Jinmao Hotel
金茂酒店

(As constituted pursuant to a deed of trust on 13 June 2014 under the laws of Hong Kong, the trustee of which is Jinmao (China) Investments Manager Limited)

and

Jinmao (China) Hotel Investments and Management Limited
金茂（中國）酒店投資管理有限公司

(Registered in the Cayman Islands with limited liability)

(Stock code: 06139)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The boards of directors (the "**Boards**") of Jinmao (China) Investments Manager Limited (the "**Trustee-Manager**", as trustee-manager of Jinmao Hotel (the "**Trust**")) and Jinmao (China) Hotel Investments and Management Limited (the "**Company**", together with its subsidiaries and the Trust, the "**Trust Group**") hereby announce that the audited annual results of the Trust and the Company together with the Company's subsidiaries and of the Trustee-Manager for the year ended 31 December 2018. The audit committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2018. This announcement, which contains the full text of the 2018 annual report of the Trust and the Company (the "**Annual Report**"), complies with the disclosure requirements for annual results announcement as stipulated in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). Capitalised terms in this announcement shall have the same respective meanings given to them in the Annual Report.

Printed versions of the Annual Report will be despatched to the Holders of Share Stapled Units and will be made available for viewing on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.jinmao88.com by the end of April 2019.

FINAL DISTRIBUTION

The Boards have recommended the payment of a final distribution of HK12.88 cents per Share Stapled Unit for the year ended 31 December 2018 to the Holders of Share Stapled Units, based on the Trust Distributable Income of approximately RMB565 million (equivalent to approximately HK$669 million) for the same period. Subject to approval of the Holders of Share Stapled Units at the forthcoming 2018 AGM, the payment of the proposed final distribution is expected to be made on or before 28 June 2019. Taken together with the interim distribution of HK20.55 cents per Share Stapled Unit paid in October 2018, the total distribution per Share Stapled Unit for the year ended 31 December 2018 is HK33.43 cents.

The Trustee-Manager Board has confirmed, in accordance with the Trust Deed, that (i) the auditors of the Trust Group have reviewed and verified the Trustee-Manager's calculation of the distribution entitlement per Share Stapled Unit, and (ii) having made all reasonable enquiries, immediately after making the distribution to registered unitholders of the Trust, the Trustee-Manager will be able to fulfil, from the Trust Property, the liabilities of the Trust as they fall due.

The Boards will give a notice on the closure of the registers in relation to the entitlement to the proposed final distribution and the entitlement to attend and vote at the 2018 AGM upon determination of the date of the 2018 AGM.

Details of the distribution of the Trust Group for the year ended 31 December 2018 are set out in the section headed "Report of the Directors" in the Annual Report.

APPRECIATION

On behalf of the Boards, I would like to take this opportunity to express our sincere gratitude to all our customers, business partners, Holders of Share Stapled Units and various local governments for their long-term support and trust, and to all the employees for their assiduous efforts.

By Order of the Boards
Jinmao (China) Investments Manager Limited
and
Jinmao (China) Hotel Investments and Management Limited
LI Congrui
Chairman

Hong Kong, 18 March 2019

As at the date of this announcement, the directors of the Trustee-Manager and the Company are Mr. LI Congrui (Chairman), Mr. ZHANG Hui and Mr. JIANG Nan as Non-executive Directors; Mr. TANG Yong as Executive Director and Chief Executive Officer; and Dr. CHUNG Shui Ming Timpson, Dr. CHEN Jieping and Dr. XIN Tao as Independent Non-executive Directors.

OUR VISION

Internationally renowned and China's first-class hotel investor and operator.

OUR MISSION

We are committed to the ideology of "Innovation, Consolidation and Cooperation" to build the brand value and affiliated organizations, and through providing sustainable products, services and continuous policy innovation, we would be able to build our brand value and create a mutually beneficial platform for the benefit of Holders of Share Stapled Units and the community as a whole.

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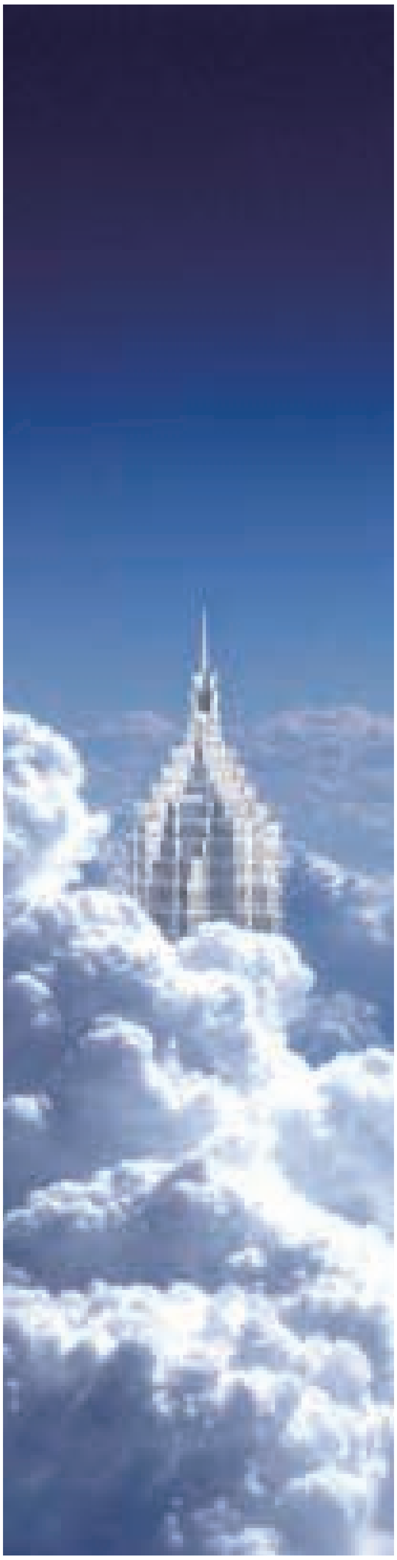
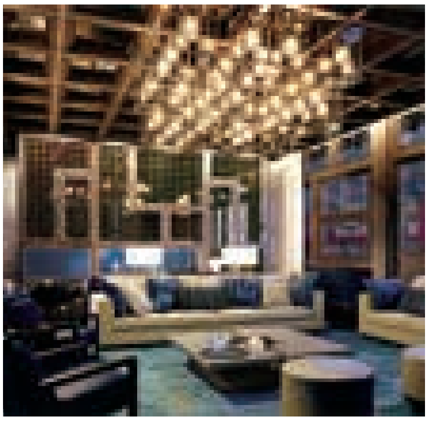
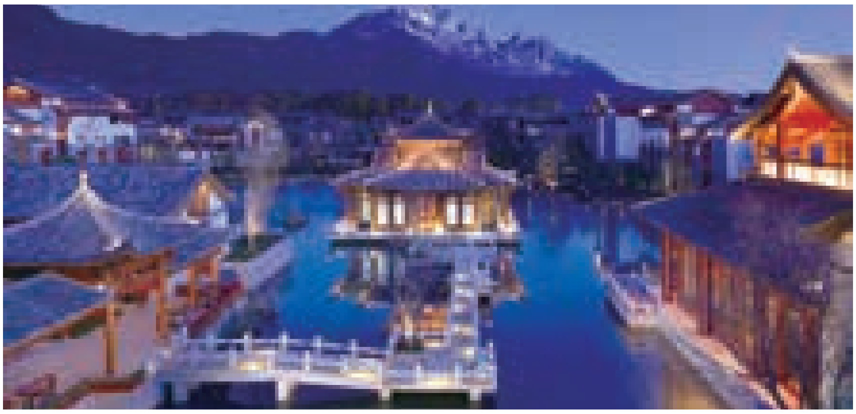
JINMAO HOTEL

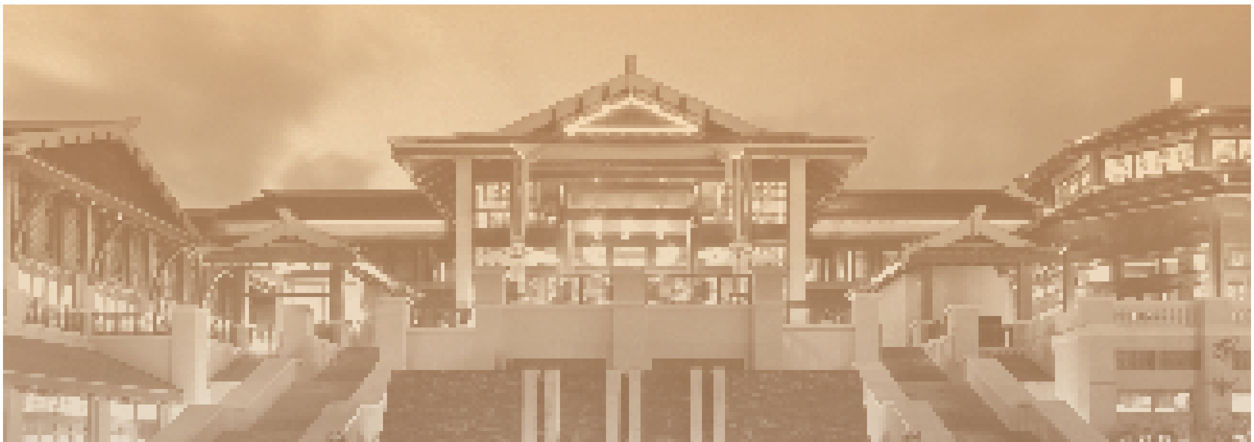


Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited (stock code: 06139) is a fixed single investment trust with an initial focus on the hospitality industry in the PRC. The Group primarily owns and invests in a portfolio of hotels with diversified revenue sources and customer mix from a portfolio of high quality hotels and commercial properties, comprising eight hotels and Jin Mao Tower, a mixed-use development property. The properties are all located in prime and strategic locations in top-tier cities or tourist hot spots in the PRC.



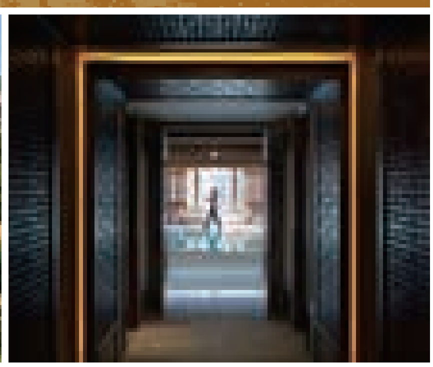


ABOUT JINMAO HOTEL



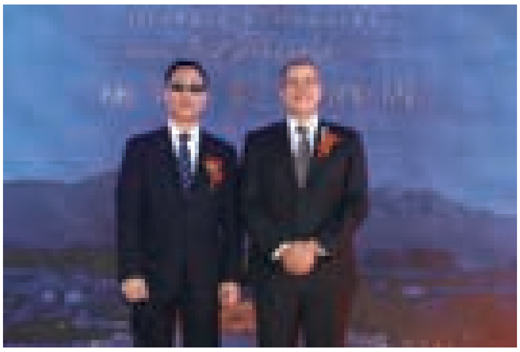
Adhering to the high-end and boutique positioning, the Group has been investing and operating hotels in Shanghai, Beijing, Sanya and other regions with strong brand recognition and a market leading position, and will continue to improve the operational efficiency of its properties and seek for asset enhancement opportunities for further development.

- Jin Mao Tower (Level 53-87 being Grand Hyatt Shanghai)
- Hilton Sanya Yalong Bay Resort & Spa
- The Ritz-Carlton Sanya, Yalong Bay
- The Westin Beijing Chaoyang
- JW Marriott Hotel Shenzhen
- Hyatt Regency Chongming
- Renaissance Beijing Wangfujing Hotel
- Lijiang Jinmao Hotels



MILESTONES IN 2018

In February



Grand opening of "Lijiang Jinmao Hotel • The Unbound Collection by Hyatt", which is the first high-end lifestyle brand of Hyatt in China, embarking a new cooperation method between Jinmao and Hyatt.

In February

Shanghai Jinmao Hotel Management Company Limited, the wholly-owned asset-light operation company of the Company has been established. Its business covers the operation management of self-operated brands of "Jinmao Hospitality" and "Jinmao Apartment", consolidating the asset-light operation, services, resources of members, consultation of strategy commencement, output management, joint operation and other cooperation projects under the Group (including hotels, apartments, offices, property management and sightseeing), as to provide high-quality operation solutions for quality assets and properties.

In March

Jinmao Hotel was titled the "Best Hotel Owners of China" by the China Hotel Starlight Awards which is known as the "Oscar Awards" of China's hospitality industry.

In April

Jin Mao Tower was awarded the "2017 Outstanding Contributions Awards for Property Economy" by the Shanghai Pudong New Area People's Government.

MILESTONES IN 2018

In September

Jinmao Hotel was awarded as the "Best Hotel Owners of China in 2018" during the 15th Hotel Golden-Pillow Award Ceremony which is one of the most influential forums in the industry.

In October

The Executive Director and Chief Executive Officer of Jinmao Hotel, Mr. TANG Yong was awarded the "Outstanding Chief Executive Officer of Hotel Industry for the Year" during the 10th "Continental Diamond Awards" of World Hotel Association.

In December

On 5 December 2018, China Jin Mao (Group) entered into a limited partnership agreement with Jiaxing Investment and Jinmao Xinhe in relation to the establishment of the fund with the main purpose to invest in domestic hotels and apartment projects.

CORPORATE INFORMATION

Trust

Jinmao Hotel

(As constituted pursuant to a deed of trust on 13 June 2014 under the laws of Hong Kong, the trustee of which is Jinmao (China) Investments Manager Limited)

Listing

The Share Stapled Units of Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited (formerly known as Jinmao Investments and Jinmao (China) Investments Holdings Limited) were listed on the Main Board of the Stock Exchange on 2 July 2014

Corporate Information of the Trustee-Manager

Trustee-Manager

Jinmao (China) Investments Manager Limited

Board of Directors

Non-executive Directors

Mr. LI Congrui (Chairman)
Mr. ZHANG Hui
Mr. JIANG Nan
Ms. LAN Haiqing (resigned on 8 June 2018)

Executive Director and Chief Executive Officer

Mr. TANG Yong

Independent non-executive Directors

Dr. CHUNG Shui Ming Timpson
Dr. CHEN Jieping
Dr. XIN Tao

Registered Office

Rooms 4702-03, 47th Floor
Office Tower, Convention Plaza
No. 1 Harbour Road
Wanchai, Hong Kong

Company Secretary

Ms. HO Wing Tsz Wendy
(Fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom)

Authorised Representatives

Mr. JIANG Nan
Ms. HO Wing Tsz Wendy

Trustee-Manager Audit Committee

Dr. CHEN Jieping (Chairman)
Mr. JIANG Nan
Dr. XIN Tao

Share Stapled Units Registrar

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

Corporate Information of the Company

The Company

Jinmao (China) Hotel Investments and Management Limited
(Formerly known as Jinmao (China) Investments Holdings Limited)
(Registered in the Cayman Islands with limited liability)

Registered Office

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

CORPORATE INFORMATION

Head Office and Principal Place of Business in Hong Kong

Rooms 4702-03, 47th Floor, Office Tower
Convention Plaza
No. 1 Harbour Road
Wanchai, Hong Kong

Board of Directors

Non-executive Directors

Mr. LI Congrui (Chairman)
Mr. ZHANG Hui
Mr. JIANG Nan
Ms. LAN Haiqing (resigned on 8 June 2018)

Executive Director and Chief Executive Officer

Mr. TANG Yong

Independent non-executive Directors

Dr. CHUNG Shui Ming Timpson
Dr. CHEN Jieping
Dr. XIN Tao

Head of Finance

Ms. ZHANG Runhong

Company Secretary

Ms. HO Wing Tsz Wendy
(Fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom)

Authorised Representatives

Mr. JIANG Nan
Ms. HO Wing Tsz Wendy

Legal Advisers

As to Hong Kong laws:

Freshfields Bruckhaus Deringer
55th Floor, One Island East, Taikoo Place
Quarry Bay, Hong Kong

As to PRC laws:

Beijing Guantao (Shanghai) Law Firm
(Formerly known as Shen Da Law Firm)
32/F, World Plaza, 855 Pudong Nan Road
Shanghai, the PRC

As to Cayman Islands laws:

Conyers Dill & Pearman
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Company Audit Committee

Dr. CHEN Jieping (Chairman)
Mr. JIANG Nan
Dr. XIN Tao

Company Remuneration and Nomination Committee

Dr. CHUNG Shui Ming Timpson (Chairman)
Mr. LI Congrui
Dr. CHEN Jieping

Auditor

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

CORPORATE INFORMATION

Address Where the Principal Register of Members is Kept

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Address Where the Hong Kong Register of Members is Kept

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

Share Stapled Units Registrar

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

Investor Enquiries

Tel : +86 21 5047 6688-2327
Fax : +86 21 5047 0088-2327
Email : investors@jinmao88.com
jinmao@sinochem.com

Website

www.jinmao88.com

Stock Code

06139

FINANCIAL HIGHLIGHTS

Jinmao Hotel is a fixed single investment trust with an initial focus on the hospitality industry in the PRC. The Share Stapled Units jointly issued by Jinmao Hotel and the Company were successfully listed on the Main Board of the Stock Exchange on 2 July 2014. This report covers the financial period from 1 January 2018 to 31 December 2018.

Unit: RMB million

	For the year ended 31 December		
	2018	2017	Change (%)
Revenue	**2,564.9**	2,595.4	-1
EBITDA	**1,017.7**	956.8	6
Profit attributable to Holders of Share Stapled Units	**250.4**	219.9	14
Basic earnings per Share Stapled Unit (RMB cents)	**12.5**	11.0	14
Total assets	**18,031.4**	18,328.3	-2
Total equity	**5,829.8**	6,478.4	-10
Net debt-to-adjusted capital ratio (%)[1]	**84**	77	8

Note:

(1) Net debt-to-adjusted capital ratio = (interest-bearing bank and other borrowings – cash and cash equivalents – restricted bank balances)/(total equity + amount due to related parties).

CHAIRMAN'S STATEMENT

In 2019, the Group will continue to enhance sensitivity, risk control and market-orientation awareness, jump out of the comfort zone, and regard itself as a true entrepreneur and striver. We seek to innovate sales strategies, enhance operational efficiency, stabilize revenue, outperforming competitors under the same conditions, in order to create value for Holders of Share Stapled Units and increase dividend distributions as well as the Company's market value.

CHAIRMAN'S STATEMENT

Dear all:

On behalf of the Boards of the Trustee-Manager and the Company, I am pleased to present the annual report of Jinmao Hotel and the Group for the year ended 31 December 2018 for review by the Holders of Share Stapled Units.

During the Review Period, the Group generated total revenue of RMB2,565 million. Our profit attributable to the Holders of Share Stapled Units amounted to RMB250 million and the basic earnings per Share Stapled Unit amounted to approximately RMB0.13. Excluding the fair value gains on investment properties, profit attributable to the Holders of Share Stapled Units amounted to RMB203 million. The Boards have recommended a distribution of approximately RMB565 million (equivalent to approximately HK$669 million) where the distribution per Share Stapled Unit amounted to HK33.43 cents, which will be subject to the approval at the 2018 AGM.

In 2018, the overall global economy saw a tortuous development which generally showed a trend of slowing down after acceleration. The increasingly polarised growth of various economies resulted in a further unbalanced development. Except for the sustained increase in the growth rate of a few countries such as the United States, the growth of most economies had declined to a certain extent, and the global economy indicated a signal of a downward trend. As for China's economy, the economic activities remained within a normal range in 2018, and the foundation of an overall stable and progressive trend remained steady. However, the impact of global economic fluctuations and the trade war enlarged the uncertainty of China's economic development. With the rise of Xi'an, Chengdu and other regions, and increased number of conferences held in the first and second-tier cities, the occupancy of high star-rated business hotels gradually climbing up from the lowest level since 2014. However, the growth rates of tourist number and tourism revenue slowed down to some extent, reflecting the consumption downgrade of personal travelling under the circumstance of an economic downward trend. The demand of traditional resort hotel market declined to a certain extent, which also had a negative impact on the overall hotel market performance.

The hotels of the Company have intensified marketing efforts and continued to strengthen sales channels, grabbed favourable market opportunities in the first half of the year, and overcame the impact of downturn in certain regional markets in the second half of the year. As a result, we achieved the revenue of RMB1,864 million and EBITDA of RMB557 million in the segment of hotel operations. In the hotel operation, we actively improved the hotel operating performance by changing the operation mode. On 28 February 2018, the former urban area of Grand Hyatt Lijiang was rebranded to Lijiang Jinmao Hotel·the Unbound Collection by Hyatt, and the former Grand Hyatt Lijiang Mountain Lodge at Yulong Snow Mountain was rebranded as to Jinmao Purelax Mountain Hotel, Lijiang. Two hotel products with different characteristics and different identities were created based on the unique geographical location and different positioning of the two parts of the hotels respectively, to cope with the fierce competition of Lijiang tourism market. The above transition saw encouraging market responses and led to a historic performance breakthrough.

In relation to commercial property leasing, the company faced unfavourable factors including the downturn of the office lease market, the increase of supply and decentralisation in the core business

CHAIRMAN'S STATEMENT

districts, we actively took actions in planning and overall arrangements in advance, stabilized the occupancy through short-term lease renewal negotiations and prioritising lease expansion for key clients. The revenue and EBITDA of commercial lease amounted to RMB499 million and RMB459 million, respectively.

The Observation Deck on the 88th floor of Jin Mao Tower achieved a new record number of visitors, with an annual revenue of RMB63 million and 1.27 million visitors. During the Review Period, the Observation Deck on the 88th floor of Jin Mao Tower actively promoted IP cooperation. As the sole selected destination of Mickey experience in Shanghai, it was shown in the movie series "The China Tour of Mickey's 90th Anniversary" together with world-class tourist attractions such as The Great Wall, Terracotta in Xi'an, Yellow Crane Tower in Wuhan and Chengdu Giant Panda Breeding Base. The movie series were casted across the world synchronously, which greatly expanded the appeal of Observation Deck of Jinmao and the influence of "Skywalk" at home and abroad.

The Company effectively promoted the strategy of "balanced structure of asset-light and asset-heavy business with combination of long-term and short-term investments". On 8 February 2018, Shanghai Jinmao Hotel Management Company Limited, an asset-light operation company, was established to expand the asset-light business of hotels, apartments, properties and sightseeing based on this platform. In 2018, the Company achieved a total contracted value of RMB7.67 million, signed cooperation intention agreements for 6 management and consultancy projects including Nanjing Tangshan hotel, the skyscraper planned at Yuzui, Nanjing, Wuhan Centre, Hangzhou International Centre, etc. In November, our flagship store on fliggy.com went online. Meanwhile, we established a self-operated direct sales platform and membership system to support the online sale and reservation of Jinmao hotel products.

Looking forward into the future, China's economy will generally maintain its current development trend, stable with uncertainties and concerns, while external environment appears to be complex and intense. The economy still faces a severe downward pressure. The tourism industry is also experiencing industry-wide changes and the whole industry continues to integrate and upgrade. Cross-sector integration will effectively benefit hotels to continuously enhance its competitiveness. The Company will seize market opportunities, pay attention to market risks, and make every effort to improve business performance.

In terms of hotel operations, the Company will adhere to the asset management perspective, and take "floor efficiency" as the main indicator to enhance profitability. Meanwhile, we will continue to strengthen external cooperation in order to obtain new profit growth points, so as to enhance the overall performance of the Company and fulfill the performance commitment to the Holders of Share Stapled Units.

In terms of commercial property leasing, the Company will prioritise the occupancy and place emphasis on renewing the lease of key tenants. We will effectively improve the capture ratio towards target customers, and speed up the leasing of vacant spaces. We will also continuously promote

CHAIRMAN'S STATEMENT

the renovation and rectification of office public areas to effectively enhance competitiveness.

Observation Deck on the 88th floor of Jin Mao Tower will continue to focus on word-of-mouth promotion, service improvement and product upgrade. Business performance of the tourism-related businesses is expected to be enhanced by increasing the share of contribution from individual visitors.

Finally, on behalf of the Boards, I would like to express my sincere gratitude to our customers, business partners, Holders of Share Stapled Units and the employees of the Company. All the employees of the Jinmao Hotel will uphold the management philosophy of "Advancement, Stringency, Refinement and Effectiveness" and focus on honest cooperation, customer orientation, value creation and the pursuit of excellence, in order to achieve better performance and create greater value for all Holders of Share Stapled Units!

Chairman
LI Congrui

Hong Kong
18 March 2019

HONOURS
AND AWARDS IN 2018

Jinmao Hotel & Jinmao (China) Hotel Investment and Management Limited

1. In March, China Jin Mao (Group) was awarded the "Best Hotel Owners of China" by the Judging Committee of the "China Hotel Starlight Awards".

2. In April, Jin Mao Tower was granted the "2017 Outstanding Contributions Awards for Property Economy" by the Shanghai Pudong New Area People's Government.

3. In September, Jinmao (China) Hotel Investment Management Company Limited was awarded as the "Best Hotel Owners of China in 2018" during the 15th Hotel Golden-Pillow Award Ceremony.

Grand Hyatt Shanghai

1. In February, Grand Hyatt Shanghai was awarded the "Annual Best Influential Branded Hotel" by the World Hotel Association Continental Diamond Award.

