	RMB18,000	–	100.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Tianjin Jin Jiang Inn Company Limited 天津錦江之星旅館有限公司	Mainland China, 1 July 2003	RMB40,000	–	100.0%	Budget hotel ownership and operations, Tianjin, Mainland China	Limited liability company
Qingdao Jin Jiang Inn Company Limited 青島錦江之星旅館有限公司	Mainland China, 21 March 2005	RMB20,000	–	100.0%	Budget hotel ownership and operations, Qingdao, Mainland China	Limited liability company
Beijing Jin Jiang Inn Investment and Management Company Limited 北京錦江之星旅館投資管理有限公司	Mainland China, 22 July 2003	RMB28,000	–	100.0%	Budget hotel ownership and operations, Beijing, Mainland China	Limited liability company
Xi'an Jin Jiang Inn Company Limited 西安錦江之星旅館有限公司	Mainland China, 24 June 2005	RMB20,000	–	100.0%	Budget hotel ownership and operations, Xi'an, Mainland China	Limited liability company
Zhengzhou Jin Jiang Inn Company Limited 鄭州錦江之星旅館有限公司	Mainland China, 5 July 2005	RMB20,000	–	100.0%	Budget hotel ownership and operations, Zhengzhou, Mainland China	Limited liability company
Shanghai Di Shui Hu Jin Jiang Inn Company Limited 上海滴水湖錦江之星旅館有限公司	Mainland China, 22 September 2005	RMB20,000	–	100.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Min Hotel Company Limited 上海錦閔旅館有限公司	Mainland China, 5 July 2005	RMB40,000	–	100.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai YuJin Hotel Management Company Limited 上海豫錦酒店管理有限公司	Mainland China, 30 October 2008	RMB20,000	–	60.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Tianjin Hedong District Jin Jiang Inn Company Limited 天津河東區錦江之星旅館有限公司	Mainland China, 15 January 2008	RMB21,000	–	100.0%	Budget hotel ownership and operations, Tianjin, Mainland China	Limited liability company
Shenyang Songhua River Street Jin Jiang Inn Company Limited 瀋陽松花江街錦江之星旅館有限公司	Mainland China, 21 February 2008	RMB20,000	–	100.0%	Budget hotel ownership and operations, Shenyang, Mainland China	Limited liability company
Shanghai Jin Jiang International Hotels Group (HK) Company Limited 上海錦江國際酒店集團(香港)有限公司	Hong Kong, 14 February 2000	RMB70,736	98.6%	1.4%	Hotel reservation, Hong Kong	Limited liability company
Jian Guo Hotel 上海建國賓館有限公司	Mainland China, 30 October 1986	RMB80,000	65.0%	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Sofitel Hyland Shanghai 上海海侖賓館有限公司	Mainland China, 22 November 1985	RMB62,626	66.7%	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
West Capital International Hotel Company Limited 西安西京國際飯店有限公司	Mainland China, 17 May 2005	RMB80,000	100.0%	–	Hotel ownership and operations, Xi'an, Mainland China	Limited liability company
Shanghai Jin Ya Catering Company Limited 上海錦亞餐飲有限公司	Mainland China, 12 December 1997	RMB68,670	–	100%	Fast food operations, Shanghai, Mainland China	Limited liability company
Capital Gathering LLC 上海錦江酒店集團(美國)有限公司	USA 15 May 2009	US$39,600	100.0%	–	Investment operations Wilmington, USA	Limited liability company
ShanXi Jinguang Inn Company Limited 山西金廣快捷酒店管理有限公司	China Mainland, 15 August,2006	RMB68,333	–	100%	Budget hotel ownership and operations, Shanxi, Mainland China	Limited liability company
Jing An Bakery Holding Co.,Ltd 靜安麵包房控股有限公司	British Virgin Islands Britain, 21 April 2009	RMB41,692	–	60.0%	Investment operation Hong Kong, China	Limited liability company
Shanghai Jin Jiang International Travel Co.,Ltd 上海錦江國際旅遊股份有限公司	Mainland China, 24 September 1994	RMB132,556	50.2%	–	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang International Industrial Investment Co.,Ltd (i) 上海錦江國際實業投資股份有限公司	Mainland China, 24 February 1993	RMB551,610	38.54%	0.72%	Passenger transportation vehicle and logistics, Shanghai, Mainland China	Limited liability company
Shanghai Jing An Bakery Company Limited 上海靜安麵包房有限公司	Mainland China, 1 January 1993	US$1,000	–	65.9%	Fast food operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang International Cold Logistics Development Co.,Ltd. 上海錦江國際低溫物流發展有限公司	Mainland China, 28 August 2006	RMB83,338	–	100.0%	Provision of logistics management and relevant business services, Shanghai, Mainland China	Limited liability company
Shanghai Shanghai Food Co., Ltd. 上海尚海食品有限公司	Mainland China, 20 February 2010	RMB25,000	–	100.0%	Trading of food, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Auto Service Co., Ltd. 上海錦江汽車服務有限公司	Mainland China, 3 May 1993	RMB338,480	–	95.0%	Provision of vehicle rental services, Shanghai, Mainland China	Limited liability company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/ registered and paid in capital '000	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities and place of operation	Type of legal entity
(a) Subsidiaries (continued)						
Shanghai CITS International Travel Services Co., Ltd. 上海國旅國際旅行社有限公司	Mainland China, 29 December 1993	RMB20,000	–	100.0%	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Tourism Co., Ltd. 上海錦江旅遊有限公司	Mainland China, 25 August 1993	RMB24,990	–	100.0%	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Travel Agency Co., Ltd. 上海旅行社有限公司	Mainland China, 2 September 1992	RMB2,000	–	100.0%	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Jin Cai Association Co., Ltd. 上海錦璨會務有限公司	Mainland China, 1 November 2013	RMB10,000	100.0%	–	Investment operation, Shanghai, Mainland China	Limited liability company
Shanghai Ji Gan Industrial Investment Co., Ltd. 上海佶苷實業投資有限公司	Mainland China, 26 November 2013	RMB1,000	100.0%	–	Investment operation, Shanghai, Mainland China	Limited liability company
Shenzhen Overseas Chinese Town City Inn Co.,Ltd. 深圳市都之華酒店管理有限公司	Mainland China, 23 April 1993	RMB131,400	–	100.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang JTB International Exhibition Co., Ltd. ("Jin Jiang JTB") (ii) 上海錦江國際JTB會展有限公司	Mainland China, 11 April 2005	US$1,000	–	50.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai jin Yan enterprise investment management Co., Ltd. 上海錦琰企業投資管理有限公司	Mainland China, 30 November 2012	RMB78,150	100.0%	–	Investment operation, Shanghai, Mainland China	Limited liability company
Groupe du Louvre 盧浮集團	France, 27 July 2005	EUR262,037	–	100%	Hotel and restaurant ownership and operations, France	Joint stock limited company
Keystone Lodging Holdings Limited 鉑濤集團	Mainland China, 17 July 2013	RMB73,434	–	80.0034%	Hotel ownership and operations, Shenzhen, Mainland China	Joint stock limited company
Vienna Hotels Group Co., Ltd 維也納酒店有限公司	Mainland China, 12 April 2014	RMB116,392	–	80.0%	Hotel ownership and operations, Shenzhen, Mainland China	Limited liability company
Shenzhen Bai Sui Cun Restaurant Chain Co., Ltd 深圳市百歲村餐飲連鎖有限公司	Mainland China, 6 March 2008	RMB1,000	–	80%	Fast food operations, Shenzhen, Mainland China	Limited liability company
Shanghai Xintiantian Cold Logistics Co., Ltd 上海新天天低溫物流有限公司	Mainland China, 31 July 2003	RMB66,179	–	65%	Provision of logistics management and relevant business services, Shanghai, Mainland China	Limited liability company
(b) Joint ventures (iii)						
Shanghai Galaxy Hotel Company Limited 上海銀河賓館有限公司	Mainland China, 22 August 1990	RMB19,885	50.0%	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Beijing Kunlun Hotel Company Limited 北京崑崙飯店有限公司	Mainland China, 24 May 1988	US$34,167	35.0%	12.5%	Hotel ownership and operations, Beijing, Mainland China	Limited liability company
Shanghai Jin Jiang Tomson Hotel Company Limited 上海錦江湯臣大酒店有限公司	Mainland China, 10 July 1993	US$24,340	50.0%	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Thayer Jin Jiang Interactive Co., Ltd. 上海錦江德爾互動有限公司	Mainland China, 31 October 2005	US$3,000	50.0%	–	Software development and related services, Shanghai, Mainland China	Limited liability company
Interstate (China) Hotels & Resorts Co.,Limited 州際(中國)酒店和度假村有限公司	Hong Kong, 24 March 2010	US$1,282	–	50.0%	Investment Holding, Hong Kong, China	Limited liability company
Interstate (Shanghai) Hotels & Retors Co., Limited 上海州際卓逸酒店和度假村管理有限公司	Mainland China, 16 September 2010	US$9,300	–	50.0%	Hotel management, Shanghai, Mainland China	Limited liability company
Shanghai Tower Jin Jiang Hotel Asset Management Co.,Ltd 上海中心大廈錦江酒店資產管理有限公司	Mainland China, 16 May 2011	RMB60,000	50.0%	–	Hotel management, Shanghai, Mainland China	Limited liability company
JHJ International Transportation Co.,Ltd. 錦海捷亞國際貨運有限公司	Mainland China, 06 December 1992	US$10,000	–	50.0%	Transportation and logistics, Shanghai, Mainland China	Limited liability company