2. In October, Grand Hyatt Shanghai was granted "2018 The Most Popular Landmark Business Hotel in East China" by "Golden-Pillow Award of China's Hotels".

3. In November, Grand Hyatt Shanghai was awarded the "2018 Golden Circle Award Winner" by Agoda.

4. In December, Grand Hyatt Shanghai was awarded the "Landscape Hotel of the Year" by "TimeOut 2018 Love Shanghai Awards".

5. In December, Grand Hyatt Shanghai was granted the "CPT Hotels of the Year in Greater China" by the "China Premium Traveler".

Hyatt Regency Chongming

1. In March, Hyatt Regency Chongming was awarded the "Top 10 Resort Hotels of China" by "China Hotel Starlight Awards".

2. In August, Hyatt Regency Chongming was awarded the "2018 The Most Popular City Leisure Hotel of China" given by "HOTELN".

3. In October, Hyatt Regency Chongming was granted the 2018 "Most Popular Health Resort Hotel in East China" given by "Golden-Pillow Award of China's Hotel".

4. In December, Hyatt Regency Chongming was granted the "Best Outdoor Wedding Hotel" by the "10th China Best Hotel Awards".

HONOURS AND AWARDS IN 2018

5. In December, Hyatt Regency Chongming was granted the "Parental Hotel for the Year" by "2018 Xinmin Community News".

The Westin Beijing Chaoyang

1. In April, the Westin Beijing Chaoyang was awarded as "The Best Business Travel Hotel" by the "Airtime".

2. In May, the Westin Beijing Chaoyang was awarded the "Top 100 MICE Hotel in China for the Year 2018" of "Eventown.com".

3. In June, the Westin Beijing Chaoyang was granted the "2018 Certificate of Excellence" by TripAdvisor.

4. In October, the Westin Beijing Chaoyang awarded the "Best Business Hotel Award of Annual" by "China Hotel New Power Media Awards".

5. In December, the Westin Beijing Chaoyang was granted the "MICE Hotel of the Year in Greater China" by "China Premium Traveler".

Renaissance Beijing Wangfujing Hotel

1. In May, Renaissance Beijing Wangfujing Hotel granted the title of "Best Arts Hotel" by "Metropolitan".

2. In June, Renaissance Beijing Wangfujing Hotel was awarded the "Best Conference Hotel" by "MICE".

3. In June, Renaissance Beijing Wangfujing Hotel was granted the "Annual Selection City Landmark Hotel" during the "2018 China Hotel Award" organized by "Fashion Travel".

4. In July, Renaissance Beijing Wangfujing Hotel was awarded the "Best Hotel Chinese Restaurant" by Trends.

5. In December, Renaissance Beijing Wangfujing Hotel was granted the "2018 SOHU-Travel Hotel Award" by "Sohu.com".

The Ritz-Carlton Sanya, Yalong Bay

1. In May, the Ritz-Carlton Sanya, Yalong Bay was granted the title of "Level AAAAA Conference Hotel in Hainan Province" by Hainan Department of Commerce.

2. In July, the Ritz-Carlton Sanya, Yalong Bay was granted the title of "The Most Popular Wedding Destination Hotel" by 2018 Asia Wedding Vogue Award.

HONOURS AND AWARDS IN 2018

3. In October, the Ritz-Carlton Sanya, Yalong Bay was granted title of "The Best Luxury Hotel Award" by City Traveler.

4. In November, the Ritz-Carlton Sanya, Yalong Bay was granted the title of "China's Top 100 Hotels" by "Travel+Leisure 2018 China Travel Awards".

5. In December, the Ritz-Carlton Sanya, Yalong Bay was granted the title of "Best luxury Brand Hotel of the Year 2018" by Tuniu.com.

Hilton Sanya Yalong Bay Resort & Spa

1. In February, Hilton Sanya Yalong Bay Resort & Spa was awarded the "International Hospitality Industry Top 10 Parent-child Service Hotel" by China Hospitality Association.

2. In May, Hilton Sanya Yalong Bay Resort & Spa was granted the title of "Level AAAAA Conference Hotel in Hainan Province" by Hainan Department of Commerce.

3. In July, Hilton Sanya Yalong Bay Resort & Spa was granted the title of "The Best Leisure Travel Destination Hotel" by 2018 "Weekend on the Go" Best Travel Destination Awards.

4. In September, Hilton Sanya Yalong Bay Resort & Spa was awarded the "2018 Sohu Travelling Hotel Awards' Parent-child Hotel" by "Sohu Travel".

5. In December, Hilton Sanya Yalong Bay Resort & Spa was awarded the "2018 Top Stylish Hotel Award Family Resort Hotel of the Year" by "Grand Hotels Media".

JW Marriott Hotel Shenzhen

1. In February, JW Marriott Hotel Shenzhen was awarded the "Best Luxury Hotel" by "New Style New Media".

2. In May, JW Marriott Hotel Shenzhen was awarded the "Best Hotel Facilities Award for the Year 2017" by Ctrip.com.

3. In June, JW Marriott Hotel Shenzhen was awarded the "China Green Hotel" by "National Green Hotel Committee".

HONOURS AND AWARDS IN 2018

4. In July, JW Marriott Hotel Shenzhen was awarded the "Conference Hotel of the Year" by "20th New Express Fashion Awards of New Express Daily".

5. In December, JW Marriott Hotel Shenzhen was awarded the "Best Quality Award for the Year 2018" by Ctrip.

Lijiang Jinmao Hotel•The Unbound Collection by Hyatt

1. In April, Lijiang Jinmao Hotel•The Unbound Collection by Hyatt was awarded the "Top Ten Resort Hotels of China" by "China Hotel Starlight Awards".

2. In May, Lijiang Jinmao Hotel•The Unbound Collection by Hyatt was granted the "Best Ancient City Resort Hotel for the Year 2018" by "Hotel Discovery".

3. In December, Lijiang Jinmao Hotel•The Unbound Collection by Hyatt was awarded the "Resort Hotel of the Year in Greater China" by the "China Premium Traveler".

4. In December, Lijiang Jinmao Hotel•The Unbound Collection by Hyatt was awarded the "2018 Best Resort Hotel" by "Voyage".

5. In December, the Chinese restaurant, "Dian Xiang Guan" of Lijiang Jinmao Hotel•The Unbound Collection by Hyatt was granted the "Creative Chinese Restaurant of the Year" given by "Grand Hotels Media".

Jinmao Purelax Mountain Hotel, Lijiang

1. In May, Jinmao Purelax Mountain Hotel, Lijiang was awarded the "Best Humanistic Hotel of 2018" by "Hotel Discovery".

2. In July, Jinmao Purelax Mountain Hotel, Lijiang was granted the "Best Resort Destination Hotel for the Year 2018" by "KOL Credibility List".

3. In October, Jinmao Purelax Mountain Hotel, Lijiang was awarded the "Best Landmark Hotel" by "Fashion Hotel".

4. In December, Jinmao Purelax Mountain Hotel, Lijiang received the "Best Landmark Hotel" by "CHANCE".

MANAGEMENT DISCUSSION AND ANALYSIS

Jinmao Hotel is a fixed single investment trust with an initial focus on the hospitality industry in the PRC. The Share Stapled Units jointly issued by Jinmao Hotel and the Company were successfully listed on the Main Board of the Stock Exchange on 2 July 2014. The objectives of Jinmao Hotel and the Company are (a) to focus principally on the payment of distributions to the Holders of Share Stapled Units with a clearly expressed intention as to their respective distribution policies stated in the Trust Deed and the Company's Articles and (b) to provide the Holders of Share Stapled Units with the potential for sustainable long-term growth in the distributions payable to them and the benefits which arise from the enhancement in the value of the Group's portfolio of properties.

The Boards have recommended the payment of a final distribution of HK12.88 cents per Share Stapled Unit for the year ended 31 December 2018 to the Holders of Share Stapled Units, based on the total Trust Distributable Income of approximately RMB565 million (equivalent to approximately HK$669 million) for the same period. Subject to approval of the Holders of Share Stapled Units at the forthcoming 2018 AGM, the payment of the proposed final distribution is expected to be made on or before 28 June 2019. Taken together with the interim distribution of HK20.55 cents per Share Stapled Unit paid in October 2018, the total distribution per Share Stapled Unit for the year 2018 is HK33.43 cents.

The Trustee-Manager Board has confirmed, in accordance with the Trust Deed, that (i) the auditors of the Trust Group have reviewed and verified the Trustee-Manager's calculation of the mentioned distribution entitlement per Share Stapled Unit, and (ii) having made all reasonable enquiries, immediately after making the distribution to registered unitholders of the Trust, the Trustee-Manager will be able to fulfil, from the Trust Property, the liabilities of the Trust as they fall due.

Overview of Asset Portfolio

Jinmao Hotel is a fixed single investment trust with an initial focus on the hospitality industry in the PRC. Jinmao Hotel and the Group primarily own and invest in a portfolio of hotels, comprising eight hotels and Jin Mao Tower, a mixed-use development.

The property portfolio of the Group as at the date of this report comprises the following Properties, all of which are located in the PRC:

Jinmao Hotel Asset Portfolio (By Category)

Category	Property	City	Total GFA (sq.m.)	Number of Rooms
1. Hotel	Grand Hyatt Shanghai	Shanghai	76,013	555
	Hilton Sanya Yalong Bay Resort & Spa	Sanya	75,208	501
	The Ritz-Carlton Sanya, Yalong Bay	Sanya	83,772	455
	The Westin Beijing Chaoyang	Beijing	77,945	550
	JW Marriott Hotel Shenzhen	Shenzhen	51,730	411
	Hyatt Regency Chongming	Shanghai	48,992	235
	Renaissance Beijing Wangfujing Hotel	Beijing	44,413	329
	Lijiang Jinmao Hotels	Lijiang	84,384	401
Subtotal			542,457	3,437
2. Office	Jin Mao Tower office (including the evacuation floors on the 15th floor and the 30th floor)	Shanghai	137,121	N/A
3. Retail	Shanghai J • LIFE	Shanghai	35,659	N/A
4. Tourist	Observation Deck on the 88th floor of Jin Mao Tower	Shanghai	1,885	N/A
5. Property Management	Shanghai Property Management	N/A	N/A	N/A
6. Consultancy management	Shanghai Jinmao Hotel Management Company Limited	N/A	N/A	N/A

MANAGEMENT DISCUSSION AND ANALYSIS

All of the Properties are located in prime and strategic locations in top tier cities or tourist hot spots in the PRC. All of the Properties (other than Jin Mao Tower) are standalone hotels. Most of the hotels are managed by globally renowned hotel management companies (being Hyatt Hotels Corporation, Marriott International, Inc. and Hilton Worldwide Holdings Inc.). Jin Mao Tower is an 88-storey landmark building in Shanghai, with the office area of Jin Mao Tower being classified as a Grade A office building.

The quality of the Properties has been actively enhanced by consistent renovation and upgrade with a view to maintaining their marketability to continuously bring in new tenants and customers. In order to facilitate such consistent enhancements, we have developed and implemented certain asset enhancement programs to increase the value and returns of the Properties.

The Group specializes in the investment, operation of high-end hotels in core cities and tourist hot spots in China and the leasing of commercial properties in Jin Mao Tower. Accordingly, the Group has accumulated extensive management experience, especially through the cooperation with globally renowned hotel management companies, we have adopted a well-established management model to build a leading hotel portfolio.

The Group derives its revenue primarily from hotel operations and leasing of commercial properties:

Among which:

Revenue from hotel operations is generated from hotel rooms, food and beverage businesses and ancillary services. Revenue from ancillary services is primarily revenue other than the revenue from hotel rooms and food and beverage businesses, such as revenue from laundry, telephone charges, spa services, hotel car services and other services.

Gross rental income is mainly derived from leasing the office and retail areas in Jin Mao Tower.

In addition, the Group's revenue includes revenue from operating the Observation Deck in Jin Mao Tower and providing property management services.

In 2018, due to the impact of economic uncertainties, the increase in both the total number of visits and the revenue from tourism resulted a change of slowdown, with the regional and structure issues of high-end hotels still existing, causing a negative impact to the results of the overall hotel market. Among the cities of all the hotel properties under the Group: Beijing and Shenzhen markets recorded satisfactory performances, with increase in both occupancy and average daily rate, there was a slight decrease in Shanghai market with the overall performance remained steady, the competition in the bays of Sanya market remained strong, the circumstances of tourism in Lijiang market was still pessimistic with greater pressure for a decrease in the average daily rate. Facing the uncertain economic environment and aggressive market competition, the hotels of the Group proactively seized market opportunities, adopted flexible sales strategies and optimized customer structure, consistently enhanced service quality and maintained their leading market positions within their respective regions.

In 2018, revenue of the Group amounted to RMB2,565 million, representing a year-on-year decrease of 1%. Gross profit of the Group amounted to RMB1,475 million, with a year-on-year decrease of 1%.

	Occupancy		Average Daily Rate (RMB)		RevPAR (RMB)	
Hotel	**2018**	2017	**2018**	2017	**2018**	2017
Grand Hyatt Shanghai	**89.4%**	85.8%	**1,411**	1,456	**1,261**	1,249
Hyatt Regency Chongming	**54.2%**	53.8%	**724**	826	**393**	444
The Westin Beijing Chaoyang	**82.4%**	83.6%	**1,218**	1,162	**1,004**	972
Renaissance Beijing Wangfujing Hotel	**88.6%**	84.4%	**968**	879	**857**	742
The Ritz-Carlton Sanya, Yalong Bay	**62.4%**	74.8%	**2,146**	2,129	**1,340**	1,594
Hilton Sanya Yalong Bay Resort & Spa	**89.6%**	77.8%	**1,108**	1,319	**993**	1,026
JW Marriott Hotel Shenzhen	**84.7%**	84.6%	**1,096**	1,039	**929**	879
Lijiang Jinmao Hotels	**48.4%**	48.4%	**723**	775	**350**	375

FOCUS ON EXPERIENCE

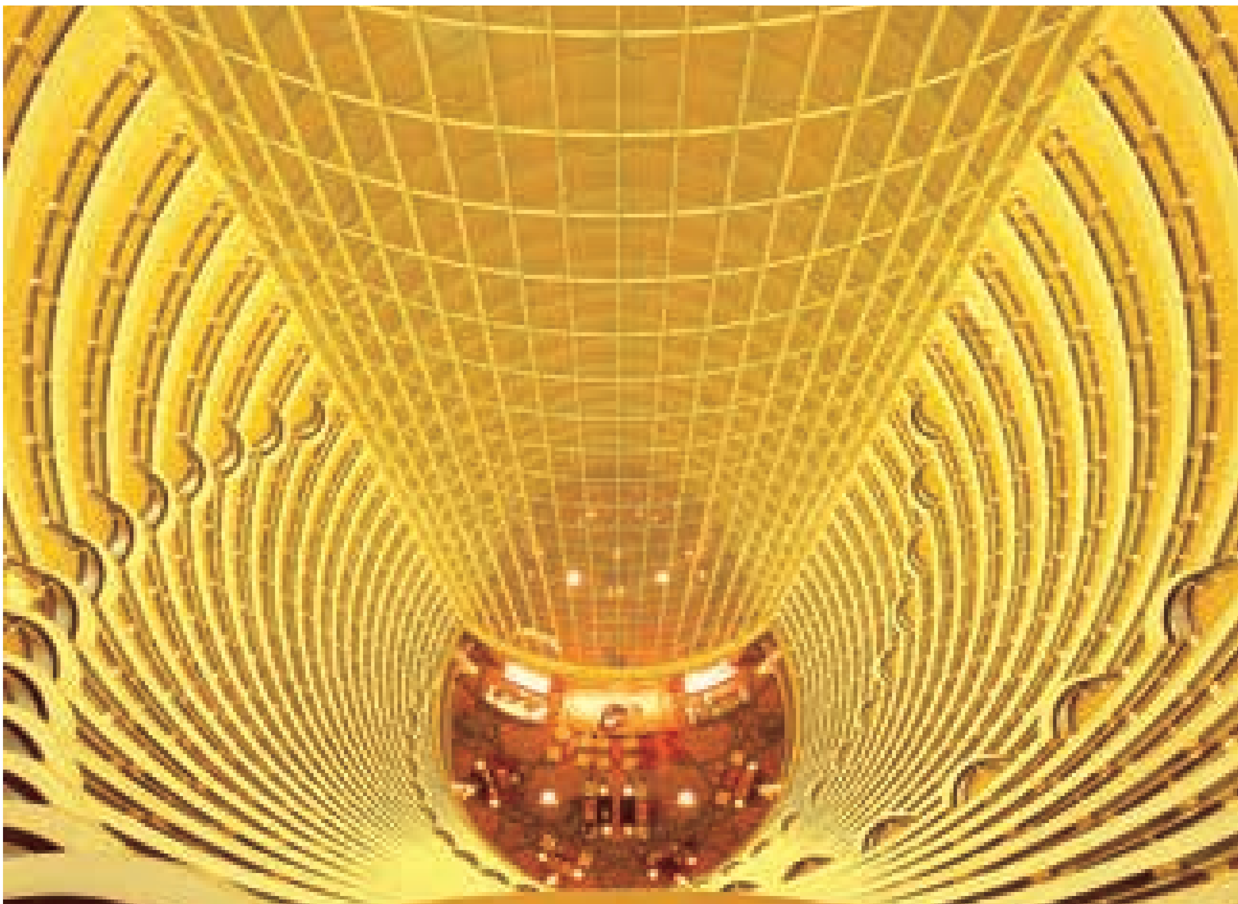
Excellent and Unrivaled

We have based our business in Pudong of Shanghai but have always been holding a global perspective. We are also keeping pace with the times and are dedicated to excellence. From Shanghai to Sanya and from Beijing to Shenzhen, and following on the initial success, the Group always adheres to the principle of "Respecting customers and paying attention to detail", upholding the quality of Jin Mao and focusing on customer experience. Through continuous innovation in products, services and business models, we have built our brand value. We have built a mutually beneficial platform that meets and exceeds customer expectations. We have built our value through providing superb guest experience, winning the market through our excellent customer services and will continue to set the industry benchmark.

MANAGEMENT
DISCUSSION AND ANALYSIS

Business Review – Hotel Operations Segment

Located at Shanghai's iconic landmark Jin Mao Tower, Grand Hyatt Shanghai embraces the scenic view of Shanghai Bund and the beautiful skyline of the city. We have always dedicated ourselves to providing our guests with attentive and professional services. Whether for business or leisure travel, the newly upgraded 555 luxury rooms and suites, the multi-functional banquet hall, various restaurants and the corresponding ancillary facilities will welcome you with a cordial and memorable stay.



GRAND HYATT
SHANGHAI

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review – Hotel Operations Segment

Grand Hyatt Shanghai, located on the 53rd-87th of Jin Mao Tower, commenced operation in 1999. The hotel has been included in the Guinness World Records 2000 as the world's highest hotel. Since its opening, leveraging with its unique landmark location and high-quality services, Grand Hyatt Shanghai has won over 100 hotel awards in China and abroad.

Grand Hyatt Shanghai embraces the scenic view of Shanghai Bund and the beautiful skyline of the city. The hotel's 555 rooms, the multifunctional banquet hall, various restaurants and the corresponding ancillary facilities will provide our guests with luxurious accommodation, unique dining and entertainment experience.

During the Review Period, under the economic decline of the overall Shanghai hotel market, Grand Hyatt Shanghai optimized the marketing strategy, fostered the year-on-year increase in the RevPAR by significantly increasing the occupancy under the situation of oversupply for the entire year, maintaining its No.1 position of the market share in the Comp Set. For the year ended 31 December 2018, Grand Hyatt Shanghai recorded an occupancy of 89.4% and an average daily rate of RMB1,411 (for the year ended 31 December 2017: 85.8% and RMB1,456). As at the date of this report, the Group owns 100% interest of Grand Hyatt Shanghai.

Grand Hyatt Shanghai	2018	2017
Occupancy	**89.4%**	85.8%
Average daily rate (RMB)	**1,411**	1,456
RevPAR (RMB)	**1,261**	1,249
Rooms revenue (RMB million)	**252.2**	249.8
Food and beverage revenue (RMB million)	**216.6**	214.7
Total revenue (RMB million)	**475.4**	471.2
EBITDA (RMB million)	**140.4**	140.0
Total basic management fees to the hotel manager (RMB million)	**9.2**	8.8
Total incentive management fees to the hotel manager (RMB million)	**18.3**	17.7
Contributions to furniture, fixtures and equipment reserve (RMB million)	**13.4**	13.3

MANAGEMENT DISCUSSION AND ANALYSIS

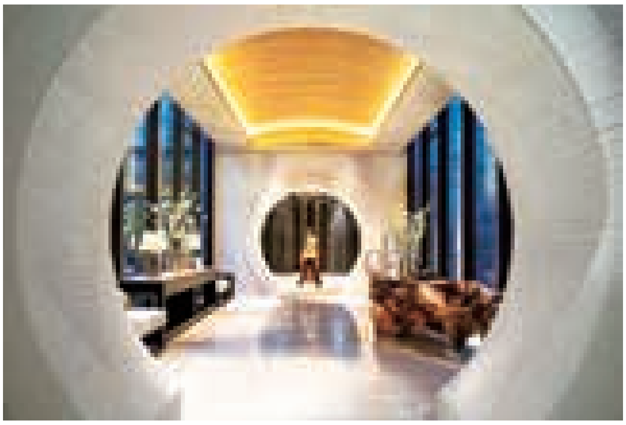
Business Review – Hotel Operations Segment

Hyatt Regency Chongming is located favorably in the east of Chongming Island, the third largest island in the PRC. Surrounded by a beautiful natural environment, it offers fresh organic delicacies. "Hyatt Campus" conference experience and unique pet dogs friendly guest rooms. Hyatt Regency Chongming is an ideal venue for relaxation, holidays and meetings.

HYATT REGENCY CHONGMING

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review – Hotel Operations Segment



Hyatt Regency Chongming is located in the east of Chongming island, the third largest island in the PRC. Chongming island is connected to the Pudong district in Shanghai by Chang Jiang tunnel-bridge, and within 60-minute drive away from the Lujiazui business centre of the Pudong district. Hyatt Regency Chongming is located near Dongtan Wetland Park, which is also a migratory bird reserve. It received the Grand Award for Best International Commercial and Special Use Project at the 51st Annual Gold Nugget Awards applying an ecological design concept on commercial land. Hyatt Regency Chongming is the first five-star resort hotel on Chongming island. The hotel offers 235 rooms (including 21 suites), and includes a combination of five functions of entertainment, sports and fitness, Chinese and Western restaurants, business conferences and accommodation.

During the Review Period, Hyatt Regency Chongming actively promoted the pets, parental and ecological themes, continued to extend the corporate and the tour group market, thus enhanced the year-on-year occupancy. For the year ended 31 December 2018, Hyatt Regency Chongming recorded an occupancy of 54.2% and an average daily rate of RMB724 (for the year ended 31 December 2017: 53.8% and RMB826). As at the date of this report, the Group owns 100% interest of Hyatt Regency Chongming.

Hyatt Regency Chongming	2018	2017
Occupancy	**54.2%**	53.8%
Average daily rate (RMB)	**724**	826
RevPAR (RMB)	**393**	444
Rooms revenue (RMB million)	**33.7**	38.1
Food and beverage revenue (RMB million)	**32.5**	34.7
Total revenue (RMB million)	**66.6**	73.1
EBITDA (RMB million)	**2.8**	5.9
Total basic management fees to the hotel manager (RMB million)	**1.3**	1.5
Total incentive management fees to the hotel manager (RMB million)	**0.5**	0.7
Contributions to furniture, fixtures and equipment reserve (RMB million)	**2.0**	0.7

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review – Hotel Operations Segment

The Westin Beijing Chaoyang is located at the prime area of the Chaoyang District, Beijing, adjacent to the renowned Yansha Business Circle and embassies. The hotel is located within a 25-minute driving distance from the Beijing Capital International Airport. With its modern design and perfect service, the hotel becomes the first choice of accommodation for foreign and local politicians and celebrities, as well as business travellers and those who pursue a quality lifestyle.

THE WESTIN BEIJING CHAOYANG

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review – Hotel Operations Segment

The Westin Beijing Chaoyang is a 34-storey luxury hotel located in the Yansha Business Circle, near Sanlitun, the central business district of Beijing and embassies, corporate headquarters and retail shopping malls. The Westin Beijing Chaoyang offers 550 rooms (including 53 suites), each offering luxurious accommodation and amenities. Since its opening, the hotel has served numerous foreign heads of states, sports elites and business elites, including former US president George W. Bush, former first lady of the United States Michelle Obama and former president of Singapore S.R. Nathan, as well as the member of the Executive Board of the International Olympic Committee Sam Ramsamy, which represents the high-end brand image of the hotel.

During the Review Period, the Westin Beijing Chaoyang, capitalized on its product strengths and prestige geographical location, firmly seized the thriving opportunities in Beijing hotel market, actively optimised its market strategies, developed significant growth in transient guest market, increased the contribution of high rate rooms, average daily rate and thus achieved growth in RevPAR, improving its market share and remaining its leading position. For the year ended 31 December 2018, the Westin Beijing Chaoyang recorded an occupancy of 82.4% and an average daily rate of RMB1,218 (for the year ended 31 December 2017: 83.6% and RMB1,162). As at the date of this report, the Group owns 100% interest of The Westin Beijing Chaoyang.