Shanghai Dazhong New Asia Co., Ltd. 上海大眾新亞出租汽車有限公司	Mainland China, 27 April 2000	RMB30,000	–	49.5%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Jiayou Automobile Services Co., Ltd. 上海錦江佳友汽車服務有限公司	Mainland China, 08 September 1993	RMB24,700	–	50.0%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Vehicle Driver Training Centre 上海市機動車駕駛員培訓中心	Mainland China, 25 August 1989	RMB4,340	–	33.33%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Zhendong Automobile Services Co., Ltd. 上海振東汽車服務有限公司	Mainland China, 25 June 1991	US$7,900	–	50.0%	Transportation services, Shanghai, Mainland China	Limited liability company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/ registered and paid in capital '000	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities and place of operation	Type of legal entity
(b) Joint ventures (iii) (continued)						
Shanghai Jinmao Jin Jiang Automobile Services Co., Ltd. 上海金茂錦江汽車服務有限公司	Mainland China, 11 January 1996	RMB22,000	–	50.0%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Wubei Parking Garage Co.,Ltd 上海烏北停車庫有限公司	Mainland China, 20 July 2016	RMB3,000	50.0%	–	Parking Service, Shanghai, Mainland China	Limited liability company
INCA Hotel Holdings Company LLC	Delaware, USA May 2, 2016	US$33,848	–	50%	Hotel ownership and operations, USA	Limited liability company
(c) Associates (iii)						
Chengdu Jinhe Real Estate Company Limited 成都錦和物業發展有限公司	Mainland China, 12 August 1993	RMB18,000	30.0%	–	Hotel ownership and operations, Chengdu, Mainland China	Limited liability company
Wuxi Jin Jiang Grand Hotel Company Limited 無錫錦江大酒店有限公司	Mainland China, 16 December 1994	RMB67,570	25.0%	–	Hotel ownership and operations, Wuxi, Mainland China	Limited liability company
The Yangtze Hotel Limited 上海揚子江大酒店有限公司	Mainland China, 4 February 1985	US$53,000	40.0%	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Kentucky Fried Chicken Company Limited 上海肯德基有限公司	Mainland China, 5 May 1989	US$27,010	–	42.0%	Fast food operations, Shanghai, Mainland China	Limited liability company
Shanghai New Asia Fulihua Catering Company Limited 上海新亞富麗華餐飲股份有限公司	Mainland China, 25 June 1992	RMB35,000	–	41.0%	Restaurant operations, Shanghai, Mainland China	Limited liability company
Shanghai Yoshinoya Company Limited 上海吉野家快餐有限公司	Mainland China, 3 June 2002	US$12,300	–	42.8%	Fast food operations, Shanghai, Mainland China	Limited liability company
Jiangsu Jin Jiang Nanjing Hotel Company Limited 江蘇錦江南京飯店有限公司	Mainland China, 12 October 1982	RMB34,640	40.0%	–	Hotel ownership and operations, Nanjing, Mainland China	Limited liability company
Nanjing Long Distance Passenger Transport Group Co., Ltd. 江蘇南京長途汽車客運集團有限公司	Mainland China, 4 June 1991	RMB110,000	–	23.0%	Transportation services, Nanjing, Mainland China	Limited liability company
Shanghai Pudong Int'l Airport Cargo Terminal Co.,Ltd 上海浦東國際機場貨運站有限公司	Mainland China, 08 October 1999	RMB311,610	–	20.0%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Yongda Fengdu Automobile Distribution and Services Co., Ltd. 上海永達風度汽車銷售服務有限公司	Mainland China, 21 January 2002	RMB15,000	–	40.0%	Trading of automobile and related parts, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Passenger Transport Co., Ltd. 上海錦江客運有限公司	Mainland China, 24 February 2003	RMB10,000	–	30.0%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Automobile Sales Co., Ltd. 上海錦江汽車銷售服務有限公司	Mainland China, 14 January 2004	RMB5,000	–	30.0%	Trading of automobile and related parts, Shanghai, Mainland China	Limited liability company
Shanghai Shuijin Yang Food Co., Ltd. 上海水錦洋食品有限公司	Mainland China, 20 August 2012	RMB25,000	–	40.0%	Frozen food and agricultural products operation, Shanghai, Mainland China	Limited liability company
Shanghai Huangpu River Cruise Co.,Ltd. 上海浦江遊覽有限公司	Mainland China, 4 May 1982	RMB50,000	–	20.0%	Travel agency, Shanghai, Mainland China	Limited liability company
China Oriental International Travel & Transport Co., Ltd. 上海東方航空國際旅遊運輸有限公司	Mainland China, 16 August 1990	RMB8,000	–	49.0%	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Waihang International Travel Service Co., Ltd. 上海外航國際旅行社有限公司	Mainland China, 25 May 1993	RMB3,500	–	30.0%	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Oneday Travel Service Co.,Ltd. 上海一日旅行社有限公司	Mainland China, 4 May 1999	RMB3,500	–	22.9%	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Juxing Property Management Co.,Ltd. 上海聚星物業管理有限公司	Mainland China, 10 January 2000	RMB1,000	–	24.7%	Travel agency, Shanghai, Mainland China	Limited liability company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