The Westin Beijing Chaoyang	**2018**	2017
Occupancy	**82.4%**	83.6%
Average daily rate (RMB)	**1,218**	1,162
RevPAR (RMB)	**1,004**	972
Rooms revenue (RMB million)	**201.6**	195.1
Food and beverage revenue (RMB million)	**85.3**	86.8
Total revenue (RMB million)	**308.4**	303.8
EBITDA (RMB million)	**108.7**	96.2
Total basic management fees to the hotel manager (RMB million)	**7.7**	7.6
Total incentive management fees to the hotel manager (RMB million)	**11.0**	10.8
Contributions to furniture, fixtures and equipment reserve (RMB million)	**12.4**	12.2

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review – Hotel Operations Segment

Situated on Wangfujing Avenue in Beijing's major business and shopping district, Renaissance Beijing Wangfujing Hotel is uniquely designed with two wings spreading out like an open book. Almost half of its rooms enjoy the marvelous view of The Forbidden City. Its pillar less ballroom with an area of near 1,000 sq. m. and classic courtyard restaurant Hutong Place will allow guests to experience an incredible journey from the past to the present.

RENAISSANCE BEIJING WANGFUJING HOTEL

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review – Hotel Operations Segment

Situated on the northern section of Wangfujing Avenue in Beijing's major business and shopping district, Renaissance Beijing Wangfujing Hotel enjoys superior geographical location with access to a cluster of historical sites and facilities. It is within a short distance to The Forbidden City, Tiananmen Square and Beihai Park, and also offers a bird's eye view of The Forbidden City. Renaissance Beijing Wangfujing Hotel is a 14-storey luxury hotel and its predecessor is Wangfujing Grand Hotel which opened in 1995. The hotel offers 329 rooms and a number of meeting rooms, catering and other facilities.

During the Review Period, Renaissance Beijing Wangfujing Hotel capitalized on its geographical advantage and accurate market positioning, optimized the structure of customer sources, significantly increased the market share of Retail, with the year-on-year increase of 16% for its RevPAR, with an improvement for its market ranking in the Comp Set. For the year ended 31 December 2018, Renaissance Beijing Wangfujing Hotel recorded an occupancy of 88.6% and an average daily rate of RMB968 (For the year ended 31 December 2017: 84.4% and RMB879). As at the date of this report, the Group owns 100% interest of Renaissance Beijing Wangfujing Hotel.

Renaissance Beijing Wangfujing Hotel	**2018**	2017
Occupancy	**88.6%**	84.4%
Average daily rate (RMB)	**968**	879
RevPAR (RMB)	**857**	742
Rooms revenue (RMB million)	**100.1**	86.3
Food and beverage revenue (RMB million)	**52.9**	48.6
Total revenue (RMB million)	**157.4**	139.4
EBITDA (RMB million)	**38.2**	31.0
Total basic management fees to the hotel manager (RMB million)	**3.2**	2.8
Total incentive management fees to the hotel manager (RMB million)	**2.7**	2.3
Contributions to furniture, fixtures and equipment reserve (RMB million)	**4.7**	4.2

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review – Hotel Operations Segment

Situated at the scenic Yalong Bay, the magnificent The Ritz-Carlton Sanya, Yalong Bay is inspired by the Summer Palace in Beijing. The hotel also provides a pleasant resort experience to its guests through tailored tours of the tropical island which features different cultures all over the world.

THE RITZ-CARLTON SANYA, YALONG BAY

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review – Hotel Operations Segment

Situated at the enchanting Yalong Bay in Sanya, The Ritz-Carlton Sanya, Yalong Bay boasts the majestic views of South China Sea, miles-long beaches and pristine natural beauty. The hotel offers 455 guest rooms, suites and villas with each guest room occupying a floor area of more than 60 square meters. 20 of the guest rooms are luxury suites, 33 are private villas with independent swimming pools and 4 are private villas with outdoor pools, all of which are situated among the secluded white beaches and red mangrove forest conservation zone of the Yalong Bay. Since opening, the hotel has been well received by affluent global travelers and celebrated by the tourism industry, with over 100 awards worldwide.

During the Review Period, the increasing market supply of high star-rated hotels in Sanya resulted in a continuous decline in average daily rate. To offer better accommodation experience to customers, the Ritz-Carlton Sanya, Yalong Bay completed the renovation of two buildings of 277 guest rooms, in total, which showed certain impact on the then occupancy. However, leveraged on proactive sales strategies and excellent service quality the hotel still achieved a slight increase in average daily rate, maintaining its leading position in Yalong Bay. For the year ended 31 December 2018, the Ritz-Carlton Sanya, Yalong Bay recorded an occupancy of 62.4% and an average daily rate of RMB2,146 (for the year ended 31 December 2017: 74.8% and RMB2,129). As at the date of this report, The Ritz-Carlton Sanya, Yalong Bay is 100% owned by the Group.

The Ritz-Carlton Sanya, Yalong Bay	**2018**	2017
Occupancy	**62.4%**	74.8%
Average daily rate (RMB)	**2,146**	2,129
RevPAR (RMB)	**1,340**	1,594
Rooms revenue (RMB million)	**221.2**	262.6
Food and beverage revenue (RMB million)	**84.1**	102.7
Total revenue (RMB million)	**321.5**	381.1
EBITDA (RMB million)	**104.2**	133.2
Total basic management fees to the hotel manager (RMB million)	**8.1**	9.6
Total incentive management fees to the hotel manager (RMB million)	**7.8**	10.2
Contributions to furniture, fixtures and equipment reserve (RMB million)	**14.6**	15.4

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review – Hotel Operations Segment

Hilton Sanya Yalong Bay Resort & Spa is Hilton International's very first global resort built in China. Situated at Yalong Bay, the most enchanting gulf within South China Sea, Hilton Sanya Yalong Bay Resort & Spa proudly presents eight outdoor swimming pools in various sizes, shapes and functions surrounded by the tropical landscape.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review – Hotel Operations Segment


Situated at the enchanting Yalong Bay in Sanya, Hilton Sanya Yalong Bay Resort & Spa offers 501 guest rooms, suites and villas with a spectacular stretch of a 400-metre white sandy beach. This hotel is designed and built with unique features and services to provide a "unique resort experience", a concept embodying strong southern China's characteristics.

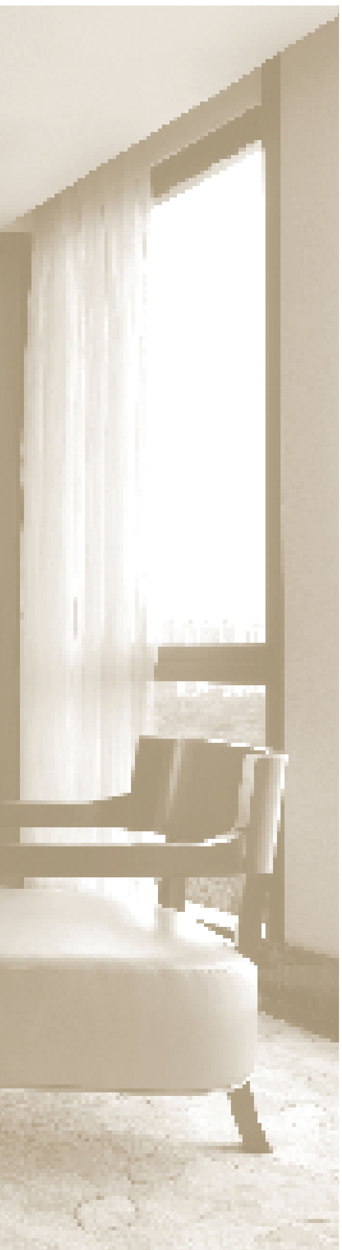
During the Review Period, Hilton Sanya Yalong Bay Resort & Spa responded positively to the fierce market competition between bays of Sanya and launched diversified production package, achieving a significant increase in occupancy and a leading position in the Comp Set. For the year ended 31 December 2018, Hilton Sanya Yalong Bay Resort & Spa recorded an occupancy of 89.6% and an average daily rate of RMB1,108 (for the year ended 31 December 2017: 77.8% and RMB1,319). As at the date of this report, the Group owns 100% interest of Hilton Sanya Yalong Bay Resort & Spa.

Hilton Sanya Yalong Bay Resort & Spa	2018	2017
Occupancy	**89.6%**	77.8%
Average daily rate (RMB)	**1,108**	1,319
RevPAR (RMB)	**993**	1,026
Rooms revenue (RMB million)	**178.4**	184.3
Food and beverage revenue (RMB million)	**58.1**	53.8
Total revenue (RMB million)	**241.5**	242.9
EBITDA (RMB million)	**85.8**	91.0
Total basic management fees to the hotel manager (RMB million)	**3.4**	3.4
Total incentive management fees to the hotel manager (RMB million)	**6.6**	6.8
Contributions to furniture, fixtures and equipment reserve (RMB million)	**7.2**	7.3

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review – Hotel Operations Segment

JW Marriott Hotel Shenzhen is located at the centre of the Futian Business District in Shenzhen and adjacent to Shenzhen Convention & Exhibition Centre and Shenzhen SDG Golf Club. With its magnificent design, incredible amenities, first-class services and excellent event organizing and catering, the hotel is committed to providing a perfect and unforgettable experience for its guests.



JW MARRIOTT HOTEL SHENZHEN

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review – Hotel Operations Segment

JW Marriott Hotel Shenzhen is an international luxury hotel located at the center of the Futian Business District in Shenzhen adjacent to Shenzhen SDG Golf Club. JW Marriott Hotel Shenzhen offers 411 hotel rooms (including 20 suites), each offering luxurious and contemporary accommodations and amenities.

During the Review Period, JW Marriott Hotel Shenzhen constantly optimized its structure of market segments, which resulted in a significant increase in the market segments share of retail and corporate clients, a year-on-year increase on RevPAR and a leading market share growth rate within the Comp Set. For the year ended 31 December 2018, JW Marriott Hotel Shenzhen recorded an occupancy of 84.7% and an average daily rate of RMB1,096 (for the year ended 31 December 2017: 84.6% and RMB1,039). As at the date of this report, the Group owns 100% interest of JW Marriott Hotel Shenzhen.

JW Marriott Hotel Shenzhen	2018	2017
Occupancy	**84.7%**	84.6%
Average daily rate (RMB)	**1,096**	1,039
RevPAR (RMB)	**929**	879
Rooms revenue (RMB million)	**135.9**	128.6
Food and beverage revenue (RMB million)	**67.9**	66.8
Total revenue (RMB million)	**212.6**	204.9
EBITDA (RMB million)	**75.2**	72.7
Total basic management fees to the hotel manager (RMB million)	**5.3**	5.1
Total incentive management fees to the hotel manager (RMB million)	**4.6**	4.3
Contributions to furniture, fixtures and equipment reserve (RMB million)	**8.5**	8.2

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review – Hotel Operations Segment

Lijiang Jinmao Hotels are located at the heart of the Old Town of Lijiang and on the Yulong Snow Mountain. With picturesque scenery and profound culture, the design of the hotels combines local Naxi ethnic architecture and contemporary style. Guests will embrace the ever changing view of the snow mountain by the window, experience the sense of eternity and inner peace, and enjoy a superior quality holiday.

LIJIANG JINMAO HOTELS

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review – Hotel Operations Segment

Lijiang Jinmao Hotels comprise Lijiang Jinmao Hotel • The Unbound Collection by Hyatt and Jinmao Purelax Mountain Hotel, Lijiang (formerly known as Grand Hyatt Lijiang). In 2018, the Company changed the business model of Grand Hyatt Lijiang from entrusted management to franchised operation, and started separate operations of the urban area and the Mountain Lodge. Located in the well-known tourist hot spot in China, Lijiang, Yunnan, the two hotels embrace three UNESCO World Heritage comprising the Old Town of Lijiang, Three Parallel Rivers of Yunnan Protected Areas and Dongba culture. Combining traditional ethnic architecture with contemporary design, the hotels present the elegance of the traditional culture of the local Naxi community to the guests. Set against the dramatic backdrop of the snow mountains and lakes, the hotels offer its guests the natural beauty and cultural aspects of the old town.

Lijiang Jinmao Hotel • The Unbound Collection by Hyatt is located within Jinmao Whisper of Jade Dragon Complex at the north end of Shangri-La Avenue, within walking distance of Shuhe Old Town. Lijiang Jinmao Hotel • The Unbound Collection by Hyatt commenced operations on 28 February 2018. Its precedent entity is the urban area of Grand Hyatt Lijiang, which commenced operations on 28 September 2014. The hotel has 312 guest rooms in total.

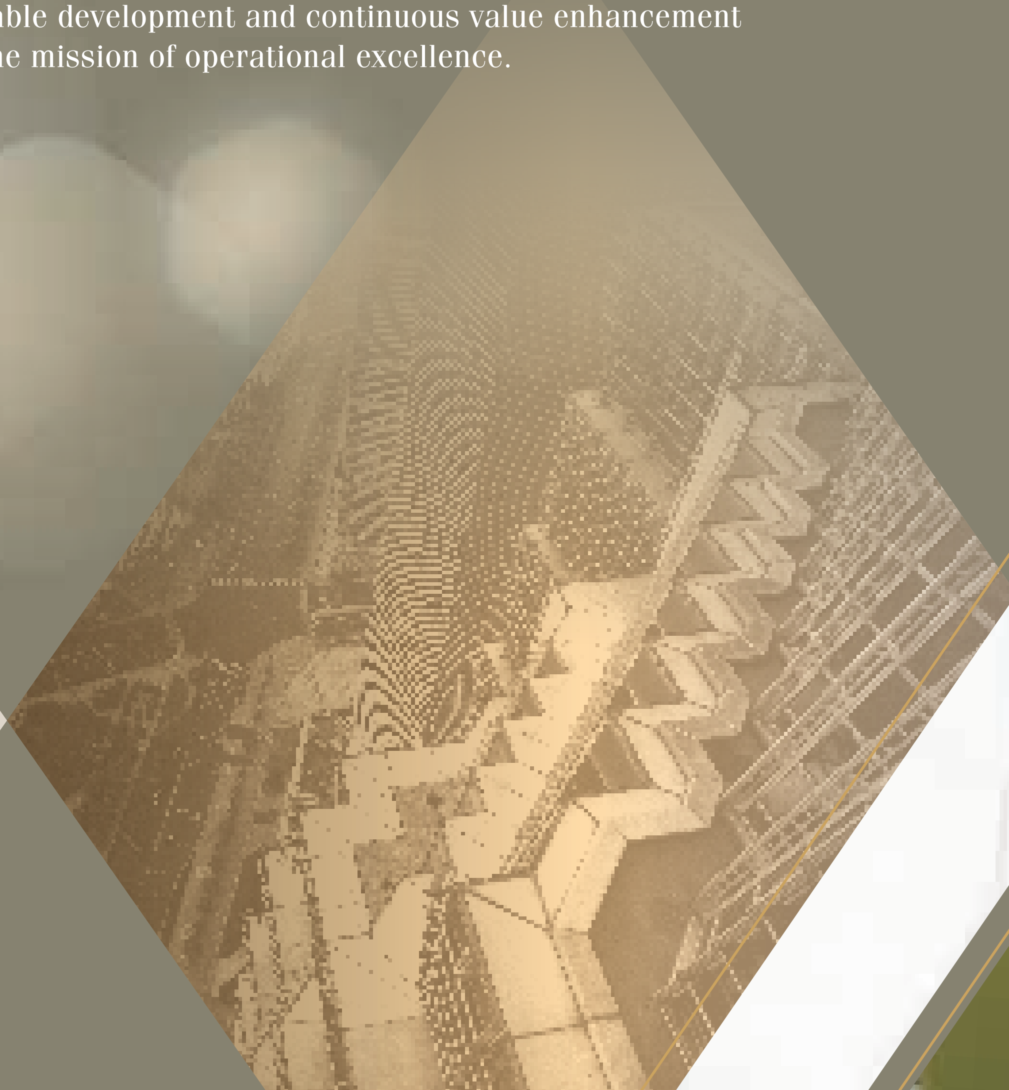
Jinmao Purelax Mountain Hotel, Lijiang is located in Ganhaizi meadowland with an elevation of 3,100 meters at the eastern foothill of Yulong Snow Mountain, next to the Guinness World Record holding Jade Dragon Snow Golf Course and 17 kilometers away from the urban area of the hotel. It is the best place to experience the magnificence of the glacier. The hotel commenced operations on 31 March 2018. Its precedent entity was Grand Hyatt Lijiang Mountain Lodge, which commenced operations on 2 September 2015. The hotel has 89 guest rooms in total.

During the Review Period, Lijiang Jinmao Hotels have successfully completed the transfer of operation model. Facing the continuous downturn in the tourism market, the hotel enhanced the cooperation with OTA and local travel agencies on one hand, and focused on building the new hotel branding image and the signature products on the other hand. It has promoted the Chinese cuisine brand, "Dian Xiang Guan", the "stargazing at the snow mountain" and other signature products, which received overwhelming market response; Meanwhile, the hotels strengthened the control on costs with profound effect. For the year ended 31 December 2018, Lijiang Jinmao Hotels recorded an occupancy of 48.4% and an average daily rate of RMB723 (for the year ended 31 December 2017: 48.4% and RMB775). As at the date of this report, the Group owns 100% interest of Lijiang Jinmao Hotels.

Lijiang Jinmao Hotels	2018	2017
Occupancy	**48.4%**	48.4%
Average daily rate (RMB)	**723**	775
RevPAR (RMB)	**350**	375
Rooms revenue (RMB million)	**49.1**	53.9
Food and beverage revenue (RMB million)	**26.7**	24.5
Total revenue (RMB million)	**78.0**	81.4
EBITDA (RMB million)	**2.0**	(4.6)
Total basic management fees to the hotel manager (RMB million)	**–**	1.6
Total incentive management fees to the hotel manager (RMB million)	**–**	0.3
Contributions to furniture, fixtures and equipment reserve (RMB million)	**–**	0.8

PURSUIT OF
High-quality Properties to Customer Satisfaction

Being the pioneer project of the Company, Jin Mao Tower is built along the river. The building is designed like a Chinese brush, while the podium is designed like an opening scroll. Such design symbolizes writing a long development chapter with the water of Huangpu River. We are always keeping pace with the times and are dedicated to improving customers' satisfaction and contribute excellent quality. We will continue to set a model for the industry, leading in contemporary hospitality in commerce, tourism, leisure and entertainment. We aim to create quality real estate with sustainable development and continuous value enhancement under the mission of operational excellence.



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review – Property Leasing Segment

Jin Mao Tower, built along the river, is located in the heart of Lujiazui Finance and Trade Zone, a major financial center in Shanghai. The construction started in 1994 and was completed in 1999. The 420.5-metre-high 88-storey tower has a total GFA of 292,475 sq.m., with 130 lifts and 555 hotel rooms. The tower comprises of modern offices, a five-star hotel, entertainment, retail space and other facilities. As a combination of Chinese pagoda form and Western architectural technologies, this intelligent high-class building is designed by SOM Chicago, one of the largest American architectural firms. The iconic tower has become Shanghai's famous landmark, winning numerous awards at home and abroad including "Best Structure Award" by the Structural Engineers Association of Illinois, the "First Prize of New China 50th Anniversary Shanghai Top 10 Classic Architecture Gold Awards" and "20th International Union of Architects Creative Achievement Award".

The first two floors of Jin Mao Tower serve as the lobby, while the 3rd-50th floors are modern office space (including the evacuation floors on the 15th and 30th floors which contain non-rental areas). The 51st and 52nd floors are occupied by mechanical and electrical services, while the 53rd -87th floors are occupied by Grand Hyatt Shanghai. The Observation Deck at the 88th floor is a hot tourist attraction. Retail space of Jin Mao Tower includes a shopping complex Shanghai J • LIFE located inside the six-level podium which has a lobby and retail shops at the lower ground level.

As a pioneer project of the Group, enhancing functional capabilities and operational efficiency have always been the primary tasks of Jin Mao Tower. The Group's principal business has sustained organic growth through nurturing and strengthening its organizational capabilities for functionality and brand extension. The economic value of Jin Mao Tower has been established, and by realizing its strategy of "Taking Root at and Reaching out from Jin Mao", it has further expanded the value of Jin Mao.

As at the date of this report, the Group owns 100% interest of Jin Mao Tower.

JIN MAO TOWER OFFICE

The 3rd-50th floors of Jin Mao Tower provide Grade A office spaces with a total GFA of approximately 137,121 sq.m. and a leasable area of 124,503 sq.m. There are five groups of 26 high-speed lifts, exclusively serving the office floors, which can comfortably transport guests in speed to their offices directly without the need to change lifts. The design of 5-6 lifts for every ten floors ensures that the waiting time for guests during the rush hour will not be more than 35 seconds, providing convenient vertical transportation. Benefiting from its prime location and excellent services, Jin Mao Tower has become one of the most favored venues to well-known domestic enterprises, multinational corporations and international organizations for setting up their offices in Shanghai, including 19 Fortune 500 companies. Major tenants include finance and trading companies, law firms, consultancy firms.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review – Property Leasing Segment

During the Review Period, Jin Mao Tower Office proactively faced the competition among nearby properties and the impact of customers' rental withdrawal, through centralized signing and short-term renewed negotiations with major customers, Jin Mao Tower office expanded the lease guarantee and renewed the lease and maintained the steady growth of its result. In 2018, area under new leases was 17,924 sq.m. and the average rent of newly contracted areas was higher than the average market level. As of 31 December 2018, the Jin Mao Tower office has achieved an occupancy of 91.4% (31 December 2017: occupancy of 97.7%).

Jin Mao Tower office	**2018**	2017
Occupancy	**91.4%**	97.7%
Revenue (RMB million)	**435.6**	453.7
EBITDA (RMB million)	**407.4**	401.8

Shanghai J • LIFE

Shanghai J • LIFE, located on the six-level podium of Jin Mao Tower, occupies a GFA of 35,659 sq.m. and has a leasable area of 10,405 sq.m.. Tenants include retail stores, clinics, financial service providers as well as Chinese and western restaurants. The mall has become one of the lifestyle service centers in Pudong New District of Shanghai. During the Review Period, "Jin Mao J • LIFE" remained the steady occupancy rate, while actively optimized its tenant structure to enhance rental revenue. As of 31 December 2018, Shanghai J • LIFE has achieved 100% occupancy (31 December 2017: occupancy of 100%), with an average rent remaining in a market-leading position.

SHANGHAI J • LIFE	**2018**	2017
Occupancy	**100%**	100%
Revenue (RMB million)	**56.3**	53.1
EBITDA (RMB million)	**45.3**	41.6

Observation Deck, 88th Floor, Jin Mao Tower

The Observation Deck on the 88th floor of Jin Mao Tower, stands at a height of 340.1 meters. With an area of 1,520 sq.m., it is one of the first 4A tourist attractions in China. Standing atop and looking afar, visitors can enjoy a breath-taking cityscape view of the Huangpu River and panoramic view of the mouth of the Yangtze River. Visitors can also enjoy an upside down view of the atrium of Grand Hyatt Shanghai below, described by architects, scientists and writers as "Shared Space", "Golden Ring" and "Time Tunnel". Two high-speed express lifts, travelling at 9.1 meters per second, take visitors from the basement to the Observation Deck on the 88th floor in just 45 seconds. In addition, the Observation Deck on the 88th floor of Jin Mao Tower concerned about the visitors experience and further enriched the entertainment, education and fashion in the products. The first outdoor skywalk project in Mainland China has been put into trial operation. The project will offer tourists with highly innovative and challenging high-altitude stroll adventure under the guidance of instructors on the glass-floored platform extended from the Observation Deck. During the Review Period, the Observation Deck attracted 1,274.4 thousands domestic and overseas visitors (for the year ended 31 December 2017: 1,209.0 thousands visitors).

Observation Deck, 88th Floor, Jin Mao Tower	**2018**	2017
Visitors (thousand)	**1,274.4**	1,209.0
Revenue (RMB million)	**63.5**	63.2
EBITDA (RMB million)	**31.5**	27.9

Other Businesses

Our businesses also include property management services and consultancy management export.

HEADING

Recasting Glory

Through over ten years of professional management and operation, we have launched our strategic blueprint based on the domestic market and with a global outlook. Leveraging on our capital, branding, management and human resources, we will further increase our pace of business expansion. We are actively enhancing our strength in strategic innovation and continuously seeking improvement in operations. Our objective is to create a professional hotel asset management platform that leads in the domestic market and has an international standing. We will strive to discover and create new value in the industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Future Prospects

Looking forward, the overall economy in China will remain steady, with progressive development, but there may be changes and negative uncertainties. There is still a greater pressure for an economic downturn due to the complicated and tough external environment. Tourism industry is also experiencing industrial reform, where the entire industry will continue to consolidate and upgrade. The Company will seize the market opportunities, be aware of market risks and continue enhancing competitiveness through inter-industrial consolidation.

Hotel business will be the core of the Group, who deeply explores into the values of assets in stock, continuing to facilitate the upgrade of the asset management business. Meanwhile, the Group endeavours to seek for commercial properties which are strategically worthy, proactively exploring asset-light and asset-heavy business with combination of long-term and short-term investments as to ensure the steady growth of the Group's performance.

MANAGEMENT DISCUSSION AND ANALYSIS

Future Prospects

The Group thoroughly persists on being customer-oriented, accelerates business innovation, facilitates the converge of mobile Internet and traditional business, provides considerate high-quality services to enhance the satisfaction of customers, develops the most outstanding and leading hotel portfolio in the industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Overall Financial Review

For the year ended 31 December 2018, profit attributable to Holders of Share Stapled Units amounted to RMB250.4 million, representing an increase of 14% from RMB219.9 million for last year. Without taking into account the impact of fair value gains on investment properties, profit attributable to Holders of Share Stapled Units amounted to RMB202.7 million, representing an increase of 6% from RMB190.9 million for last year.

I. Revenue

For the year ended 31 December 2018, revenue of the Group amounted to RMB2,564.9 million, representing a decrease of 1% from RMB2,595.4 million for last year, which was mainly attributable to the decrease in the revenue from the hotel operation and property leasing segments.

In 2018, the Group's revenue from hotel operations was approximately RMB1,864.3 million, representing a decrease of 2% as compared to last year. The Group's revenue from property leasing was approximately RMB499.0 million, representing a decrease of 3% as compared to last year. Revenue from others, primarily including the Observation Deck on the 88th floor of Jin Mao Tower and property management, increased by 13% as compared to last year, which was mainly attributable to the increase in revenue from property management.

	For the year ended 31 December				
	2018		2017		
	RMB million	**Percentage of revenue (%)**	RMB million	Percentage of revenue (%)	Annualised percentage change (%)
Hotel operations	**1,864.3**	**73**	1,902.7	73	-2
Property leasing	**499.0**	**19**	514.4	20	-3
Others	**201.6**	**8**	178.3	7	13
Total	**2,564.9**	**100**	2,595.4	100	-1

II. Cost of sales and gross profit margin

For the year ended 31 December 2018, cost of sales of the Group was approximately RMB1,090.1 million (2017: RMB1,109.7 million) and the overall gross profit margin of the Group in 2018 was 57%, which remained steady as compared to that of 2017. During the period, the gross profit margin of property leasing segment increased to a high level of 95% (2017: 92%). The gross profit margin of hotel operations was 50% (2017: 50%), which remained steady as compared to last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

III. Fair value gains on investment properties

For the year ended 31 December 2018, fair value gains on investment properties of the Group amounted to RMB63.7 million, which comprised primarily the fair value gains of the office and retail portions of Jin Mao Tower, which increased by 64% as compared to last year.

IV. Other income and gains

For the year ended 31 December 2018, other income and gains of the Group amounted to approximately RMB35.1 million, representing an increase of 55% as compared to RMB22.6 million in last year, which was mainly due to the increase of government grants in 2018 as compared to that of 2017.

V. Selling and marketing expenses

For the year ended 31 December 2018, selling and marketing expenses of the Group was RMB140.8 million, decreasing by 8% from RMB152.4 million of last year, which was mainly due to the decrease in the commission fees of the selling agents and the channel fees paid to the hotel management company. Selling and marketing expenses comprise primarily advertising expenses, commissions paid to the relevant sales agencies and other expenses in relation to market promotion incurred in the Group's daily operations.

VI. Administrative expenses

For the year ended 31 December 2018, administrative expenses of the Group amounted to RMB687.6 million, representing a decrease of 7% from RMB743.0 million in last year, which was mainly due to the decrease in depreciation expenses of properties, amortization of intangible assets, consultancy fee, foreign exchange losses. Administrative expenses comprise primarily staff costs, depreciation of properties, urban real estate tax, property insurance expenses, IT system expenses, consultancy fee and foreign exchange gains or losses.

VII. Finance costs

For the year ended 31 December 2018, finance costs of the Group were RMB314.6 million, representing an increase of 12% from RMB280.7 million in last year, which was mainly due to the growth in financing scale and increase in average financing interest rate.

VIII. Income tax expense

For the year ended 31 December 2018, the Group had an income tax expense of RMB173.6 million, representing an increase of 16% from RMB149.6 million in last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

IX. Profit attributable to Holders of Share Stapled Units

For the year ended 31 December 2018, profit attributable to Holders of Share Stapled Units amounted to RMB250.4 million, representing an increase of 14% as compared to RMB219.9 million in last year, mainly attributable to the increase of fair value gains on investment properties and decrease of cost of sales, administrative expenses, selling and marketing expenses. After excluding the impact of changes in fair value gains on investment properties, in 2018, profit attributable to Holders of Share Stapled Units has a year-on-year increase of 6%.

X. Property, plant and equipment

As at 31 December 2018, property, plant and equipment amounted to RMB6,892.2 million, representing a decrease of 3% from RMB7,117.1 million as at 31 December 2017 due to the property depreciation.

XI. Investment properties

As at 31 December 2018, investment properties are RMB8,855.8 million, which mainly comprised Jin Mao Tower (the leasable portion). The fair value gain from investment properties for the year amounted to RMB63.7 million.

XII. Trade and bills receivables

As at 31 December 2018, trade and bills receivables were RMB92.6 million, representing a decrease of 1% from RMB93.8 million as at 31 December 2017.

XIII. Trade payables

As at 31 December 2018, trade payables were RMB82.1 million, representing a decrease of 5% from RMB86.7 million as at 31 December 2017, it was mainly due to the decrease in payables from hotel operations.

XIV. Other payables and accruals

As at 31 December 2018, other payables and accruals were RMB782.8 million, representing a decrease of 20% from RMB978.6 as at 31 December 2017. Excluding the impact of re-classification of contract liabilities, other payables and accruals were RMB871.1 million as at 31 December 2017, representing a decrease of 10% from 31 December 2017 to 31 December 2018, which was mainly due to the remaining amount of construction fees paid.

XV. Interest-bearing bank and other borrowings

As at 31 December 2018, interest-bearing bank and other borrowings (including current and non-current) were RMB7,400.8 million, increasing by 2% from RMB7,288.6 as at 31 December 2017, which was mainly due to the increase in short-term borrowings during the Review Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

XVI. Gearing ratio

The Group monitors its capital on the basis of the net debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total interest-bearing bank and other borrowings less restricted bank balances and cash and cash equivalents. Adjusted capital comprises all components of equity as well as the amounts due to related parties. The Group aims to maintain the net debt-to-adjusted capital ratio at a reasonable level. The net debt-to adjusted capital ratio as at 31 December 2018 and 31 December 2017 were as follows:

	As at 31 December 2018 (RMB million)	As at 31 December 2017 (RMB million)
Interest-bearing bank and other borrowings (current and non-current)	**7,400.8**	7,288.6
Less: cash and cash equivalents	**(760.2)**	(920.3)
restricted bank balances	**(52.8)**	(26.9)
Net debt	**6,587.8**	6,341.4
Total equity	**5,829.8**	6,478.4
Add: amount due to related parties	**2,013.2**	1,705.6
Adjusted capital	**7,843.0**	8,184.0
Net debt-to-adjusted capital ratio	**84%**	77%

Note: Net debt-to-adjusted capital ratio increased during the Period, which was mainly due to the increase in the net liabilities during the Review Period.

XVII. Liquidity and capital resources

The Group primarily uses its cash to fund working capital and daily recurring expenses of the property leasing and hotel operations, and the repayment of the Group's indebtedness. The Group has financed its liquidity requirements primarily through internal resources, bank and other loans and issue of midterm notes and short-term commercial papers.

As at 31 December 2018, the Group had cash and cash equivalents of RMB760.2 million, mainly denominated in RMB, HK dollar and US dollar (as at 31 December 2017: RMB920.3 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

As at 31 December 2018, the Group had total interest-bearing bank and other borrowings of RMB7,400.8 million (as at 31 December 2017: RMB7,288.6 million). An analysis of the interest-bearing bank and other borrowings of the Group is set out as follows:

	As at 31 December	
	2018	2017
	(RMB million)	(RMB million)
Within one year	**5,689.6**	5,250.5
In the second year	**1,711.2**	2,038.1
In the third to fifth years, inclusive	**–**	–
Beyond five years	**–**	–
Total	**7,400.8**	7,288.6

Interest-bearing bank and other borrowings of approximately RMB5,689.6 million were repayable within one year shown under current liabilities. The Group's borrowings are denominated in RMB, HK dollar and US dollar. As at 31 December 2018, save as interest-bearing bank and other borrowings of approximately RMB2,345.8 million that bore interest at fixed rates, other interest-bearing bank loans and other borrowings of the Group bore interest at floating rates. There is no material seasonal effect on the Group's borrowing requirements.

As at 31 December 2018, the Group had banking facilities of up to RMB12,310.5 million, which were all denominated in RMB, HK dollar and US dollar. The amount of banking facilities utilized was RMB7,400.8 million.

The Group's net cash outflow of RMB160.8 million for the year ended 31 December 2018 mainly consisted of:

1. A net cash inflow of RMB697.8 million from operating activities, which was mainly attributable to property rental income and net revenue from hotel operations. Without taking in account the amounts due to and from the related parties, the net cash inflow from operating activities was RMB833.5 million.

2. A net cash outflow of RMB211.4 million from investing activities, which was mainly attributable to the inputs for renovation and upgrade of Jin Mao Tower and hotel properties from the Group and the payment of remaining construction fees.

3. A net cash outflow of RMB647.2 million from financing activities, which was mainly attributable to the payment of distributions, the repayment of bank loans and payment of loan interest.

XVIII. Pledge of assets

As at 31 December 2018, the Group has no pledge of assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

XIX. Contingent liabilities

Details of the Group's contingent liabilities as at 31 December 2018 are set out in note 33 to the consolidated financial statements of the Trust Group.

XX. Capital commitments

Details of the Group's capital commitments as at 31 December 2018 are set out in note 35 to the consolidated financial statements of the Trust Group.

XXI. Market risk

The Group' s assets are predominantly in the form of investment properties and hotel assets. Our business and operating results are subject to global and PRC economic conditions, the regulatory environment affecting the hospitality industry in the PRC and customer demand in the cities where we operate.

XXII. Interest rate risk

The Group is exposed to interest rate risk resulted from fluctuations in interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations. An increase in interest rates will increase the interest expense relating to the Group's outstanding floating interest rate borrowings and increase the cost of new debt. Fluctuation of interest rates would also cause significant fluctuation to the outstanding debt at fair value of the Group. In 2018, the Group made use of financial derivative instruments to hedge partial interest rate risk. The Group cannot guarantee that any future hedging activity can prevent the Group from the impact of interest rates fluctuation.

XXIII. Foreign currency exchange risk

Substantially all of the Group's revenue and costs are denominated in RMB. The Group reports its financial results in RMB. The Group's distributable income is settled in HK dollar. As a result, the Group is exposed to the risk of fluctuations in foreign exchange rates. During the 2018, the Group uses the financial derivatives to partially hedge and control foreign exchange risk and all hedging activities adopt hedging accounting. The Group cannot assure that any future hedging activities will protect the Group from fluctuations in exchange rates.

XXIV. Employees and remuneration policies

As at 31 December 2018, the Group employed 3,414 staff in total. The Group provides competitive salaries and bonuses for its employees, as well as other benefits, including retirement schemes, medical insurance schemes, accident insurance schemes, unemployment insurance schemes, maternity insurance schemes and housing benefits. The Group's salary levels are regularly reviewed against market standards.

XXV. Share option scheme

During the Review Period, the Group had no share option scheme.

XXVI. Material acquisitions and disposals

For the year ended 31 December 2018, no material acquisition or disposal was carried out by the Group.

XXVII. Events After the Review Period

No major subsequent events have occurred since the end of the Review Period and up to the date of this report.

INVESTOR RELATIONS REPORT

Investor Relations Activities in 2018

March

- Announcement of 2017 results
  - Results presentation for media
  - Analysis seminar
- Carrying out non-deal roadshows in Hong Kong and Singapore

May

- Participation in the investors meeting in Beijing held by JPMorgan Chase
- Participation in the investors meeting in Shenzhen held by HSBC

June

- Participation in the investors meeting in Hong Kong held by Citibank
- Carrying out reverse roadshow activities in Shanghai and Lijiang

August

- Announcement of 2018 interim results
  - Results presentation for media
  - Analysis seminar
- Carrying out non-deal roadshows in Hong Kong and Singapore

November

- Participation in the investors meeting in Hong Kong held by Jefferies
- Participation in the investors meeting in Shenzhen held by Citibank

Communication with Holders of Share Stapled Units

The Boards and senior management of the Company recognize their responsibility to represent the interests of all Holders of Share Stapled Units. Communication with Holders of Share Stapled Units and accountability to Holders of Share Stapled Units is a high priority of the Company.

To enhance its transparency, the Company is committed to communicating its information to investors and other stakeholders through various channels in a timely and accurate manner to enable investment decision-making by existing and prospective investors. Furthermore, the Company believes that effective and adequate communication would allow us to receive suggestions from investors including our strategic positioning, project investments which would enable the Company to adequately consider the potential impact of the market in the decision-making process.

The Company mainly provides information to the Holders of Share Stapled Units through the following means: the Company has preliminarily established diversified communication channels with its investors so as to update the investors with the latest information concerning the Company in a convenient and expeditious manner:

- The annual reports and interim reports of the Company will be delivered to the Holders of Share Stapled Units and investors as well as the analysts who pay attention to the performance of the Company in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

- The Company held its interim annual results presentation to announce its results and outlook and respond to investors and the media's inquiries.

INVESTOR RELATIONS REPORT

- The Company maintained good communication and exchanges with investors through investor hotlines, email and results presentation. It handled queries from investors conscientiously and kept relevant records to convey investors' concerns and views to its management in a timely manner.
- The Directors and the management of the Company had attended regular meetings with securities analysts and investors, securities analyst briefings, investor group briefings, overseas roadshows and investor conferences.
- Project visits are organized and if needed, site visits are organized for investors and analysts to directly visit the properties of the Company and communicate with management so as to enhance investor's understanding of the Company.
- It set up an online investor relations data management platform to gather information relating to investor relations management from within the PRC and from overseas in a methodologically effective and timely manner, including archives relating to receiving and communicating with investors, analysts and media.

Feedback from Investors

The Company highly values the feedback from investors. During the Year, the Company has conducted a number of summary and analysis on the advices of investors and analysts in order to keep abreast of the effectiveness of the Company's investor relations function. Based on the feedback from investors, the Company will further improve the quality of communication accordingly to better communicate with investors and analysts in the future.

Prospects of Our Investor Relations Work

The Company will further enhance the investor relations management platform, to improve the efficiency and increase the transparency of its information disclosure to ensure that all investors will be able to promptly and fairly obtain relevant information of the Company, while complying with the Listing Rules and the applicable laws.

Investor Enquiries

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PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Mr. LI Congrui

Chairman and Non-executive Director

Mr. LI Congrui, aged 48, was appointed as the non-executive Director of the Trustee-Manager and the Company on 25 March 2014 and was appointed as the Chairman of the Board on 29 April 2016. Mr. LI is also the member of Remuneration Committee and Nomination Committee of the Board of the Company. He has been the Vice President of China Jinmao since April 2009, the executive director of China Jinmao since June 2011, the executive director and Chief Executive Officer of China Jinmao since January 2013, and the director of China Jin Mao (Group) since February 2013, and the chairman of China Jin Mao (Group) since November 2015, respectively. He also holds positions in a number of subsidiaries of China Jinmao, including the chairman of Sinochem Franshion Properties (Beijing) Co., Ltd., the chairman of Jinmao Investment (Changsha) Co., Ltd. and an executive director of Jinmao Investment Management (Shanghai) Co., Ltd.. Mr. LI joined Sinochem Group in 1997, and held various senior management positions in Shanghai Orient Terminal Co., Ltd. and Sinochem International Industrial Corporation. From 2003 and prior to joining China Jinmao, he has been the director and the general manager of Zhoushan State Oil Reserve Base Company Limited (舟山國家石油儲備基地有限責任公司). Mr. LI has over 20 years of experience in strategy management, corporate governance, organisational construction, appraisal and analysis on project investment, project management and large-scale project construction.

Mr. LI graduated from the Petroleum Department of China University of Geosciences (Wuhan) with a bachelor's degree in petroleum geology and exploration in 1994. He obtained a master's degree in petroleum development from the Research Institute of Petroleum Exploration & Development in 1997 and an executive master's degree in business administration from China Europe International Business School (CEIBS) in 2007.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Mr. ZHANG Hui

Non-executive Director

Mr. ZHANG Hui, aged 48, was re-designated to non-executive director of the Trustee-Manager and the Company on 19 October 2017. He was the Chief Executive Officer and the executive director of the Trustee-Manager and the Company from March 2014 to October 2017. Mr. ZHANG has been the senior vice president of China Jinmao since October 2017. He currently serves as the executive director of many subsidiaries of China Jinmao including Chongqing Maoxiu Properties Co., Ltd. and Jin Mao (Lijiang) Properties Co., Ltd.. He joined Sinochem Group in 2002 and held a number of senior positions including general manager of Shanghai Orient Terminal Co., Ltd.. He had been the vice president of China Jinmao from January 2010 to July 2014. He has also been a director since January 2010 and the general manager of China Jin Mao (Group) from January 2010 to October 2017. Before joining Sinochem Group, he worked at Shanghai Offshore Petroleum Bureau of China Petrochemical Corporation from 1995 to 2002. Mr. ZHANG has over 20 years of experience in large-scale project development and management, project investment planning and corporate governance.

Mr. ZHANG graduated from China University of Geosciences (Wuhan) with a bachelor's degree in oil and gas reservoir engineering in June 1995 and obtained a master's degree in business administration from China Europe International Business School in September 2008. He obtained the Professional Certificate of Specialty and Technology and was awarded with the title of senior economist in December 2011. He was a delegate in the 14th Session of the Shanghai Municipal People's Congress.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Mr. JIANG Nan

Non-executive Director

Mr. JIANG Nan, aged 45, was appointed as the non-executive Director of the Trustee-Manager and the Company on 25 March 2014. Mr. JIANG is also the member of Audit Committee of Trustee-Management Board and the Board of the Company. Mr. JIANG joined China Jinmao in 2006 as the Chief Financial Officer and has been involved in the day-to-day management of China Jinmao such as accounting and financing, capital market, city-industry integration development, investor relations, and the guidance and management of budget assessment. He was appointed as an executive director of China Jinmao in August 2015. Mr. JIANG joined Sinochem Group in August 1995 and worked in the Finance Department from 1995 to 2002. He was the Treasurer of Sinochem Hong Kong from August 2002 to January 2006, responsible for financial management and investment projects, and operation of the overseas funds of Sinochem Group. He served as the executive director of China Jinmao from 2007 to 2011 and has been the director of China Jin Mao (Group) since December 2008. Mr. JIANG has over 20 years of experience in corporate finance and accounting management.

Mr. JIANG graduated from China Institute of Finance with a bachelor's degree in finance in July 1995 and a master's degree in finance from Central University of Finance and Economics in 2003. He obtained the Accounting Qualification Certificate in 1999. He is now a member of the Association of International Accountants (AIA).

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. TANG Yong

Executive Director and Chief Executive Officer

Mr. TANG Yong, aged 50, was appointed as executive director and Chief Executive Officer of the Trustee-Manager and the Company on 19 October 2017. He is responsible for the operation and management of the Group. Mr. TANG was the deputy general manager of the Company from 20 January 2017 to 18 October 2017. Mr. TANG joined China Jin Mao (Group) in May 2000 and has held a number of positions in China Jin Mao (Group) and its subsidiaries including assistant to the general manager and deputy general manager of the Human Resources Division, director of the administration and human resources division of Shanghai Property Management, deputy general manager and general manager of Shanghai Property Management, general manager of the Human Resources Division, general manager of the Technical Support Division and the assistant to the general manger and deputy general manager of China Jin Mao (Group). From 1991 to 2000 before joining China Jin Mao (Group), Mr. TANG has worked at Shanghai Crane & Conveyor Works Co., Ltd.. He has approximately 28 years of experience in corporate governance and human resources management.

Mr. TANG is also the chairman of Shanghai Jin Mao Jin Jiang Automobile Service Company Limited.

Mr. TANG graduated from Shanghai University in July 1991 with a bachelor's degree in history. He is the holder of the title of political engineer and the Human Resources Management Practitioner Qualification Certificate.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Dr. CHEN Jieping

Independent non-executive Director

Dr. CHEN Jieping, aged 65 was appointed as the independent non-executive Director of the Trustee-Manager and the Company on 25 March 2014. Dr. CHEN is also a member of the remuneration and nomination committee of the board of directors of the Company and the chairman of the audit committee of the board of directors of the Company and the Trustee-Manager. Dr. CHEN is currently an independent non-executive director of Shenzhen Worldunion Properties Consultancy Incorporated (stock code: 002285), a company listed on the Shenzhen Stock Exchange, an independent non-executive director of HJ Capital (International) Holdings Company Limited (stock code: 00982) and Shanghai La Chapelle Fashion Co., Ltd. (stock code: 06116), which are companies listed on the Hong Kong Stock Exchange, and an independent director of Saurer Intelligent Technology Co., Ltd. (stock code: 600545), a company listed on the Shanghai Stock Exchange. Dr. CHEN served as an independent non-executive director of Shanghai DragonNet Technology Co., Ltd. (stock code: 300245), a company listed on the Shenzhen Stock Exchange, and Industrial Securities Co., Ltd. (stock code: 601377), a company listed on the Shanghai Stock Exchange.

Dr. CHEN has over 17 years of experience in accounting. He was the Associate Dean, a Professor of the Senior Management Master of Business Administration Program of the China Europe International Business School from 2009 and 2016. Dr. CHEN was the Head of the Department of Accountancy of the City University of Hong Kong from 2005 to 2008.

Dr. CHEN obtained a bachelor's degree in Science and a master's degree in hospitality management, respectively, from the University of Houston in August 1990. He obtained a master's degree in business administration from the University of Houston in May 1992 and a doctoral degree in business administration from the University of Houston in August 1995.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Dr. CHUNG Shui Ming Timpson

Independent non-executive Directors

Dr. CHUNG Shui Ming Timpson, GBS, JP, Dssc (Hon), aged 67, was appointed as an independent non-executive Director of the Company and the Trustee-Manager on 25 March 2014. Dr. CHUNG is also the chairman of the remuneration and nomination committee of the board of directors of the Company. Dr. CHUNG is currently an independent non-executive director of China Unicom (Hong Kong) Limited (stock code: 0762), Glorious Sun Enterprises Limited (stock code: 0393), Miramar Hotel and Investment Company, Limited (stock code: 0071), China Overseas Grand Oceans Group Limited (stock code: 0081), China Everbright Limited (stock code: 0165), China Construction Bank Corporation (stock code: 0939), China Railway Group Limited (stock code: 0390) and Orient Overseas (International) Limited (stock code: 0316), which are companies listed on the Stock Exchange. Dr. CHUNG served as an independent non-executive director of China Everbright Bank Co., Ltd. (stock code: 601818) and China State Construction Engineering Co., Ltd. (stock code: 601668), both of which are companies listed on Shanghai Stock Exchange, as well as an independent non-executive director of Nine Dragons Paper (Holdings) Limited (Stock Code: 02689) and Henderson Land Development Company Limited (stock code: 0012), both of which are companies listed on the Stock Exchange.

Dr. CHUNG is well-versed in accounting, financing, finance and corporate management and has over 30 years of experience in accounting and corporate management. Dr. CHUNG served as the Audit Supervisor of Coopers & Lybrand, Chairman of the Hong Kong Housing Society and Chief Executive Officer of Shimao International Holdings Limited.

Dr. CHUNG graduated from the University of Hong Kong in November 1976 with a Bachelor of Science degree. He obtained a master's degree in business administration from the Chinese University of Hong Kong in October 1987 and was awarded an Honorary Doctoral Degree in social science from the City University of Hong Kong in November 2010. Dr. CHUNG is also a fellow member of the Hong Kong Institute of Certified Public Accountants.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Dr. XIN Tao

Independent non-executive Director

Dr. XIN Tao, aged 62, was appointed as the independent non-executive Director of the Trustee-Manager and the Company on 9 June 2015. Dr. XIN is also a member of the remuneration and nomination committee of the board of directors of the Company. Dr. XIN was the consultant to China World Hotel of China World Trade Center Company Limited (中國國際貿易中心有限公司) and the vice chairwoman of China World Trade Property & Hotel Management Co., Ltd. (國貿物業酒店管理公司). Dr. XIN has over 30 years of experience in hotel management. From 1983 to 1988, she was the deputy director of the Food and Beverage Department at Beijing Jinglun Hotel. From 1988 to 2014, Dr. XIN was the deputy general manager at China World Hotel and Traders Hotel Beijing of China World Trade Center, the deputy general manager at China World Summit Wing of China World Trade Center, the general manager at Traders Hotel Beijing of China World Trade Center, and the assistant to the general manager at China World Trade Center Company Limited, respectively. Dr. XIN also served various social positions, such as the secretary general of China Tourist Hotel Association (中國旅遊飯店業協會), a member of the National Tourism Standards Committee (國家旅遊標準委), the deputy director of National Star Rating Committee of Experts (國家星評委專家委員會), the chairwoman of the board of supervisors of Beijing Tourism Industry Association (北京旅遊協會), the accommodation expert for Beijing 2008 Olympic Summer Games, the accommodation expert for Beijing 2022 Olympic Winter Games Bid Committee. As a senior expert in the hotel industry, Dr. XIN Tao also serves as the visiting professor and industry mentor at the Beijing Second Foreign Language Institute and Tourism Institute of Beijing Union University, the chief inspector and a consultant of Beijing Hospitality Institute (中瑞酒店管理學院).