(i) Although the Company holds less than half of the equity interest in Jin Jiang Investment and therefore has less than half of its voting rights, the Director concludes that the Company has de facto control over Jin Jiang Investment and accounts for a subsidiary after taking into consideration, among the things: (a) the dispersed shareholder structure excluding those interests directly and indirectly held by the Company; (b) the ability to demonstrate effective control during the shareholders' meetings and board meetings; and (c) the extent of involvement of directors of Jin Jiang Investment nominated by the Company in its operational and financial policy setting and decision making.

(ii) Although Jin Jiang Travel holds 50% equity interest in Jin Jiang JTB, it is concluded that Jin Jiang Travel has control over the and accounts for a subsidiary, after taking into consideration that a majority (2 out of 3) of the board of Jin Jiang JTB can be appointed by the Company and Jin Jiang Travel is exposed to or has rights to variable returns from its involvement with Jin Jiang JTB and has the ability to affect those returns through its power over Jin Jiang JTB.

(iii) All investments in joint ventures and associates are accounted for by equity method in the consolidated financial statements of the Group. All the principal joint ventures and associates provide products and services in connection with Hotel Related Businesses, Passenger Transportation Vehicle and Logistics Businesses or Travel Agency Businesses, and are the strategic partnership for the Group.

43 SUBSEQUENT EVENTS

According to the French Fiscal Law of 2017, the effective income tax rate for GDL will decrease from 34.43% to 28.92% in 2019. As at 29 March 2017, the Group is yet to assess the impact of income tax rate change on the financial statements for the year ending 31 December 2017.

44 RESTATEMENT

As explained in note 36, the Acquisition is regarded as a common control combination and accounted for using the principles of merger accounting in accordance with the Accounting Guideline No. 5 — "Merger Accounting for Common Control Combination" issued by the HKICPA. Since completion of the Acquisition, the financial statements of Xintiantian Company has been included in the consolidated financial statements of the Group for year ended 31 December 2016 as if the Acquisition had occurred from the date when Xintiantian Company first came under the control of Jin Jiang International. Comparative figures as at 31 December 2015 and for the year then ended were also represented on the same basis. As the restatement is not due to a change of accounting policy or a correction of an error, no third consolidated balance sheet at the beginning of the earliest comparative period is presented.