Dr. XIN graduated from Beijing Tourism Institute (currently named as Tourism Institute of Beijing Union University) with a bachelor's degree in economics in tourism management in 1983. She obtained a master's degree in business administration from the Faculty of Business of Hull University, UK in 1998. She obtained a doctoral degree in engineering in the system engineering direction from the Faculty of Information and Electronic Engineering of the South China University of Technology in 2003.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

The Senior Management Of The Group

Ms. ZHANG Runhong

Ms. ZHANG Runhong, aged 41, is the head of finance of the Group and concurrently the head of finance of China Jin Mao (Group). Ms. ZHANG joined China Jin Mao (Group) in 2003 and served as a number of positions of China Jin Mao (Group) and its subsidiaries, including deputy finance director of Shanghai Grand Hyatt and The Ritz-Carlton Sanya, Yalong Bay, Deputy General Manager and General Manager of the Finance Department. Ms. ZHANG has nearly 16 years of experience in financial analysis and management.

Ms. ZHANG also serves as the chairman of Jin Mao (Shanghai) Property Services Co., Ltd., Jinmao Hainan Investment Co., Ltd. and Jin Mao (Li Jiang) Hotel Investment Company Ltd., and a director of Shanghai Jinmao Jinjiang Automotive Services Co., Ltd., Jinmao Sanya Travel Co., Ltd., Jinmao Sanya Resort Hotel Co., Ltd., Jinmao (Beijing) Real Estate Co., Ltd., Jinmao Shenzhen Hotel Investment Co., Ltd., Wangfujing Hotel Management Co., Ltd., Shanghai Jinmao Hotel Management Company Limited. And Shanghai Jinmao Sheng Rong Yacht Club Limited, a company held as to 23% by China Jinmao.

Ms. ZHANG graduated from Shanghai University of Finance and Economics in June 2000 with a bachelor's degree in international accounting. In February 2003, Ms. ZHANG obtained a master's degree in accounting from Shanghai University of Finance and Economics. Ms. ZHANG holds the qualification certificate of Chinese Certified Public Accountant, Certified Commercial Investment Member, Certified Hotel Asset Manager, Certified Hospitality Accountant Executive and Certified Hotel Administrator.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

The Senior Management Of The Group

Mr. ZENG Fei

Mr. ZENG Fei, aged 41, is the deputy general manager of the Group and of China Jin Mao (Group) and the chairman of Labour Union of China Jin Mao (Group). Mr. ZENG joined Sinochem Group in June 2004 and has held a number of positions, including staff at Operation Division of Sinochem International Oil Corporation, deputy manager to the CEO of Sinochem. From August 2009 to February 2016, he has been the deputy general manager of the General Affairs Department, the deputy officer in the office of general manager (chaired) and the officer in the office of the general manager of China Jin Mao and an assistant to the general manager of China Jin Mao (Group) from February 2016 to January 2017. Mr. ZENG has approximately 14 years of experience in corporate governance.

Mr. ZENG is also a director of Shanghai Jinmao Jin Jiang Automobile Service Company Limited, the chairman of Jin Mao Sanya Tourism Company Ltd., Jin Mao Sanya Resort Hotel Company Ltd., Beijing Jin Mao Real Estate Company Ltd., Jinmao Shenzhen Hotel Investment Co., Ltd., Wangfujing Hotel Management Co., Ltd. and the director of Jinmao (Hainan) Investment Limited.

Mr. ZENG graduated from Peking University in July 2001 with a bachelor's degree in laws. He also held a master's degree in laws from the said university in June 2004. Mr. Zeng holds a PRC legal professional qualification certificate and the title of Political Administrator.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

The Senior Management Of The Group

Mr. ZHANG Wei

Mr. ZHANG Wei, aged 43, is an assistant to the general manager of the Group and of the China Jin Mao (Group). Mr. ZHANG joined China Jin Mao (Group) in July 1998 and had held a number of positions in China Jin Mao (Group) and its subsidiaries including assistant to the general manager of the Office Building Division, deputy general manager of the Business Development Division, deputy general manager of the Office Building Division and deputy general manager and general manager of Shanghai Property Management. He has approximately 21 years of experience in corporate governance, office building sales and leasing and property management.

Mr. ZHANG was also the executive director of Li Long (Shanghai) Hotel Management Company Ltd and the deputy chairman of Shanghai Jinmao International Cruising-Yacht Company Limited, a company held as to 23% by China Jinmao.

Mr. ZHANG graduated from Fudan University in July 1998 with a bachelor's degree in law and obtained an EMBA degree from the same university in January 2011. He is a holder of the Certificate of Certified Commercial Investment Member.

CONSOLIDATED
CORPORATE GOVERNANCE REPORT

Governance and Compliance

Jinmao Hotel, a trust constituted by the Trust Deed dated 13 June 2014 entered into between Jinmao (China) Investments Manager Limited, as the trustee-manager of Jinmao Hotel, and the Company under the laws of Hong Kong, which has been established as a fixed single investment trust, with its activities being limited to investing in the Company and anything necessary or desirable for investing in the Company or in connection with the Company.

Under the Trust Deed, the Trustee-Manager and the Company must ensure that, subject to the exercise of the exchange right, each Unit remains linked to a specifically identified ordinary share of the Company registered in the principal register of members of the Company in the Cayman Islands in the name of the Trustee-Manager (in its capacity as trustee-manager of Jinmao Hotel) and that each Unit remains stapled to a specifically identified preference share of the Company.

The Trust Deed contains provisions prohibiting the Trustee-Manager and the Company from taking any action which would result in the Units and the ordinary shares of the Company ceasing to be linked or in the Units and the preference shares of the Company ceasing to be stapled; or from refraining from doing any act required to maintain those relationships. The terms and conditions of the Trust Deed and all deeds supplemental to it shall be binding on each unitholder and all persons claiming through such unitholder. The rights and interests of Holders of Share Stapled Units are contained in the Trust Deed. Under the Trust Deed, those rights and interests are safeguarded by the Trustee-Manager.

The Trust Deed is available for download on the websites of the Stock Exchange and the Company.

Compliance with the Corporate Governance Code

This consolidated Corporate Governance Report of the Trust and the Company sets out a summary of the key processes, systems and measures used by the Trust, the Trustee-Manager and the Company in implementing the corporate governance framework for the year ended 31 December 2018. Pursuant to the Trust Deed, the Trustee-Manager shall ensure the compliance by Jinmao Hotel with the applicable Listing Rules and other relevant laws and regulations. The Company shall ensure compliance with the Listing Rules and other relevant laws and regulations. Each of the Trustee-Manager and the Company shall cooperative with each other to ensure that each party complies with the obligations imposed by the Listing Rules, including, without limitation, the disclosure obligations and coordinate disclosure to the Stock Exchange.

The Trustee-Manager Board and the Company Board have played a critical and supervisory role in the corporate governance duties of Jinmao Hotel and the Company through review of the overall corporate governance arrangement and approval of governance policies. Both Boards are responsible for overseeing their respective compliance with the Corporate Governance Code and shall review the disclosures set out in this consolidated corporate governance report.

CONSOLIDATED CORPORATE GOVERNANCE REPORT

Throughout the year ended 31 December 2018, Jinmao Hotel (through the Trustee-Manager) and the Company had complied with the applicable code provisions as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules and adopted some recommended best practices set out in the Corporate Governance Code if applicable. The requirement to establish a nomination committee is not relevant to the Trustee-Manager because the Trust Deed requires that the Directors of the Trustee-Manager shall at all times comprise the same individuals who serve as Directors of the Company. The requirement to establish a remuneration committee is also not relevant to the Trustee-Manager as its Directors are not entitled to any remuneration payable by the Trust or the Trustee-Manager, and the Trustee-Manager does not have any employee.

Data of Share Stapled Units

As at 31 December 2018, there were a total of 2,000,000,000 Share Stapled Units in issue. Each Share Stapled Unit refers to the combination of the following securities or interests in securities:

1) a Unit;

2) the beneficial interest in a specifically identified ordinary share of HK$0.0005 each of the Company linked to the Unit and held by the Trustee-Manager as legal owner (in its capacity as trustee-manager of Jinmao Hotel); and

3) a specifically identified preference share of HK$0.0005 each of the Company stapled to the Unit.

Subject to the provisions in the Trust Deed, the Units can only be dealt with together and may not be dealt with individually or one without the others.

As of the date of this report, no new Share Stapled Units have been issued by Jinmao Hotel and the Company.

The Boards

Responsibilities of the Boards

The Trustee-Manager Board is responsible for taking all reasonable steps to ensure that the Trustee-Manager discharges its duties under clause 2.6 (Duties of Trustee-Manager) of the Trust Deed, including but not limited to, acting honestly and in good faith in the best interest of all the registered holders of Units as a whole, giving priority to the interests of all the registered holders of Units as a whole over its own interests in the event of a conflict between the interests of all the registered holders of Units as a whole and its own interests, ensuring that the Trust Property is properly accounted for and be answerable to the registered holders of Units for the application or misapplication of any Trust Property; disclosing fully to the registered holders of Units its interests in contracts with the Trust and/or the Group.

CONSOLIDATED CORPORATE GOVERNANCE REPORT

The Company Board is responsible for setting out the overall development strategy and business objectives of the Group, monitoring the financial conditions of the Company and overseeing the performance of the management team with a view to creating value for the Holders of Share Stapled Units by fostering the sustainable development of the Company. The power of the Company Board is distinguished from that of the management of the Company in accordance with the provisions of the Company's Articles. The duties of day-to-day management as well as business operations of the Group are delegated to the senior management, who is responsible for the execution of the business strategy and initiatives adopted by the Company Board.

For the year ended 31 December 2018, the Company had arranged appropriate liabilities insurance coverage to protect the Directors and the senior management of the Trustee- Manager and the Company against potential legal actions so that the Directors would be in a better position to perform their duties and prevent risks.

The executive Director works full-time for Jinmao Hotel and the Company, and all the non-executive Directors and independent non-executive Directors have confirmed to the Trustee-Manager and the Company that they contributed sufficient time and attention to the affairs of Jinmao Hotel and the Company for the year ended 31 December 2018.

Composition of the Boards

The Trust Deed requires that:

1) the Trustee-Manager Board shall at all times comprise the same individuals who serve as Directors of the Company;

2) no person shall serve as a Director of the Trustee-Manager unless he also serves as a Director of the Company at the same time; and

3) no person shall serve as a Director of the Company unless he also serves as a Director of the Trustee-Manager at the same time.

Accordingly, the compositions of the Trustee-Manager Board and the Company Board are the same at all times.

CONSOLIDATED CORPORATE GOVERNANCE REPORT

With respect to the board diversity, the Directors of the Company have different professional backgrounds, providing professional advice to the Company in their respective area of expertise. As of the date of this report, the compositions of the Trustee-Manager Board and the Company Board are the same and the Boards consisted of the following seven Directors and the details are as follows:

Non-executive Directors

Mr. LI Congrui (Chairman)
Mr. ZHANG Hui
Mr. JIANG Nan

Executive Director and Chief Executive Officer

Mr. TANG Yong

Independent non-executive Directors

Dr. CHUNG Shui Ming Timpson
Dr. CHEN Jieping
Dr. XIN Tao

Ms. LAN Haiqing has resigned as the Non-executive Director of the Trustee-Manager and the Company, with effect from 8 June 2018.

Each Director (including independent non-executive Director) has entered into a separate letter of appointment with the Trustee-Manager and the Company for a period of three years, subject to the provision of re-election pursuant to the Company's and the Trustee-Manager's respective articles of associations. According to the Trust Deed, the Trustee-Manager Board shall always be composed of the individuals who also serve as Directors of the Company. A Director of the Trustee-Manager shall resign from his office if he ceases to be a Director of the Company. A Director of the Company shall resign from his office if he ceases to be a Director of the Trustee-Manager.

Pursuant to the Trust Deed and the Company's Articles, any Director appointed either to fill a casual vacancy or as an addition to the Company Board and the Trustee-Manager Board, shall hold office only until the next following AGM and shall then be eligible for re-election.

Pursuant to Article 29.2(m) of Trust Deed and Article 16.3 and 16.21 in the Company's Articles, Mr. LI Congrui, Mr. ZHANG Hui and Dr. CHEN Jieping will be subject to retirement by rotation and, being eligible, offer themselves for re-election at the 2018 AGM.

Biographical details of the Directors and the senior management are set out on pages 54 to 63 of this annual report. The members of the Boards have no financial, business, family or other material/relevant relationships with each other.

CONSOLIDATED CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

There is a clear segregation of these two positions of our Chairman and Chief Executive Officer to ensure an appropriate balance of power and authority. The Chairman is responsible for providing leadership to the Boards, ensuring the effective operation of the Boards, performing his stated duties and discussing all important and appropriate issues on a timely basis to ensure that the Boards act in the best interests of Jinmao Hotel. In addition, the Chairman should promote a culture of openness by facilitating the effective contribution of Director (in particular, non-executive Directors). The Chief Executive Officer is responsible for the day-to-day management and operation of the Company, execution of strategies set by the Company Board, formulation and execution of policies of the Company, and is accountable to the Company Board for the overall operation of the Company.

The positions of the Chairman and the Chief Executive Officer are held by different persons. The Company is of the opinion that duties and obligations between the Chairman and the Chief Executive Officer have been well separated. The division between the operation and management of the Board and the day-to-day management function of the Company's operation is clearly established with an appropriate balance of power and authority and there is no excessive concentration of power in one person.

Board Diversity

To achieve sustainable and balanced development, the Company considers that having a diversified Board is crucial to fulfill its strategic objectives and achieve sustainable development. In determining the composition of the Board, the Company seeks to achieve Board diversity through the consideration of a number of factors. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The selection of candidates by the Company is based on a number of criteria on diversity, including but not limited to gender, age, cultural and educational background, race, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. During the reporting period, the Remuneration and Nomination Committee made recommendations to the Board with respect to the appointment of Directors having due regard to the above diversity requirements. For future appointment and re-appointment, the Remuneration and Nomination Committee will also make recommendations to the Board with respect to the appointment of Directors according to the diversity policy of the Company so as to achieve Board diversity.

Independence of independent non-executive Directors

Each of the Trustee-Manager Board and the Company Board has three independent non-executive Directors in compliance with the requirements under the Listing Rules that the number of the independent non-executive Directors shall account for at least one-third of the members of the Board and at least one of them shall have appropriate financial management expertise. Each independent non-executive Director has confirmed his independence to the Trustee-Manager Board and the Company Board, and the Boards are of the view that these Directors are independent of the Trustee-Manager and the Company under the independence guidelines set out in Rule 3.13 of the Listing Rules.

CONSOLIDATED CORPORATE GOVERNANCE REPORT

Meetings of the Boards and committees under the Boards

During the Review Period, the Trustee-Manager and the Company jointly held four regular Board meetings and signed five written resolutions, the Trustee-Manager Audit Committee and the Company Audit Committee jointly held three committee meetings, the Remuneration and Nomination Committee of the Company signed two written resolutions, and the Independent Board Committee of the Company signed a written resolution.

Attendance at regular meetings of the Boards and committees under the Boards and its details as follows:

Name of Director	Joint Board meeting of the Trustee-Manager and the Company	Joint Audit Committee meeting of the Trustee-Manager and the Company
	No. of meetings attended/ No. of meetings held (Attendance rate)	
Non-executive Directors		
Mr. LI Congrui (Chairman)	4/4/100%	—
Mr. ZHANG Hui	4/4/100%	—
Mr. JIANG Nan	4/4/100%	3/3/100%
Ms. LAN Haiqing (resigned on 8 June 2018)	1/2/50%[(1)]	—
Executive Director and Chief Executive Officer		
Mr. TANG Yong	4/4/100%	—
Independent non-executive Directors		
Dr. CHUNG Shui Ming Timpson	1/4/25%[(2)]	—
Dr. CHEN Jieping	4/4/100%	3/3/100%
Dr. XIN Tao	4/4/100%	3/3/100%

Notes: (1) The Company has issued a notice of the meeting to all Directors of the Company in accordance with the Company's Articles, Ms. LAN Haiqing failed to attend to one regular meeting of the Board due to other business commitment and she had informed the chairman of the meeting in advance. The number of Directors attending the relevant meeting had reached the quorum;

2) The Company has issued a notice of the meeting to all Directors of the Company in accordance with the Company's Articles, Dr. CHUNG Shui Ming Timpson failed to attend to three regular meetings of the Board due to other business commitment and he had informed the chairman of the meeting in advance. The number of Directors attending the relevant meeting had reached the quorum.

CONSOLIDATED CORPORATE GOVERNANCE REPORT

Directors' continuous professional development and access to information

The Company has encouraged Directors and the administrative staff to take comprehensive professional development courses and seminars on the Listing Rules, Companies Ordinance/company law and Corporate Governance Code organised by Hong Kong professional bodies, independent auditors and/or associations, which would enable them to continuously and further refresh their related knowledge and skills. The Directors are also provided with written training materials from time to time to develop and review their professional skills.

The Directors actively participate in continuous professional development, develop and refresh their knowledge and skills to ensure that their contributions to the Boards remain informed and relevant. During the Review Period, each Director participated in various external trainings, seminars and forums. Mr. LI Congrui attended "CRECC Annual Conference 2018", "Minsheng Bank Real Estate and Finance Cross-Sector Seminar 'Thinking and Sharing Exchange' 2018" and "GIC Insights 2018"; Mr. ZHANG Hui attended the EJu-Wharton Real Estate Leadership Training; Mr. JIANG Nan attended "Private Meeting between Directors of Listed Companies", "Training on the Disintegration of Organizations for Empowerment, High Efficiency and Large-scale Development and the Reconstruction of a Large-scale Operational System", "Seminar on Asset Securitization Business for Strategic Customers held by Headquarters of China Merchants Bank", "Minsheng Bank Real Estate and Finance Cross-Sector Seminar 'Think and Sharing Exchange' 2018", "Leju Finance Innovation Summit 2019" and other conferences; Mr. TANG Yong attended "Science on Top, Compatibility of Knowledge and Actions, Green Wisdom, Innovative Development" Seminar of Jinggangshan Theme organized by China Jinmao, "Segment Chain Technology Seminar" held by Jinmao Hotel and Standardized Capital; Dr. CHUNG Shui Ming Timpson attended the Freshfields 2018 Trends in Lawful and Regulatory Supervision Training organized by China Unicom, COSCO Shandong, Sight-seeing of the South America Operational Areas for COSCO shipping, China Railways Seminar in Laos and Vietnam, CCB Seminar of Shaanxi subbranch and other projects; Dr. CHEN Jieping attended a 2-day training for directors and supervisors of listed companies, which was organized by Shanghai Stock Exchange and co-organized by the Listed Companies Association of Shanghai; Dr. Xin Tao attended the 15th Organized China Hotels Development Forum, CHAT2018/the 14th China Hotels and Tourism Industries Forum.

The Company provides a monthly magazine named "Beyond" to all the Directors on a monthly basis, including information in relation to the operational data of the Company, strategy implementation, market analysis, capital markets and compliance and governance, and provides access to information about Jinmao Hotel and the Company to Directors, which endeavours to promptly provide to help them make informed decisions and act with a view to the best interest of the Holders of Share Stapled Units as a whole. The Directors may seek independent professional advice to perform their duties and responsibilities. Such advice may be obtained at the expense of Jinmao Hotel and the Company upon reasonable request.

Responsibility for preparation of the financial accounts

The Trustee-Manager Board and the Company Board are responsible for the preparation of the financial accounts of the Trust Group and the Trustee-Manager for the year ended 31 December 2018 to give a true and fair view of the operating results and financial conditions of the Trust Group and the Trustee-Manager.

Our auditor has responsibility for its report on the financial statements of the Trust Group and Trustee-Manager and has made a statement as to its reporting responsibility on pages 108 to 113 and pages 212 to 214 of the "Independent Auditor's Report", respectively.

Committees under the Boards

The Trustee-Manager Board has established its Audit Committee. The Trustee-Manager Audit Committee functions in its area of expertise and reports its decisions and makes its recommendations to the Trustee-Manager Board.

The Board of the Company has established four committees, namely the Audit Committee, the Remuneration and Nomination Committee, the Independent Board Committee and the Strategy and Investment Committee. Each committee functions in its area of expertise and reports its decisions and recommendations to the Company Board.

Audit Committees of the Trustee-Manager and the Company

The Trust Deed requires that the composition of the Company Audit Committee and the Trustee-Manager Audit Committee must be the same.

The Trustee-Manager and the Company have established their own respective Audit Committees with specific written terms of reference which clearly set out their authority and duties. Their terms of reference were approved at the joint meeting by the Boards of the Trustee-Manager and the Company respectively on 25 March 2014 and were amended by the joint Board meeting of the Trustee-Manager and the Company on 29 June 2016, and were uploaded to the websites of the Stock Exchange and the Company available for downloading.

The major terms of reference of the committees include:

- to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

- to develop and implement policy on engaging an external auditor to supply non-audit services, and report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

- to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them;

- to review the Company's financial controls, and to review the Company's risk management and internal control systems; to discuss the risk management and internal control system with the management to ensure that management has performed its duty to have effective systems and that resources, employees' qualifications and experiences are adequate for performing the accounting and financial reporting functions, and the training courses received by employees and any budgets in relation thereto are sufficient; to consider major investigations findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

CONSOLIDATED CORPORATE GOVERNANCE REPORT

- to ensure coordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

- to review the Company's financial and accounting policies and practices; to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response; to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

- to establish and review the system for direct reporting by employees of the Company, through which they can raise concerns about possible improprieties in financial reporting, internal control or other matters in confidence. The Audit Committee shall be entitled to take any action which it thinks appropriate and necessary for investigation of any unusual situation of the Company and to report it to the Board as and when necessary. The Committee should also ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

- to act as the key representative body for overseeing the Company's relations with the external auditor; and

- to report to the Board on the matters set out above, and to deal with any other matters authorised by the Board.

As at the date of this report, members of the Trustee-Manager Audit Committee and the Company Audit Committee included independent non-executive Director Dr. CHEN Jieping and non-executive Director Mr. JIANG Nan and independent non-executive Director Dr. XIN Tao. Dr. CHEN Jieping was also the chairman of the Trustee-Manager Audit Committee and the Company Audit Committee.

For the year ended 31 December 2018, the Trustee-Manager Audit Committee and the Company Audit Committee held three meetings in total. All members of the committee have attended the above meetings.

For the year ended 31 December 2018, the review of the financial reporting and internal control of the Trustee-Manager Audit Committee and the Company Audit Committee included the following:

- monitoring the financial statements of the Trust Group and the Trustee-Manager, auditing the 2017 Annual Report of the Trustee-Manager and the Company and reviewing the completeness and accuracy of the 2018 interim report and the formal announcement relating to the financial performance of the Trustee-Manager and the Company;

- approving the remuneration and terms of engagement of the external auditor and making recommendations to the Boards on the appointment of the external auditor;

- reviewing the annual pre-audit results, profit forecast, audit strategies and significant matters for 2018; and

- approving the 2017 internal review work summary, internal control work report and the 2018 work plans for internal review and internal control.

The Head of Finance and the auditors of the Company sat for the 3 meetings as mentioned above.

Remuneration and Nomination Committee of the Company

The Company has established the Remuneration and Nomination Committee with specific written terms of reference which clearly set out its authority and duties. The terms of reference were approved by the Company Board on 25 March 2014 and were amended by the joint Board meeting of the Trustee-Manager and the Company on 29 June 2016, and were uploaded to the websites of the Stock Exchange and the Company available for downloading.

The major terms of reference of the committee include:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually, and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to identify individuals who are qualified to become members of the Board and to select or make recommendations to the Board on the selection of individuals nominated for directorship;
- to examine the standards and procedures for selection of Directors and senior management and to make recommendations to the Board;
- to review the qualifications and abilities of candidates for directorship and senior management and to make recommendations to the Board;
- to assess the independence of the independent non-executive Directors;
- to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the chairman and the chief executive;
- to consult with the chairman and/or the chief executive on remuneration of the other executive Directors and to seek independent professional advices as and when necessary;
- to make recommendations to the Board on the policies and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management, including monetary benefits, benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and to make recommendations to the Board on the remuneration of non-executive Directors;
- to review and approve the management's remuneration proposals with reference to the Board's corporate strategies, goals and objectives;
- to consider salaries paid by comparable companies, time commitment for discharging responsibilities, and employment conditions of other positions in the Company and its subsidiaries;

CONSOLIDATED CORPORATE GOVERNANCE REPORT

- to determine the criteria for assessing the executive Directors' and senior management's performance and appraise the performance of the executive Directors and senior management, and to participate in appraisal process or seek professional assistance and advice as and when necessary;
- to review and approve compensation payable to the executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- to ensure that no Director or any of his associates is involved in deciding his own remuneration; and
- to deal with any other matters authorised by the Board.

The Company's Governance Ordinance for the Remuneration and Nominations Committee contains the Board Diversity Policy. In determining the composition of the Board, the Company seeks to achieve Board diversity through the consideration of a number of factors. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The selection of candidates by the Company is based on a number of criteria on diversity, including but not limited to gender, age, cultural and educational background, race, professional experience, skills, knowledge and length of service.

As at the date of this report, members of the Remuneration and Nomination Committee of the Company included independent non-executive Director Dr. CHUNG Shui Ming Timpson, non-executive Director Mr. LI Congrui and independent non-executive Director Dr. CHEN Jieping. Dr. CHUNG Shui Ming Timpson was also the chairman of the Remuneration and Nomination Committee of the Company.

During the Review Period, the Remuneration and Nomination Committee of the Company signed two written resolutions. All members of the committee have voted for the above written resolutions.

For the year ended 31 December 2018, nomination, appointment, review and determination of remuneration packages of the Remuneration and Nomination Committee of the Company included the following:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Company Board;
- determining the remuneration packages of executive Director and some members of the senior management based on the operating results and profit of the Group and with reference to the rates of other companies, both domestically and overseas, and the prevailing market rates, and making recommendations to the Company Board; and
- assessing the independence of the independent non-executive Directors.

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Independent Board Committee of the Company

The Company has established the Independent Board Committee with specific written terms of reference which clearly set out its authority and duties. The terms of reference were approved by the Company Board on 18 August 2014.

The major terms of reference of the committee include:

- responsible for overseeing the implementation of non-compete undertakings and the Hotel Arrangements, especially reviewing on an annual basis the compliance by China Jinmao with the terms of the non-compete undertaking and the Hotel Arrangements, based on the Hotel Arrangements Deed entered into between China Jinmao and the Company on 13 June 2014 and non-compete undertakings in any subsequent amendments, if any, made through lawful procedures and certain arrangements relating to the existing and future interests of the China Jinmao Group in hotels as agreed by the parties in the Hotel Arrangements Deed;

- for the connected transactions and transactions subject to independent shareholders' approval under the Listing Rules, or spin-off listings subjected to approval under the Listing Rules, to examine whether the terms thereunder are fair and reasonable, and in the interest of the issuer and its shareholders as a whole, and to make recommendations; and

- to deal with any other matters authorised by the Board.

As at the date of this report, members of the Independent Board Committee of the Company included independent non-executive Directors Dr. CHUNG Shui Ming Timpson, Dr. CHEN Jieping and Dr. XIN Tao. Dr. CHUNG Shui Ming Timpson was also the chairman of the Independent Board Committee of the Company.

For the year ended 31 December 2018, none of the properties acquired by or investment opportunities obtained by China Jinmao was subject to the Hotel Arrangements Deed and the Independent Board Committee of the Company signed one written resolutions. All members of the committee have voted for the above written resolutions.

For the year ended 31 December 2018, the company's independent board committee has included the following resolutions:

- reviewing and confirming compliance by China Jinmao with the terms of the non-compete undertaking and the Hotel Arrangements;

- confirming that the Group did not exercise any call options or accept the offer under right of first refusals to acquire related hotels or participate in any investment opportunity pursuant to the Hotel Arrangements for the year ended 31 December 2018; and

- examining continuing connected transactions on an annual basis and confirming them in the annual report and accounts of the Company.

CONSOLIDATED CORPORATE GOVERNANCE REPORT

Compliance with terms of the non-compete undertaking and the Hotels Arrangements

China Jinmao has provided its written confirmation in respect of the China Jinmao Group's compliance with their obligations under terms of the non-compete undertaking and the Hotels Arrangements for the year ended 31 December 2018.

Strategy and Investment Committee of the Company

The Company has established the Strategy and Investment Committee with specific written terms of reference which clearly set out its authority and duties. The terms of reference were approved by the Company Board on 18 August 2014 and were amended by the Company board on 26 November 2018.

The major terms of reference of the committee include:

- to consider and formulate the Company's development strategies;
- to review new project investment proposals submitted by management according to the Company's development strategies; and the new projects include: establishment, acquisition or disposal of wholly-owned companies and joint ventures with business substance, purchase of operating hotel projects, serviced apartment projects and disposal of or renovation of existing operating projects;
- to supervise and monitor management's execution of the Company's development strategies; and
- to deal with any other matters authorised by the Board.

As at the date of this report, members of the Strategy and Investment Committee of the Company included non-executive Director Mr. LI Congrui, non-executive Director Mr. ZHANG Hui, non-executive Director Mr. JIANG Nan, independent non-executive Director Dr. CHEN Jieping and independent non-executive Director Dr. XIN Tao. Mr. LI Congrui was also the chairman of the Strategy and Investment Committee of the Company.

For the year ended 31 December 2018, the Strategy and Investment Committee signed one written resolutions. All members of the committee have voted for the above written resolutions.

Company Secretary

The Trustee-Manager and the Company have appointed Ms. HO Wing Tsz Wendy, executive director of corporate services department of Tricor Services Limited, an external service provider as the Company Secretary of the Trustee-Manager and the Company in compliance with the requirements of Rules 3.28 and 3.29 of the Listing Rules. As of the date of this report, Mr. TANG Yong is the primary contact person at the Company. During the Review Period, Ms. HO Wing Tsz Wendy participated in professional training of not less than 15 hours.

CONSOLIDATED CORPORATE GOVERNANCE REPORT

Corporate governance measures for potential conflicts of interest

Given the unique nature of the Group's business structure and its close relationship with the China Jinmao Group, the Trust Group has established various corporate governance measures to seek to address any potential conflict of interest and competition between the two groups, thus safeguarding the interest of independent Holders of Share Stapled Units.

- Directors will abstain from voting at the Board meeting on any matter in which he has a material interest and are not to be counted in the quorum of the relevant Board meeting;

- Pursuant to article 92(b) of the Trustee-Manager's Articles, priority will be given to the interest of all the registered holders of Units as a whole over the interest of the Company in the event of a conflict between the interest of all the registered holders of Units as a whole and the interest of the Company;

- Any potential connected transactions and existing continuing connected transactions between the China Jinmao Group and/or the Sinochem and the Group are subject to annual review and report by the independent non-executive Directors and the auditors of the Company;

- Where the Trustee-Manager Board and the Company Board are required to make a decision on any matters relating to the following, all such matters will be referred to executive Director and the independent non-executive Directors who do not have any ongoing role with the China Jinmao Group:

    - whether to grant the China Jinmao Group consent to develop, own or operate any commercial and/or retail development in the Lujiazui Central Financial District in Shanghai, the PRC pursuant to the non-compete undertaking given by the China Jinmao Group; and

    - the Hotel Arrangements;

- A committee comprising all the independent non-executive Directors (the Independent Board Committee) will be responsible for overseeing the implementation of the Hotel Arrangements, and will review on an annual basis compliance by the China Jinmao Group with the terms of the Hotel Arrangements.

The Trustee-Manager and the Company (on one hand) and China Jinmao (on the other hand) have boards of directors that function independently of each other. Although Mr. LI Congrui, Mr. ZHANG Hui, and Mr. JIANG Nan hold existing roles with China Jinmao, the remaining four members of the Trustee-Manager Board and the Company Board have sufficient expertise to make their independent professional judgment for decision-making of the Boards.

Furthermore, there are three independent non-executive Directors out of a total board size of seven of the Trustee-Manager Board and the Company Board. It is believed that the Boards have adequate independence in order to address any situations of conflict of interest and to protect the interests of the independent Holders of Share Stapled Units.

CONSOLIDATED CORPORATE GOVERNANCE REPORT

Meeting of Registered Holders of Share Stapled Units

So long as the Trust Deed remains in force, the Trustee-Manager and the Company are required to ensure that:

(a) a general meeting is not convened and held unless (i) a meeting of registered holders of Units is also convened and held and (ii) the general meeting is convened and held either as a combined meeting with the meeting of registered holders of Units or separately but consecutively with (and immediately after) the meeting of registered holders of Units; and

(b) a meeting of registered holders of Units is not convened and held unless a general meeting is also convened and held.

To the extent permitted under relevant laws and regulations, general meetings and meetings of registered holders of Units shall be held on a combined basis as a single meeting characterised as a meeting of registered holders of Share Stapled Units.

Rights of Registered Holders of Share Stapled Units

Pursuant to requirements of each of articles 1.1, 1.2 and 2.2 of Schedule 1 of the Trust Deed:

Article 1.1

The Trustee-Manager shall at least once in every calendar year convene a general meeting of the registered holders of Units as the annual general meeting thereof in addition to any other meetings in that year and shall specify the meeting as such in the notice calling it. The annual general meeting shall be held at such time and place as the Trustee-Manager shall appoint and not less than 21 days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) in writing thereof shall be given to the registered holders of Units;

Article 1.2

The Trustee-Manager may (and the Trustee-Manager shall at the request in writing of registered holders of Units holding not less than 5% of the Units for the time being in issue and outstanding) at any time convene a meeting of registered holders of Units at such time or place in Hong Kong (subject as hereinafter provided) as the party convening the meeting may think fit and propose resolutions for consideration at such meeting; and

Article 2.2

At least 14 days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of every meeting shall be given to the registered holders of Units in the manner provided in the Trust Deed, except that at least 21 days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of the meeting shall be given to the registered holders of Units where an extraordinary resolution of registered holders of Units is proposed for consideration at such meeting. The notice shall specify the place, day and time of meeting and the terms of any resolution to be proposed thereat. The accidental omission to give notice to or the non-receipt of notice by any of the registered holders of Units shall not invalidate any resolution passed or any proceedings at any meeting.

Pursuant to requirements of article 53 of the Trustee-Manager's Articles, an AGM shall be called by 21 days' notice in writing at the least, and a meeting of the Company other than an AGM shall be called by 14 days' notice in writing at the least.

Pursuant to requirements of articles 12.3 and 12.4 of the Company's Articles, general meetings may also be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than, for as long as the Trust Deed remains in force, 5% or, thereafter, one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than, for as long as the Trust Deed remains in force, 5% or, thereafter, one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

CONSOLIDATED CORPORATE GOVERNANCE REPORT

An AGM and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. Subject to the requirements under the Listing Rules, the notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place, and agenda of the meeting, particulars of the resolutions to be considered at the meeting and in the case of special business the general nature of that business. The notice convening an AGM shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the Auditors and to all members other than such as, under the provisions hereof or the terms of issue of the shares they hold of the company, are not entitled to receive such notice from the Company.

Proposing a candidate for election as a Director

Pursuant to requirements of articles 16.5 and 16.6 of the Company's Articles, no person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless during the period, which shall be at least seven days, commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the secretary notice in writing by a member of the Company (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

While the Trust Deed remains in force, no person shall be eligible for appointment or election to the office of Director unless such person is also appointed or elected, or serves, as a director of the Trustee-Manager.

Constitutional documents

During the year ended 31 December 2018, there is no major amendment to the articles of association of the Trustee-Manager and the articles of association of the Company, the aforesaid documents in effect are available for download at the websites of the Stock Exchange and the Company.

Remuneration of Directors and senior management

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors and senior management. Details of remuneration of Directors of the Company are set out in note 9 and note 10 to the consolidated financial statements of the Trust Group.

The remuneration of the senior management for the year ended 31 December 2018 is within the following bands:

Emolument bands	Number of senior management members
HK$1,500,001 to HK$2,000,000	–
HK$2,000,001 to HK$2,500,000	3
HK$3,000,001 to HK$3,500,000	1
HK$4,000,001 to HK$4,500,000	–
Total	4

CONSOLIDATED CORPORATE GOVERNANCE REPORT

Auditors' remuneration

For the year ended 31 December 2018, the remuneration paid/payable to the Trustee-Manager's and the Company's auditors, Ernst & Young, amounted to a total of RMB3,242,500, of which RMB1,663,000 was for the audit service fees of the Trustee-Manager's financial statements and the Trust Group's consolidated financial statements, RMB872,000 was for audit service fees of certain subsidiaries of the Company, RMB665,000 was for review service fees of the Trust Group's interim financial information, RMB42,500 was for review services of the Group's continuing connected transactions.

The internal control systems of the Trust Group are primarily designed to provide a reasonable but not absolute assurance against material misstatement relating to operating results, financial information, losses and frauds, rather than eliminating risks of operational errors or failure to meet its business objectives.

Risk Management and Internal Control

The Boards have the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining sound and effective risk management and internal control systems for the Group (including reviewing their effectiveness) to safeguard Shareholders' investment and the Group's assets.

Internal control systems of the Trust Group include a control and organisation structure with well-defined operational policies and procedures, authorisation at each level, and scope of liabilities, for the purpose of safeguarding assets of the Trust Group, keeping accurate accounting record, complying with relevant laws and regulations and monitoring risks of the Trust Group. Meanwhile, the Trust Group adopts comprehensive risk management, systematic management, knowable, controllable, affordable and match of revenue and risk as the Company's basic principles of risk management. Based on the strategy, operation target and the characteristics of the industry, the Trust Group collects the related matters on strategic risk, financial risk, market risk, operating risk and legal risk occurred during the course of operation, after which identifies, assesses and analyses the risk qualitatively and quantitatively and determines the priority for each risk management and respective strategies. Based on the risk assessment, the Trust Group formulates risk management strategy and determines its risk preference and risk tolerance with reference to the risk categories, and chooses proper risk management instruments such as risk taking, risk avoidance, risk transfer, risk hedging, risk compensation and risk control. The Company upholds the principle of business strategy being consistent with risk strategy and the balance between risk control and operation efficiency and results, and formulates all-process control measures that cover each procedure in respect of the management and business process that involves with major risks. The Company implements the risk management solution under the all process control measures to ensure the proper implementation of each measure. Meanwhile, the Company conducts dynamic risk management and monitoring, checks the effectiveness of risk management through effective monitoring and inspection on the implementation of risk management work and the effectiveness of the system and makes corresponding improvement based on the change and defect identified. Instead of completely eliminating the Trust Group's risk of operating failure or failure to achieve the operation target, the main purpose of internal control system is to provide reasonable but not absolute guarantee regarding the absence of major misrepresentation of operating results, financial information, loss and fraud.

CONSOLIDATED CORPORATE GOVERNANCE REPORT

During 2018, the measures established and taken by the Trustee-Manager Board and the Company Board are set out as follows:

(a) A good environment of control, including a clear organizational structure, power regulation and reporting methods and responsibilities;

(b) An annual self-assessment on the risk management and internal control of the Trustee- Manager and the Company;

(c) Appropriate supervising activities, including the written clarification of corporate policies and procedures that are sufficient to manage risk to an acceptable level to meet business objectives;

(d) An effective information platform to facilitate internal and external information exchange; and

(e) An organized internal audit functions to sustain independent assessment on major operations.

During the year ended 31 December 2018, the Trustee-Manager Board and the Company Board did not discover any significant deviations or errors in risk management and internal controls. The Trustee-Manager Board and the Company Board are satisfied that the risk management and internal controls of the Trust (together with the Trustee-Manager) and the Company during the year ended 31 December 2018 are effective.

Inside Information System and Internal Control Procedures

The Company has formulated the Information Disclosure Management Standard of Jinmao Hotel, and further improved the information disclosure system of the Company to ensure that the Company's information is disclosed to the public on a true, accurate, complete and timely basis. In order to consolidate the standard of information disclosure, the Company has assigned the person responsible for information disclosure, developed the information identification, delivery and review procedures and formulated the guidance on potential inside information/undisclosed information based on the characteristics of the industry where the Company operates so as to procure the Company to comply with relevant requirements under the SFO and Listing Rules from time to time.

Compliance with the Model Code

The Trustee-Manager and the Company have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules to regulate directors' dealing of Share Stapled Units and related securities transactions.

Having made specific enquiries of all directors, all Directors have confirmed that, as at the date of this report, they were in full compliance with the Model Code.

CONSOLIDATED CORPORATE GOVERNANCE REPORT

Communication with Holders of Share Stapled Units

The Company is committed to maintaining a high standard and corporate transparency with respect to Jinmao Hotel and itself, and has kept regular communication with Holders of Share Stapled Units through diversified channels.

Holders of Share Stapled Units and prospective investors may obtain information about the latest development, announcements and press releases of Jinmao Hotel and the Company on the Company's website at http://www.jinmao88.com. They can also make inquiries to the Boards of the Trustee-Manager and the Company (contact details are set out in the section headed "Corporate Information" of this report).

Furthermore, the Company has formed an investor relations team responsible for receiving investors feedback and arranging for interim and annual results roadshows. Details of the investor relations are set out in the section headed "Investor Relations Report" of this report.

Meeting of Registered Holders of Share Stapled Units

The Company maintains and facilitates exchange and communication between Registered Holders of Share Stapled Units and the Board through a number of communication methods, including Meetings of Registered Holders of Share Stapled Units, announcements and circulars to shareholders. Jinmao Hotel and the Company held the AGM of Registered Holders of Share Stapled Units for the year 2017 on 5 June 2018 to review and approve the audited consolidated financial statements of the Trust Group, the Company and its subsidiaries for the year ended 31 December 2017 and the audited financial statements of Trustee-Manager for the year ended 31 December 2017, the Directors' report and the independent auditor's report; to declare a final dividend of HK15.45 cents per Share Stapled Unit for the year ended 31 December 2017; to re- elect Ms. LAN Haiqing as an non-executive Director of the Company; to re-elect Mr. JIANG Nan as an non-executive Director of the Company; to re-elect Mr. TANG Yong as an executive Director of the Company; to authorise the Trustee-Manager and the Directors of the Company to determine their remuneration; to re-appoint Ernst & Young as the auditors of the Trust, the Company and the Trustee-Manager and authorise the Trustee-Manager and Directors of the Company to determine the remuneration of the auditors; and to review and approve the general mandate to the Directors of the Trustee-Manager and the Company to issue, allot and dispose of not more than 20% of the total number of issued Share Stapled Units on the day the resolution is approved. Except for Ms. LAN Haiqing, a non-executive Director and Dr. CHUNG Shui Ming Timpson, an independent non-executive Director, who were unable to attend due to other business commitment, all other Directors had attended the AGM of Registered Holders of Share Stapled Units for the year 2017 held on 5 June 2018.

REPORT OF THE DIRECTORS

The Boards are pleased to present the annual report for the year ended 31 December 2018, the audited consolidated financial statements of the Trust Group for the year ended 31 December 2018 and the audited financial statements of Jinmao (China) Investments Manager Limited for the year ended 31 December 2018.

Principal Activities

Jinmao Hotel (formerly known as Jinmao Investments), a trust constituted by the Trust Deed dated 13 June 2014 entered into between Jinmao (China) Investments Manager Limited, as the Trustee-Manager of Jinmao Hotel, and the Company under the laws of Hong Kong, which has been established as a fixed single investment trust, with its activities being limited to investing in the Company and anything necessary or desirable for investing in the Company or in connection with the Company.

Jinmao Hotel is a fixed single investment trust with an initial focus on the hospitality industry in the PRC. Jinmao Hotel and the Group primarily own and invest in a portfolio of hotels. The Group also owns Jin Mao Tower, a mixed-use development.

During the Review Period, the property portfolio of the Group comprises the following Properties, all of which are located in the PRC: Jin Mao Tower (including Grand Hyatt Shanghai and office, retail and tourist areas), The Westin Beijing Chaoyang, JW Marriott Hotel Shenzhen, The Ritz- Carlton Sanya, Yalong Bay, Hilton Sanya Yalong Bay Resort & Spa, Hyatt Regency Chongming, Renaissance Beijing Wangfujing Hotel, Lijiang Jinmao Hotel • The Unbound Collection by Hyatt and Jinmao Purelax Mountain Hotel, Lijiang (formerly known as Grand Hyatt Lijiang).

Principal activities and other particulars of subsidiaries of the Company as at 31 December 2018 are set out in note 1 to the consolidated financial statements of the Trust Group.

The Trustee-Manager is an indirect wholly-owned subsidiary of China Jinmao with specified and limited duties to manage Jinmao Hotel. It does not have active participation in business operation of the Trust Group.

Business Review

A detailed review on the Trust Group's business performance during the Review Period, as well as the principal risks and uncertainties and future prospects of the Trust Group are set out in the Chairman's Statement on pages 10 to 13 of this report and Management Discussion and Analysis on pages 18 to 51 of this report and the Environment, Social and Governance Report is set out on pages 226 to 259 of this report, the discussions thereof form part of this Report of the Directors.

Distribution

Group Distributable Income

For the year ended 31 December 2018, the Group Distributable Income amounted to approximately RMB565 million (equivalent to approximately HK$669 million) after the adjustments permitted under the Trust Deed and the Company's Articles. A description of such adjustments is set out in note 12 to the consolidated financial statements of the Trust Group.

The proposed distribution attributable to the Group Distributable Income, which composes the final distribution (as further disclosed below), has been accounted for as a proposed distribution within the equity in the consolidated financial statements of the Trust Group.

REPORT OF THE DIRECTORS

Distribution per Share Stapled Unit

The Boards have recommended the payment of a final distribution of HK12.88 cents per Share Stapled Unit for the year ended 31 December 2018 to the Holders of Share Stapled Units, based on the total Trust Distributable Income of approximately RMB565 million (equivalent to approximately HK$669 million) for the same period. Subject to approval of the Holders of Share Stapled Units at the forthcoming 2018 AGM, the payment of the proposed final distribution is expected to be made on or before 28 June 2019. Taken together with the interim distribution of HK20.55 cents per Share Stapled Unit paid in October 2018, the total distribution per Share Stapled Unit for the year 2018 is HK33.43 cents.

No dividend was recommended by the Trustee-Manager Board for the year ended 31 December 2018.

The Trustee-Manager Board has confirmed, in accordance with the Trust Deed, that (i) the auditors of the Trust Group have reviewed and verified the Trustee-Manager's calculation of the distribution entitlement per Share Stapled Unit, and (ii) having made all reasonable enquiries, immediately after making the distribution to registered unitholders of the Trust, the Trustee- Manager will be able to fulfil, from the Trust Property, the liabilities of the Trust as they fall due.

Financial Highlights

Highlights of the results and assets and/or liabilities of the Trust Group are set out on page 9 of this report.

Reserves

Movements in reserves of the Trust Group during the year ended 31 December 2018 are set out in the consolidated statement of changes in equity and note 31 to the consolidated financial statements of the Trust Group.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Trust Group during the year ended 31 December 2018 are set out in note 14 to the consolidated financial statements of the Trust Group.

Investment Properties

Details of movements in the investment properties of the Trust Group for the year ended 31 December 2018 are set out in note 15 to the consolidated financial statements of the Trust Group.

Issued Share Stapled Units

For the year ended 31 December 2018, no new Share Stapled Units have been issued by the Trust Group. As at 31 December 2018, there were a total of 2,000,000,000 Share Stapled Units in issue.

Details of movements in the issued capital of the Trust and the Company for the year ended 31 December 2018 are set out in note 30 to the consolidated financial statements of the Trust Group. Details of the share capital of Trustee-Manager are set out in note 4 to the financial statements of the Trustee-Manager.

REPORT OF THE DIRECTORS

Issuance of Bonds

On 27 July 2018, China Jin Mao (Group) has completed the issue of the Short-term Notes in the national inter-bank market in the People's Republic of China, of an amount of RMB0.7 billion and with a maturity period of 270 days and an interest rate of 4.27% per annum. Please refer to the announcement issued by the Company and the Trust on 24 July 2018 and 27 July 2018 for details. The proceeds from the issue of the Short-term Notes have been used to finance bank loan repayment of expired short-term notes of China Jin Mao (Group). Details are set out in note 28 to the consolidated financial statements of the Trust Group.

Except as disclosed above, for the year ended 31 December 2018, the Trust Group has not issued any bonds.

Equity-linked Agreements

For the year ended 31 December 2018, no equity-linked agreement of the Trust Group has been entered into or existed.

Donations

For the year ended 31 December 2018, no charitable and other donations were made by the Trust Group.

Disclosures Pursuant to Rules 13.21 of the Listing Rules

In accordance with the disclosure requirements of Rule 13.21 of the Listing Rules, the following disclosures are included with respect to the CCB Facility Letter obtained by the Company from CCB, the DBS Facility Letter obtained by the Company from DBS and the BoCom Facility Agreement entered into between the Company and BoCom, each of which imposes, among other things, minimum shareholding percentage requirements on the controlling holder(s) of Share Stapled Units of the Company, respectively.

CCB Facility Letter

On 23 August 2016, the Company (as borrower) obtained from CCB (as lender) a HK$1,000,000,000.00 equivalent dual currency term loan facility. The final maturity date of the term loan facility is the date falling three years from the drawdown date of the first loan.

On 20 April 2018, the Company (as borrower) and CCB (as lender) entered into a supplemental CCB Facility Letter whereupon the conditions of imposing specific performance obligations on controlling holders of Share Stapled Units were amended as follows. Other terms remain the same as the CCB Facility Letter.

Pursuant to the terms of the supplemental CCB Facility Letter, if:

(1) China Jinmao, the controlling holder of Share Stapled Units of the Company, ceases to hold (directly and indirectly) at least 50.1% of the issued Share Stapled Units of the Company, or ceases to remain the Company's single largest holder of the Share Stapled Units; or

(2) Sinochem Hong Kong ceases to maintain controlling power over China Jinmao; or

(3) Sinochem Corporation ceases to hold(directly or indirectly) over 50% of the issued share capital of Sinochem Hong Kong; or

(4) The central government of the PRC ceases to hold at least 51% of the issued share capital of the Sinochem Group.

and the Company does not remedy such situation to the reasonable satisfaction of CCB within fourteen days after receipt of written notice from CCB requiring it to do so, CCB may by written notice to the Company:

(1) declare the facility, accrued interest and all other sums payable immediately due and payable without further demand, notice or other legal formality of any kind; and/or

(2) declare the facility terminated, whereupon CCB's obligation to make any further drawing hereunder (if not yet made) shall immediately cease.

DBS Facility Letter

On 2 September 2016, pursuant to the DBS Facility Letter, the Company (as borrower) obtained from DBS (as lender) a US$250,000,000.00 term loan facility for a term of up to two years till 1 September 2018. On 8 March 2018, the Company and DBS entered into a supplemental facility letter, pursuant to which the term of the term loan facility has been extended to 23 May 2020 and the proceeds of the loan facility shall be used towards general capital expenditure and dividend payment of the Company. Other terms remain the same as the DBS Facility Letter.

Pursuant to the terms of the DBS Facility Letter, if China Jinmao does not or ceases to own at least 51% of the issued Share Stapled Units of the Company from time to time, free from any security, it constitutes an event of default. DBS shall be entitled at any time after the occurrence of the event of default by notice in writing to the Company to declare that:

(1) the facility to be cancelled, whereupon it shall be cancelled; and/or

(2) the loan and all interest and fees and commissions accrued and all other sums payable pursuant to the DBS Facility Letter (notwithstanding any provision for payment by installments herein contained) have become immediately due and payable, whereupon they shall become immediately due and payable and the Company shall immediately pay them to the DBS.

REPORT OF THE DIRECTORS

BoCom Facility Agreement

On 2 September 2016, the Company (as borrower) entered into BoCom Facility Agreement with BoCom (as lender) for a HK$1,000,000,000.00 equivalent dual currency term loan facility for a term of up to 36 months. Pursuant to the terms of the BoCom Facility Agreement, if China Jinmao does not or ceases to own at least 51% of the issued Share Stapled Units of the Company from time to time, free from any Security, it constitutes an event of default.

BoCom may, on and at any time after the occurrence of the event of default, by notice to the Company:

(1) cancel the facility (or any part of it), whereupon the facility (or relevant part of it) shall immediately be cancelled; and/or

(2) declare that all or part of the loans, together with accrued interest, and all other amounts accrued or outstanding under the BoCom Facility Agreement be immediately due and payable, whereupon they shall become immediately due and payable; and/or

(3) declare that all or part of the loans be payable on demand, whereupon they shall immediately become payable on demand by BoCom.

Purchase, Sale or Redemption of Share Stapled Units

Except for the repurchase or redemption of preference shares of the Company in accordance with the provisions of the Trust Deed and the Company's Articles, the Trust Deed does not permit the Trustee-Manager to repurchase or redeem any Share Stapled Units on behalf of Jinmao Hotel unless and until expressly permitted to do so by the relevant codes and guidelines issued by the SFC from time to time.

For the year ended 31 December 2018, none of the Trust, the Trustee-Manager, the Company or any of its subsidiaries purchased, sold or redeemed any Share Stapled Units.

Directors

Pursuant to clause 29.1(a) of the Trust Deed, the Trustee-Manager Board shall at all times comprise the same individuals who serve as Directors of the Company. The list of Directors and their roles and functions from 1 January 2018 to the date of this report is as follows:

Name of Directors
Non-executive Directors Mr. LI Congrui (Chairman) Mr. ZHANG Hui Mr. JIANG Nan Ms. LAN Haiqing (resigned on 8 June 2018)
Executive Director Mr. TANG Yong (Chief Executive Officer)
Independent Non-executive Directors Dr. CHUNG Shui Ming Timpson Dr. CHEN Jieping Dr. XIN Tao

REPORT OF THE DIRECTORS

Pursuant to article 16.3 of the Company's Articles of Association (as amended and restated) and clause 29.2(f) and 29.2(g) of the Trust Deed, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

Pursuant to clause 29.2(m) of the Trust Deed and article 16.3 and 16.21 of the Company's Articles, Mr. LI Congrui, Mr. ZHANG Hui and Dr. CHEN Jieping shall retire from office by rotation on the 2018 AGM and they are eligible and willing to offer themselves for re-election.

The independence of independent non-executive Directors of the Trustee-Manager and the Company is subject to assessment by the remuneration and nomination committee of the Company. Each independent non-executive Director has confirmed his independence to the Trustee-Manager Board and the Company Board in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules, and the Boards are of the view that all independent non-executive Directors of the Trustee-Manager and the Company are independent of the Trustee-Manager and the Company.

Profiles of Directors and Senior Management

The biographical details of Directors of the Trustee-Manager and the Company and senior management of the Company are set out on pages 54 to 63 of this report.

Directors' Service Contracts

None of the Directors had a service contract with the Trustee-Manager, the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

Remuneration of Directors

Details of remuneration of Directors of the Company are set out in note 9 and note 10 to the consolidated financial statements of the Trust Group.

Pursuant to provisions of relevant letters of appointment/employment contracts, the remuneration of all Directors is to be borne by the Company.

REPORT OF THE DIRECTORS

Directors' Interests and Short Positions in Share Stapled Units, Underlying Share Stapled Units and Debentures

As at 31 December 2018, the interests and/or short positions (as applicable) of the Directors and the chief executive of the Company in the Share Stapled Units, the preference shares, the ordinary shares and the debentures of the Company and any interests and/or short positions (as applicable) in shares or debenture of any of the Company's associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to the Trustee-Manager, the Company and the Stock Exchange pursuant to Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code, to be notified to the Trustee-Manager, the Company and the Stock Exchange, in each case once the Share Stapled Units are listed on the Stock Exchange, will be as follows:

(a) The Company

Name of Director	Capacity	Number of Shares Stapled Units held or owned	Percentage of issued Share Stapled Units
LI Congrui	Beneficial owner	350,000 (Long position)	0.0175%
ZHANG Hui	Beneficial owner	700,000 (Long position)	0.0350%
JIANG Nan	Beneficial owner	484,500 (Long position)	0.0242%

(b) Associated corporation of the Company

Name of Director	Capacity	Name of associated corporation	Number of shares held or owned in the associated corporation[1][2]	Percentage of issued shares of the associated corporation
LI Congrui	Beneficial owner	China Jinmao	14,233,785(Long position)	0.1230%
ZHANG Hui	Beneficial owner	China Jinmao	7,589,662(Long position)	0.0656%
LAN Haiqing[3]	Beneficial owner	China Jinmao	12,078,964(Long position)	0.1043%
JIANG Nan	Beneficial owner	China Jinmao	12,123,107(Long position)	0.1047%

Notes:

(1) China Jinmao holds 66.77% equity interests in Jinmao Hotel and the Company as at the date of this report and accordingly is an associated corporation of Jinmao Hotel and the Company.

(2) Each of the above Directors of the Trustee-Manager and the Company, namely, Mr. LI Congrui, Ms. LAN Haiqing and Mr. JIANG Nan, holds 11,863,785 shares, 9,966,964 shares and 9,753,107 shares as well as 2,370,000 underlying shares, 2,112,000 underlying shares and 2,370,000 underlying shares subject to share options in China Jinmao, respectively, which comprise unlisted equity derivatives. Mr. ZHANG Hui holds 7,589,662 shares in China Jinmao, but does not hold any share options. The total number of shares related to the equity interests and share options above constitutes the same shares held or owned in the associated corporation by the Trustee-Manager and the Company set forth in above table.

(3) Ms. LAN Haiqing has tendered her resignation from the position of non-executive director of the Trustee-Manager and the Company, with effect from 8 June 2018. The above information of Ms. LAN Haiqing's equity interests and short positions in the Share Stapled Units, underlying Share Stapled Units and debentures is as at 8 June 2018.

Save as disclosed above, as at 31 December 2018, none of the Directors and the chief executive of the Company has any interests and/or short positions (as applicable) in the Share Stapled Units, the preference shares, the ordinary shares and the debentures of the Company and any interests and/or short positions (as applicable) in shares or debenture of any of the Company's associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to the Trustee-Manager, the Company and the Stock Exchange pursuant to Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code, to be notified to the Trustee-Manager, the Company and the Stock Exchange, in each case once the Share Stapled Units are listed on the Stock Exchange.

Interest of Substantial Holders of Share Stapled Units

As at 31 December 2018, the interests or short positions of persons (other than the Directors or chief executives of the Trustee-Manager and the Company) in the Share Stapled Units or underlying Share Stapled Units which would fall to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Part XV of section 336 of the SFO, to be recorded in the register required under such section as having an interest in 5% or more of the issued Share Stapled Units are as follows:

Name of holder of Share Stapled Units	Capacity	Number of Share Stapled Units held or interested	Long position/ short position	Percentage of issued Share Stapled Units
China Jinmao	Beneficial owner	1,335,319,000	Long position	66.77%
Sinochem Hong Kong (Group) Company Limited[(1)]	Interest in a controlled corporation	1,335,319,000	Long position	66.77%
Sinochem Corporation[(1)]	Interest in a controlled corporation	1,335,319,000	Long position	66.77%
Sinochem Group Co., Ltd.[(1)]	Interest in a controlled corporation	1,335,319,000	Long position	66.77%
TONG Jinquan[(2)]	Beneficial owner	185,218,000	Long position	9.26%
LU Shiqing	Beneficial owner	158,550,000	Long position	7.93%

Notes:

(1) Sinochem Group Co., Limited holds 98.00% equity interests in Sinochem Corporation, which in turn holds the entire equity interests in Sinochem Hong Kong (Group) Company Limited, which in turn holds 49.85% equity interests in China Jinmao. For the purposes of the SFO, Sinochem Group Co., Limited, Sinochem Corporation and Sinochem Hong Kong (Group) Company Limited are all deemed to be interested in the Share Stapled Units beneficially owned by China Jinmao.

(2) Mr. TONG Jinquan is interested in 185,218,000 Share Stapled Units of the Company by virtue of his wholly-owned subsidiary, Wealthy Fountain Holdings Inc.

Save as disclosed above, as at 31 December 2018, no person (other than the Directors of the Trustee-Manager and the Company as set out below) had an interest or short position in the Share Stapled Units or underlying Share Stapled Units which would fall to be disclosed to the Trustee-Manager and the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register required under such section.

REPORT OF THE DIRECTORS

Tax Relief and Exemption

The Company is not aware of any tax relief and exemption available to holders of the Share Stapled Units by reason of their holding of the Share Stapled Units.

Pre-emptive Rights

There is no provision with respect to pre-emptive rights under the Company's Articles and there is no provision under the law of Cayman Islands requiring new Share Stapled Units be offered to existing Holders of Share Stapled Units on a pro-rata basis.

Major Customers and Suppliers

During the Review Period, the five largest customers of the Trust Group accounted for no more than 30% of its total sales and its five largest suppliers accounted for no more than 30% of its total purchase.

Save as disclosed above, none of the Directors or their associates or any Holders of Share Stapled Units (which to the knowledge of the Trustee-Manager Board and the Company Board own more than 5% of the issued Share Stapled Units) had any interest in any of the five largest customers or suppliers of the Trust Group.

Compliance with Non-compete Undertaking

In order to maintain a clear delineation of the business of the Group (on the one hand) and the business of the China Jinmao Group (on the other hand), the Company and China Jinmao have entered into the Hotel Arrangements Deed pursuant to which (i) China Jinmao has agreed to provide a non-compete undertaking that, except with the prior written consent of the Company, the China Jinmao Group will not develop, own or operate any commercial and/or retail development in the Lujiazui Central Financial District in Shanghai, the PRC, which is where Jin Mao Tower is located; and (ii) the parties have agreed to certain arrangements relating to the existing and future interests of the China Jinmao Group in hotels (the "Hotel Arrangements").

Please refer to the Prospectus for further information with respect to the non-compete undertaking and the Hotel Arrangements.

Director's Interests in Contracts of Significance

During the Review Period, no transaction, arrangement or contract of significance to which the Trustee Manager, the Company or its subsidiaries, its substantial Holders of Share Stapled Units, its holding company or any of its fellow subsidiaries was a party and in which a Director of the Trustee-Manager and the Company or an entity related to such Director had a material interest, whether directly or indirectly, subsisted as at the end of the year or at any time during the year.

Permitted Indemnity Provision

According to the Company's Articles, each Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director of the Company in defending any legal proceedings, whether civil or criminal, in which judgment is given in his/her favour, or in which he/she is acquitted. The Company's Articles also provides that, subject to company law, if any Director shall become personally liable for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed any mortgage, charge, or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Director so becoming liable as aforesaid from any loss in respect of such liability.

The Company has arranged sufficient and proper insurance for the Directors during the year.

Employees and Remuneration Policies

As at 31 December 2018, the Group employed 3,414 staff in total. The Group provides competitive salaries and bonuses for its employees, as well as other benefits, including retirement schemes, medical insurance schemes, accident insurance schemes, unemployment insurance schemes, maternity insurance schemes and housing benefits. The Group's salary levels are reviewed regularly against market standards.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Connected Transactions

As disclosed in the Company's announcements, the Trust Group has entered into certain transactions with parties who were connected persons of the Trust Group.

As China Jinmao is the controlling Holder of Share Stapled Units, China Jinmao and its subsidiaries are connected persons of the Trust Group. As Sinochem Group is the controlling shareholder of China Jinmao, Sinochem Group and its subsidiaries are connected persons of the Trust Group. Accordingly, the transactions entered into with the China Jinmao Group and the Sinochem Conglomerate will constitute connected transactions for the Trust Group. Other details of connected persons described in this section are set out in the section "Definitions" of this report.

REPORT OF THE DIRECTORS

Given the above, particulars of transactions constituting connected transactions of the Trust and the Company under the Listing Rules are set out below:

		Total transaction amount for the year ended 31 December 2018 (RMB'000)
A	Connected transactions	
	Limited Partnership Agreement in relation to the establishment of the Fund	30,000
B	Non-exempt continuing connected transactions	
	1. Hotel Property Management Agreement	8,131
	2. Commercial Property Management Agreements	1,632
	3. Framework Lease Agreement	26,239
	(i) Sinochem Framework Lease Agreement	19,160
	(ii) China Jinmao Framework Lease Agreement	7,079
	4. Property Management Services Agreements with Jinmao (Li Jiang)	1,542
	5. Continuing connected transactions for Sinochem International Plaza	8,206
	6. Decoration Services Framework Agreement with Shanghai Decoration	1,387
	7. Framework Lijiang J•LIFE Property Management Services Agreements	369
	8. Jinmao Richmond Town Property Management Services Agreement	81
	9. Shop Lease Agreement with Shenzhen Yuemao Properties	280
	10. North Bund J•LIFE Property Management Services Agreement with Shanghai Yinhui	201
	11. Framework Hotel and Apartment Management Services Agreement	–
	12. Framework Consultancy Services Agreement	1,525

Directors of the Trustee-Manager and the Company confirmed that the connected transactions of the Trust and the Company had complied with disclosure requirements under Chapter 14A of the Listing Rules.

A Connected transactions

Limited Partnership Agreement in relation to the establishment of the Fund

On 5 December 2018, China Jin Mao (Group), a wholly-owned subsidiary of the Company, entered into a limited partnership agreement (the "Limited Partnership Agreement") as a limited partner with Jiaxing Investment, the general partner, and Jinmao Xinhe, the other limited partner, in relation to the establishment of a fund (the "Fund"). Pursuant to the terms of the Limited Partnership Agreement, the initial total subscribed capital contribution of the Fund will be RMB161.60 million, and the amount of subscribed capital contribution payable by each of the general partner and limited partners is as follows:

Parties	The Amount of Subscribed Capital Contribution (RMB)	Percentage of Partnership Interests in the Fund	Status
Jiaxing Investment	1.6 million	0.99%	General partner
China Jin Mao (Group)	120.0 million	74.26%	Limited partner
Jinmao Xinhe	40.0 million	24.75%	Limited partner

The name of the Fund is Tianjin Xinmao Equity Investment Partnership (Limited Partnership) (天津信茂股權投資合夥企業(有限合夥)) (subject to the final name to be filed with and approved by the registration authority). The duration of the Fund shall be three years commencing from the date of the incorporation of the Fund. The Fund will be registered in the PRC as a limited partnership with the primary objective of investment in equity interests of companies in the PRC (including but not limited to companies engaged in operations of services apartments). As of 31 December 2018, the Group has paid RMB30.0 million.

B. Non-exempt continuing connected transactions

1. *Hotel Property Management Agreement*

On 7 December 2016, the Company and China Jinmao entered into a hotel property management agreement (the "Hotel Property Management Agreement") for a term of three years with effect from 1 January 2017, unless terminated earlier in accordance with the terms of the Hotel Property Management Agreement. Accordingly, the Company has agreed to provide hotel property management services in respect of the Excluded Hotels to the China Jinmao Group. The arrangements under the Hotel Property Management Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group.

For the purposes of the Hotel Property Management Agreement, the hotel property management services relate to overseeing and monitoring of the hotel management agreements, advising on hotel decorations and overseeing the financial performance of the Excluded Hotels.

Under the Hotel Property Management Agreement, the Group is entitled to receive an annual fee upon the formal opening of such Excluded Hotel, comprising a basic management fee of 0.5% of the total development costs of an Excluded Hotel and an incentive fee of 4% of the earnings before interest, taxes, depreciation and amortisation of each Excluded Hotel. The annual caps for the transactions contemplated under the Hotel Property Management Agreement for the three financial years ending 31 December 2017, 2018 and 2019 are RMB8.25 million, RMB13.59 million and RMB18.92 million, respectively.

REPORT OF THE DIRECTORS

2. *Commercial Property Management Agreements*

On 7 December 2016, China Jin Mao (Group) entered into a commercial property management agreement with China Jinmao (Shanghai), a wholly-owned subsidiary of China Jinmao (the "Shanghai Commercial Property Management Agreement"), for a period of three years with effect from 1 January 2017, pursuant to which China Jinmao (Shanghai) has agreed to provide certain commercial property management services in relation to Shanghai J•LIFE, unless terminated earlier in accordance with the terms of the Shanghai Commercial Property Management Agreement. On 7 December 2016, Jinmao (Li Jiang) Hotel Investment Limited Company also entered into a commercial property management agreement with China Jinmao (Shanghai) (the "Lijiang Commercial Property Management Agreement", together with the Shanghai Commercial Property Management Agreement, the Commercial Property Management Services Agreements) for a period of three years with effect from 1 January 2017 pursuant to which China Jinmao (Shanghai) has agreed to provide certain commercial property management services in relation to Lijiang J•LIFE, unless terminated earlier in accordance with the terms of the Lijiang Commercial Property Management Agreement. The arrangements under the Shanghai Commercial Property Management Agreement and the Lijiang Commercial Property Management Agreement are in the ordinary and usual course of business of the Group.

Under the Shanghai Commercial Property Management Agreement, China Jinmao (Shanghai) will provide certain property management services in relation to Shanghai J•LIFE. The property management services mainly include (i) leasing management, (ii) marketing management, (iii) project management and (iv) other relevant services as may be reasonably required by China Jin Mao (Group) in relation to Shanghai J•LIFE. Under the Shanghai Commercial Property Management Agreement, China Jinmao (Shanghai) is entitled to receive an annual fee equivalent to 3% of the annual rental income from Shanghai J•LIFE. The annual caps for the transactions contemplated under the Shanghai Commercial Property Management Agreement for the three financial years ending 31 December 2017, 2018 and 2019 are RMB3.0 million, RMB4.5 million and RMB6.0 million respectively.

Under the Lijiang Commercial Property Management Agreement, China Jinmao (Shanghai) will provide certain property management services in relation to Lijiang J•LIFE. The property management services mainly include (i) leasing management, (ii) marketing management, (iii) project management and (iv) other relevant services as may be reasonably required by Jinmao (Li Jiang) Hotel Investment Limited Company in relation to Lijiang J•LIFE. Under the Lijiang Commercial Property Management Agreement, China Jinmao (Shanghai) is entitled to receive an annual fee equivalent to 3% of the annual rental income from Lijiang J•LIFE. The annual caps for the transactions contemplated under the Lijiang Commercial Property Management Agreement for the three financial years ending 31 December 2017, 2018 and 2019 are RMB0.9 million, RMB1.8 million and RMB3.0 million respectively.

The annual caps in respect of the Commercial Property Management Services Agreements are estimated with reference to (i) estimated rental income from Shanghai J•LIFE and Lijiang J•LIFE; (ii) the historical transaction amounts under the previous commercial property management agreements; and (iii) similar commercial property management agreements entered into by other listed hospitality business trusts and real estate investment trusts which invest in commercial assets.

REPORT OF THE DIRECTORS

3. *Framework Lease Agreements*

Members of the Sinochem Conglomerate and members of the China Jinmao Group have entered into, and may in the future from time to time renew and enter into, lease agreements with the Group for office space in Jin Mao Tower (the "Individual Lease Agreements"). The total rental paid by the tenants under the Individual Lease Agreements include (i) the rental rates of the office space leased, (ii) the management fees of the relevant office space and (iii) various other fees. The management fees are charged by the property management company and may be adjusted upwards due to an increase in property management costs. The other fees are sundry charges actually incurred by the tenants, which include but are not limited to parking space rentals, car park management fees, parking fees, utilities and overtime air-conditioning fees. The Individual Lease Agreements are on normal commercial terms and in the ordinary and usual course of business of the Group. In addition, the Individual Lease Agreements entered into with members of the Sinochem Conglomerate and members of the China Jinmao Group are renewable, subject to consent from the relevant parties.

On 7 December 2016, China Jin Mao (Group) (i) entered into a master framework lease agreement with Sinochem Group (the "Sinochem Framework Lease Agreement"); (ii) entered into a master framework lease agreement with China Jinmao (the "China Jinmao Framework Lease Agreement", together with the Sinochem Framework Lease Agreement, the "Framework Lease Agreements") for a period of two years with effect from 1 January 2017 pursuant to which China Jin Mao (Group) will provide certain leasing and property management services to Sinochem Conglomerate and China Jinmao Group in relation to office space in Jin Mao Tower to supplement the Individual Lease Agreements for these continuing connected transactions such that the terms shall be on commercial terms. All existing and future Individual Lease Agreements entered into by members of the Sinochem Conglomerate and members of the China Jinmao Group with the Group will be regulated by their respective Framework Lease Agreements.

The rentals received from each of the Sinochem Conglomerate and the China Jinmao Group to the Group were determined based on arm's length negotiations between the Group and each lessee of the Individual Leasing Agreements on the then prevailing market rates and on normal commercial terms.

The annual caps for the transactions contemplated under the Framework Lease Agreements for the two financial years of 2017 and 2018 are RMB59.7 million and RMB64.1 million, respectively, The annual caps in respect of the Framework Lease Agreements are estimated with reference to (i) the aggregate annual rental income received from members of the Sinochem Conglomerate and the China Jinmao Group, (ii) the agreed rental rates in the existing individual lease agreements and the prevailing rental rates of office space in, and in the proximity of, Jin Mao Tower which are leased to independent third parties and (iii) the decreased rental demand from the Sinochem Conglomerate due to the relocation of some of its offices to the Sinochem International Plaza.

The business growth and demand of each of the members of the Sinochem Conglomerate and the members of China Jinmao Group for office space, given the significance of the Shanghai market to the businesses of members of the Sinochem Conglomerate and members of China Jinmao Group. During the financial year of 2016, most members of the Sinochem Conglomerate were relocated to the Sinochem International Plaza. After the relocation, the total floor area rented by members of the Sinochem Conglomerate for 2018 was approximately 10083.72 sq.m., and the total floor area rented by members of China Jinmao Group was approximately 1,764.48 sq.m

REPORT OF THE DIRECTORS

On 21 December 2018, (i) the Company renewed the China Jinmao Framework Lease Agreement with China Jinmao for a period of three years with effect from 1 January 2019, pursuant to which the Company will provide certain leasing and relevant management services to China Jinmao in relation to office space in Jin Mao Tower, shop units and other properties and facilities owned by the Company; and (ii) China Jin Mao (Group) renewed the Sinochem Framework Lease Agreement with Sinochem Group for a period of three years with effect from 1 January 2019, pursuant to which China Jin Mao (Group) will provide certain leasing and relevant management services to Sinochem Group in relation to office units at Jin Mao Tower.

4. *Property Management Services Agreements With Jinmao (Li Jiang)*

On 29 December 2017, Shanghai Property Management and Jinmao (Li Jiang) entered into the property management services agreements (the "Property Management Services Agreements with Jinmao (Li Jiang)", comprising the Residential Property Management Services Agreement, the Sales and Display Units Management Services Agreement, and a supplemental property management services agreement with Jinmao (Li Jiang) (the "Jinmao (Li Jiang) Supplemental Property Management Services Agreement")), all for a period with effect from 1 January 2018 to 31 December 2018 pursuant to which Shanghai Property Management agreed to provide certain property management services in relation to Lijiang Jinmao Whisper of Jade Dragon, a high-end residential recreational property in Lijiang owned by Jinmao (Li Jiang).

The subject matter of the Residential Property Management Services Agreement is that Shanghai Property Management has agreed to provide certain property management services in relation to the residential community of Lijiang Jinmao Whisper of Jade Dragon. The property management services mainly include (i) maintenance services for common areas; (ii) garden landscape, cleaning and order maintenance services for common areas; and (iii) operational and maintenance services for public facilities and equipment.

Pursuant to the consideration and payment terms of the Residential Property Management Services Agreement, the property management fees to be paid by Jinmao (Li Jiang) to Shanghai Property Management range from RMB2.20 to RMB2.90 per month per square metre (based on the gross floor area), subject to different types of the residential properties. In relation to the unsold portion, the corresponding property management fees shall be subject to a 15% discount. The property management fees are based on arm's length negotiations and on terms no less favourable to Shanghai Property Management than those offered to other independent third parties. The total consideration under the Residential Property Management Services Agreement is expected to amount to approximately RMB3.11 million, which is based on the agreed property management fee and expected demand for property management services from Jinmao (Li Jiang).

Under the Sales and Display Units Management Services Agreement, Shanghai Property Management has agreed to provide certain property management services in relation to the sales and display units of Lijiang Jinmao Whisper of Jade Dragon. The property management services mainly include (i) daily reception and maintenance services; (ii) daily materials management services; and (iii) cleaning and order maintenance services for common areas.

REPORT OF THE DIRECTORS

Pursuant to the consideration and payment terms of the Sales and Display Units Management Services Agreement, the property management fee to be paid to Shanghai Property Management is RMB0.05 million per month during the financial year of 2018, which is based on expected demand for property management services during the term of the agreement and arm's length negotiations and on terms no less favourable to Shanghai Property Management than those offered to other independent third parties. The total consideration under the Renewed Sales and Display Units Management Services Agreement amounts to RMB0.6 million.

Under the Jinmao (Li Jiang) Supplemental Property Management Services Agreement, the supplemental property management services to be provided by Shanghai Property Management for Jinmao (Li Jiang) include (i) cleaning and order maintenance services for non-public areas of both the residential community and the sales and display units of Lijiang Jinmao Whisper of Jade Dragon; (ii) maintenance services for non-public areas of both the residential community and the sales and display units of Lijiang Jinmao Whisper of Jade Dragon; (iii) environmental management services for areas of both the residential community and the sales and display units of Lijiang Jinmao Whisper of Jade Dragon; and (iv) materials procurement services per requests of Jinmao (Li Jiang) (the "Supplemental Property Management Services"). For the avoidance of doubt, the Supplemental Property Management Services are not included in the scope of services under the Residential Property Management Services Agreement and the Sales and Display Units Management Services Agreement. Under the Jinmao (Li Jiang) Supplemental Property Management Services Agreement, Shanghai Property Management and Jinmao (Li Jiang) will enter into separate agreements in relation to the provision of each of the Supplemental Property Management Services.

Pursuant to the consideration and payment terms of the Jinmao (Li Jiang) Supplemental Property Management Services Agreement, the caps of the maximum aggregate amounts payable under the Jinmao (Li Jiang) Supplemental Property Management Services Agreement during the financial year of 2018 is RMB1.4 million. The service fees are determined by the parties with reference to the quotations of similar property management services of the comparable properties in the market in a fair and reasonable manner through arm's length negotiation. The standard of the fees charged by Shanghai Property Management for the provision of property management services to Jinmao (Li Jiang) are fair and on terms no more favourable than those offered by Shanghai Property Management to other independent third parties.

5. *Continuing connected transactions in relation to Sinochem International Plaza*

On 29 April 2016, Shanghai Property Management, an indirect wholly-owned subsidiary of the Company, and Shanghai Dehuan entered into a property management services agreement ("Shanghai Dehuan Property Management Services Agreement") for a term from 1 June 2016 to 31 May 2018, pursuant to which Shanghai Property Management agreed to provide certain property management services for Sinochem International Plaza, an office building in Shanghai owned by Shanghai Dehuan, which mainly include (i) cleaning and order maintenance services for the common areas and (ii) operational and maintenance services for public facilities and equipment.

REPORT OF THE DIRECTORS

On 22 August 2016, Shanghai Property Management and Shanghai Dehuan entered into a supplemental property management services agreement for a term from 22 August 2016 to 31 May 2018 ("Shanghai Dehuan Supplemental Property Management Services Agreement"), pursuant to which Shanghai Property Management agreed to provide additional property management services for Sinochem International Plaza. On the same date, Shanghai Property Management entered into a property management framework agreement with Sinochem International for a term from 22 August 2016 to 31 May 2018 ("Sinochem Property Management Framework Agreement"), pursuant to which Shanghai Property Management agreed to provide certain customised property management services to the Connected Tenants at Sinochem International Plaza.

On 31 May 2018, Shanghai Property Management and Shanghai Dehuan entered into the renewed Shanghai Dehuan Property Management Services Agreement ("Renewed Shanghai Dehuan Property Management Services Agreement") and the renewed Dehuan Supplemental Property Management Services Agreement ("Renewed Shanghai Dehuan Supplemental Property Management Services Agreement"), pursuant to which Shanghai Property Management agreed to provide certain Property Management Services and Additional Property Management Services for Sinochem International Plaza to Shanghai Dehuan for the period from 1 June 2018 to 31 May 2020.

On the same date, Shanghai Property Management and Sinochem International entered into the renewed Sinochem Property Management Framework Agreement ("Renewed Sinochem Property Management Framework Agreement") pursuant to which Shanghai Property Management agreed to provide Customised Property Management Services to Connected Tenants at Sinochem International Plaza for the period from 1 June 2018 to 31 May 2020.

Pursuant to the consideration and payment terms of the Shanghai Dehuan Property Management Services Agreement and the Renewed Shanghai Dehuan Supplemental Property Management Services Agreement, the property management fees to be paid to Shanghai Property Management primarily consist of (i) a remuneration fee of RMB40,000 per month and (ii) a management fee of RMB14.24 per month per square meter (based on the floor area) for the period from 1 January 2018 to 31 May 2018; a management fee of RMB31.17 per month per square metre (based on the floor area actually used) for the period from 1 June 2018 to 31 May 2020, each of which is based on arm's length negotiations and on terms no more favourable than those offered by Shanghai Property Management to other independent third parties. The total consideration (including remuneration fees and management fees) payable under such property management services agreements is expected to amount to approximately RMB7.8 million, RMB7.8 million and RMB3.2 million, respectively, for the years of 2018, 2019 and 2020.

Under the Shanghai Dehuan Supplemental Property Management Services Agreement and the Renewed Shanghai Dehuan Supplemental Property Management Services Agreement, the additional property management services to be provided by Shanghai Property Management for Sinochem International Plaza mainly include (i) services for the temporary car parking spaces, (ii) maintenance services for special engineering equipment, (iii) services for the transformer station and (iv) services for material procurement in connection with Sinochem International Plaza (the "Additional Property Management Services").

REPORT OF THE DIRECTORS

For the avoidance of doubt, the Additional Property Management Services are not included in the scope of services under the Shanghai Dehuan Property Management Services Agreement and the Renewed Shanghai Dehuan Property Management Services Agreement. Pursuant to the Shanghai Dehuan Supplemental Property Management Services Agreement and the Renewed Shanghai Dehuan Supplemental Property Management Services Agreement, Shanghai Property Management and Shanghai Dehuan will enter into separate agreements in relation to the provision of each of the Additional Property Management Services.

For the period from 1 January 2018 to 31 December 2018, the period from 1 January 2019 to 31 December 2019 and the period from 1 January 2020 to 31 May 2020, respectively, the caps of the maximum aggregate amounts payable under the Shanghai Dehuan Supplemental Property Management Services Agreement and the Renewed Shanghai Dehuan Supplemental Property Management Services Agreement are RMB1.675 million, RMB1.5 million and RMB0.625 million respectively.

Under the Sinochem Property Management Framework Agreement and the Renewed Sinochem Property Management Framework Agreement, the customised property management services to be provided by Shanghai Property Management to the Connected Tenants at Sinochem International Plaza mainly include (i) cleaning services for the rented areas of the Connected Tenants, (ii) pest control services for the rented areas of the Connected Tenants, (iii) commission management services in connection with the gym area rented by the Connected Tenants and (iv) materials procurement on behalf of the Connected Tenants (the "Customised Property Management Services").

For the avoidance of doubt, the Customised Property Management Services are provided to the Connected Tenants in relation to their rented areas at Sinochem International Plaza and are not included in the scope of services under the Shanghai Dehuan Property Management Services Agreement, Renewed Shanghai Dehuan Property Management Services Agreement, Shanghai Dehuan Supplemental Property Management Services Agreement and the Renewed Shanghai Dehuan Supplemental Property Management Services Agreement. Pursuant to the Sinochem Property Management Framework Agreement and the Renewed Sinochem Property Management Framework Agreement, Shanghai Property Management and each of the Connected Tenants will enter into separate agreements in relation to the provision of the Customised Property Management Services.

For the period from 1 January 2018 to 31 December 2018, the period from 1 January 2019 to 31 December 2019 and the period from 1 January 2020 to 31 May 2020, respectively, the caps of the maximum aggregate amounts payable under the Sinochem Property Management Framework Agreement and the Renewed Sinochem Property Management Framework Agreement amounted to approximately RMB6.4 million, RMB2.4 million and RMB1 million, respectively.

REPORT OF THE DIRECTORS

6. *Decoration Services Framework Agreement with Shanghai Decoration*

On 1 June 2016, the Company have entered into a decoration services framework agreement with Shanghai Decoration (the "Decoration Services Framework Agreement") for a term from June 2016 to December 2017, pursuant to which Shanghai Decoration provided decoration services to the Group, which include, but are not limited to, the renovation, recovery and relocation works for offices, hotel rooms and other related facilities ("Decoration Services").

On 15 August 2017, the Company and Shanghai Decoration entered into a supplemental decoration services framework agreement (the "Supplemental Decoration Services Framework Agreement") to increase the annual cap for the continuing connected transactions under the Decoration Services Framework Agreement. Pursuant to the Supplemental Decoration Services Framework Agreement, the cap of the maximum aggregate amounts payable under the Decoration Services Framework Agreement for the period from 1 January 2017 to 31 December 2017 has been revised from RMB19.31 million to RMB35.00 million (the "Revised Annual Cap"). Save for the Revised Annual Cap, other terms remain unchanged.

On 25 December 2017, the Company renewed the Decoration Services Framework Agreement with Shanghai Decoration, pursuant to which Shanghai Decoration would provide decoration services to the Group for the period from 1 January 2018 to 31 December 2018.

On 21 December 2018, the Company further renewed the Decoration Services Framework Agreement with Shanghai Decoration, pursuant to which Shanghai Decoration would provide Decoration Services to the Group for the period from 1 January 2019 to 31 December 2020.

The transactions under the Decoration Services Framework Agreement are in the ordinary and usual course of business of the Group. For the period from 1 June 2016 to 31 December 2016, the period from 1 June 2017 to 31 December 2017, the period from 1 June 2018 to 31 December 2018, the period from 1 January 2019 to 31 December 2019 and the period from 1 January 2020 to 31 December 2020, respectively, the caps of the maximum aggregate amounts payable under the Decoration Services Framework Agreement amounted to approximately RMB14.83 million, RMB35 million (Revised Annual Cap), RMB72 million, RMB50 million and RMB50 million, respectively.

The annual cap in respect of the Renewed Decoration Services Framework Agreement is estimated with reference to (i) the nature of the transactions; (ii) the anticipated demand for the Decoration Services by the Group; (iii) historical quotations submitted by various decoration services providers invited by the Group for the bidding process; (iv) the prevailing market prices for relevant decoration services; and (v) the existing business scale and operations of Shanghai Decoration. When deciding the market rates of the Decoration Services, the management of the Company will, to the extent practicable, take into account the rates of at least two similar and comparable quotes provided by independent third parties for reference or obtain quotations from at least two independent third parties for providing similar decoration services. The Decoration Services Agreements will be on terms no less favourable than those offered by Shanghai Decoration to other independent third parties.

Members of the Group generally source Decoration Services through a bidding process where both independent third parties and Shanghai Decoration are invited to submit bids. Therefore, the prices and terms of the Decoration Services Agreements are subject to among other things, the actual demand for the Decoration Services by the members of the Group and the bidding results.

7. *Framework Lijiang J•LIFE Property Management Services Agreement*

On 28 September 2017, Shanghai Property Management and Jinmao (Li Jiang) entered into a framework property management services agreement (the "Framework Lijiang J•LIFE Property Management Services Agreement") for a term from 1 October 2017 to 30 September 2018, pursuant to which Shanghai Property Management agreed to provide certain property management services in relation to Jinmao Lijiang J•LIFE Commercial Street, a high-end commercial property in Lijiang owned by Jinmao (Li Jiang). The property management services mainly include (i) maintenance services for both common and non-common areas, (ii) operational and maintenance services for public facilities and equipment, (iii) cleaning and maintenance services for both common and non-common areas, (iv) decoration and management services for tenants; (v) handling emergencies; (vi) management of the prohibited activities in using the properties; (vii) HSE management including health, safety and environment of the properties on the commercial street; (viii) supplies procurement as commissioned by Jinmao (Li Jiang) and (ix) other property management services provided to the property owner as requested by Jinmao (Li Jiang). The transactions under the Framework Property Management Services Agreement are in the ordinary and usual course of business of the Group.

For the period from 1 October 2017 to 31 December 2017 and the period from 1 January 2018 to 30 September 2018, the caps of the maximum aggregate amounts payable under the Framework Property Management Services Agreement are RMB0.64 million and RMB2.12 million, respectively. The annual caps in respect of the the Framework Property Management Services Agreement are based on arm's length negotiations and on terms no less favourable to Shanghai Property Management than those offered to other independent third parties and are estimated with reference to (i) the nature of the transactions; (ii) the anticipated demand for the customised property management services by Jinmao (Li Jiang); and (iii) the prevailing market prices for relevant customised property management services.

On 30 September 2018, Shanghai Property Management entered into a supplemental agreement and renewed the Framework Lijiang J•LIFE Property Management Services Agreement with Jinmao (Li Jiang) for a further term of three months expiring on 31 December 2018. The other terms of the Framework Lijiang J•LIFE Property Management Services Agreement remain unchanged.

8. *Jinmao Richmond Town Property Management Services Agreement*

On 14 August 2018, Shanghai Property Management and Jinmao (Li Jiang) entered into a property management services agreement (the "Jinmao Richmond Town Property Management Services Agreement") for a term from 15 August 2018 to 31 December 2018, pursuant to which Shanghai Property Management agreed to provide certain property management services for the sales demonstration units of Jinmao Richmond Town (a high-end residential recreational property in Lijiang owned by Jinmao (Li Jiang)). The property management services mainly include (i) daily reception and maintenance services; (ii) daily materials management services; and (iii) cleaning and order maintenance services for common areas. The transactions under the Jinmao Richmond Town Property Management Services Agreement are in the ordinary and usual course of business of the Group. The property management fee to be paid to Shanghai Property Management is approximately RMB130,000 per month, which is based on the expected demand for property management services during the term of the agreement after arm's length negotiations and on terms no more favourable than those offered by Shanghai Property Management to other independent third parties. The total consideration under the Jinmao Richmond Town Property Management Services Agreement amounts to RMB0.585 million (inclusive of tax).

REPORT OF THE DIRECTORS

9. *Shop Lease Agreement with Shenzhen Yuemao Properties*

   On 28 August 2018, Jin Mao Shenzhen, an indirect wholly-owned subsidiary of the Company, and Shenzhen Yuemao Properties entered into a shop lease agreement (the "Shop Lease Agreement"), pursuant to which Jin Mao Shenzhen agreed to lease one shop unit within JW Marriott Hotel Shenzhen to Shenzhen Yuemao Properties for the period from 1 September 2018 to 31 May 2019. The transactions under the Shop Lease Agreement are in the ordinary and usual course of business of the Group. The rental to be paid from Shenzhen Yuemao Properties to Jin Mao Shenzhen under the Shop Lease Agreement is RMB0.098 million per month (the rental of the first month was exempted based on industry practice), which includes the rental rate for the shop unit leased and the management fees of the relevant space, and is based on arm's length negotiations with reference to prevailing market rate for leasing similar properties or providing similar management services during the term of the agreement. When deciding the market rates for leasing similar properties or providing management services, the management of the Company will, to the extent practicable, take into account the rates of at least two similar and comparable quotes provided by independent third parties for reference or obtain quotations from at least two independent third parties for providing similar management services. The rental will also be on terms no more favourable than those offered by Jin Mao Shenzhen to other independent third parties. The total consideration under the Shop Lease Agreement amounts to RMB0.784 million (exclusive of tax.)

10. *North Bund J•LIFE Property Management Services Agreement with Shanghai Yinhui*

    On 31 October 2018, Shanghai Property Management entered into a property management services agreement (the "North Bund J•LIFE Property Management Services Agreement") with Shanghai Yinhui for a term from 1 November 2018 to 31 October 2019, pursuant to which Shanghai Property Management agreed to provide certain property management services in relation to the western area of Shanghai North Bund J•LIFE, a high-end commercial property in the North Bund of Shanghai owned by Shanghai Yinhui. The property management services mainly include (i) daily material management; (ii) cleaning and maintenance services for common areas, (iii) operational and maintenance services for public facilities and equipment, (iv) management of the prohibited activities in using the properties; and (v) other property management services provided to the property owner as requested by Shanghai Yinhui. The transactions under the North Bund J•LIFE Property Management Services Agreement are in the ordinary and usual course of business of the Group.

    The property management fees to be paid to Shanghai Property Management primarily include a management fee of RMB29.8 per month per square metre (based on the floor area actually used). The total consideration under the North Bund J•LIFE Property Management Services Agreement amounts to approximately RMB2.65 million, (inclusive of tax). For the period from 1 November 2018 to 31 December 2018 and the period from 1 January 2019 to 31 October 2019, the caps of the maximum aggregate amounts payable under the North Bund J•LIFE Property Management Services Agreement are RMB0.44 million and RMB2.21 million respectively. The consideration is determined after arm's length negotiations and on terms no more favourable than those offered by Shanghai Property Management to other independent third parties and is estimated with reference to (i) the nature of the transactions; (ii) the anticipated demand for the customised property management services by Shanghai Yinhui; and (iii) the prevailing market prices for relevant customised property management services. When deciding the market prices for relevant customised property management services, the management of the Company will, to the extent practicable, take into account the rates of at least two similar and comparable transactions entered with or carried out by independent third parties for reference or obtain quotations from at least two independent third parties for providing similar management services.

11. *Framework Hotel and Apartment Management Services Agreement*

    On 7 December 2018, the Company entered into the Framework Hotel and Apartment Management Services Agreement ("Framework Hotel and Apartment Management Services Agreement") with China Jinmao, pursuant to which the Company agreed to provide the Hotel and Apartment Management Services to members of the China Jinmao Group for the period from 7 December 2018 to 31 December 2020, which mainly include (i) management of the functional areas and facilities in respect of guest rooms, catering, recreation etc.; (ii) marketing services; (iii) human resources services; (iv) booking and reservation services; (v) security services; and (vi) other services that might be required for the operation of hotels and apartments by China Jinmao. The transactions under the Framework Hotel and Apartment Management Services Agreement are in the ordinary and usual course of business of the Group. The management fees to be paid to the Company under each individual Hotel and Apartment Management Services Agreement primarily include (i) a base management fee equivalent to 2% of the total operating revenue, (ii) an incentive management fee based on the gross operating profits and calculated on a tier basis, (iii) labour dispatch expenses, (iv) a marketing fee equivalent to 1% of the total operating revenue, and (v) room reservation service and other fees agreed separately. For the period from 7 December 2018 to 31 December 2018, the period from 1 January 2019 to 31 December 2019 and the period from 1 January 2020 to 31 December 2020, the caps of the maximum aggregate amounts payable under the Framework Hotel and Apartment Management Services Agreement are RMB1.2 million, RMB3.65 million and RMB12.05 million respectively. The consideration is determined after arm's length negotiations and on terms no more favourable than those offered by the Company to other independent third parties and is estimated with reference to (i) the nature of the transactions; (ii) the anticipated demand for the customised Hotel and Apartment Management Services by China Jinmao; and (iii) the prevailing market prices for relevant customised hotel and apartment management services. When deciding the market prices for relevant customised hotel and apartment management services, the management of the Company will, to the extent practicable, take into account the rates of at least two similar and comparable transactions entered with or carried out by independent third parties for reference or obtain quotations from at least two independent third parties for providing similar management services.

12. *Framework Consultancy Services Agreement*

    On 7 December 2018, the Company entered into the Framework Consultancy Services Agreement ("Framework Consultancy Services Agreement") with China Jinmao, pursuant to which the Company agreed to provide the Consultancy Services to members of the China Jinmao Group for the period from 7 December 2018 to 31 December 2020, which mainly include (i) consultancy services for the design, construction, renovation and equipment of hotel and apartment properties under the relevant projects of China Jinmao, (such as orientation planning, brand screening, technical services, operational auditing); and (ii) other consultancy services as requested by China Jinmao. The transactions under the Framework Consultancy Services Agreement are in the ordinary and usual course of business of the Group. The consideration to be paid to the Company under each individual Consultancy Services Agreement primarily include a consultancy service fee determined with reference to factors including period cycle, anticipated demand and type of property of services provided. For the period from 7 December 2018 to 31 December 2018, the period from 1 January 2019 to 31 December 2019 and the period from 1 January 2020 to 31 December 2020, the caps of the maximum aggregate amounts payable under the Framework Consultancy Services Agreement are RMB2 million, RMB6.55 million and RMB8.80 million respectively.

REPORT OF THE DIRECTORS

The annual caps in respect of the Framework Consultancy Services Agreement are determined after arm's length negotiations and on terms no more favourable than those offered by the Company to other independent third parties and are estimated with reference to (i) the nature of the transactions; (ii) the anticipated demand for the customised Consultancy Services by China Jinmao; and (iii) the prevailing market prices for relevant customised consultancy services. When deciding the market rates for providing consulting services, the management of the Company will, to the extent practicable, take into account the rates of at least two similar and comparable quotes provided to independent third parties for reference or obtain quotations from at least two independent third parties for providing similar consulting services.

C. Review on connected transactions

Pursuant to Rule 14A.55 of the Listing Rules, the Directors of the Trustee-Manager and the Company (including independent non-executive Directors) have reviewed the above continuing connected transactions in the year ended 31 December 2018 and acknowledged that such transactions are:

(1) entered into in the ordinary and usual course of business of the Company;

(2) on normal commercial terms or terms no less favourable than those offered by or available from independent third parties to the Trust Group; and

(3) conducted in accordance with terms of agreements governing such transactions which are fair and reasonable and in the interest of Holders of Share Stapled Units as a whole.

The auditor of the Trustee-Manager and the Company has been engaged to report on the above connected transactions of the Trust Group in accordance with the Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter in accordance with Rule 14A.56 of the Listing Rules containing its findings and conclusion on the above continuing connected transactions of the Trust Group. The Trustee-Manager and the Company has submitted a copy of such letter to the Stock Exchange no later than 10 business days before the bulk printing of this report.

The Trustee-Manager Board acknowledged that amounts paid or payable to the Trustee-Manager for the Trust Property under the Trust are in compliance with the Trust Deed, and that they were not aware of any misconduct of the Trustee-Manager which may have a material and adverse effect on the operation of the Trust or the interest of all Holders of Share Stapled Units as a whole.

Related Party Transactions

During the Review Period, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of the related party transactions entered into by the Group during the reporting period are disclosed in note 36 to the financial statements. Save as disclosed in the paragraph headed "Connected Transactions" in this annual report, the related party transactions disclosed in note 36 were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

REPORT OF THE DIRECTORS

Sufficiency of public float

As at the date of this report, based on publicly available information to the Trustee-Manager and the Company and to the best knowledge of the Directors, the public float of Share Stapled Units of the Trust Group in issue was sufficient and above 25%.

Material acquisitions and disposals

For the year ended 31 December 2018, no material acquisition or disposal was carried out by the Group.

Material Litigation

For the year ended 31 December 2018, the Trust Group was not subject to any material litigation that could have an adverse impact on the Trust Group.

Auditors

The financial statements of the Trust Group and the Trustee-Manager have been audited by Ernst & Young, who has offered themselves for reappointment. A resolution will be proposed at the forthcoming 2018 AGM of Holders of Share Stapled Units to re-appoint Ernst & Young as the auditors of the Company and the Trustee-Manager.

Corporate governance

The Trust, the Trustee-Manager and the Company embraced the importance of maintaining and developing high standard corporate governance practices to protect and safeguard the interest of Holders of Share Stapled Units. The Trustee-Manager and the Company have been in compliance with all applicable code provisions under the Corporate Governance Code for the year ended 31 December 2018, and had adopted certain best practices recommended therein where applicable.

Further details of the corporate governance code and practices of the Company are set out in the consolidated corporate governance report on pages 64 to 83 of this report.

By Order of the Board
Jinmao (China) Investments Manager Limited (as the Trustee-Manager of the Trust) and
Jinmao (China) Hotel Investments and Management Limited

Chairman
LI Congrui
Hong Kong, 18 March 2019

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
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To the holders of share stapled units of
Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited
(Jinmao Hotel is a trust constituted under the laws of Hong Kong; Jinmao (China) Hotel Investments and Management Limited is registered in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Jinmao Hotel (the "Trust"), Jinmao (China) Hotel Investments and Management Limited (the "Company") and its subsidiaries (together, the "Trust Group") and of the Company and its subsidiaries (the "JCHIML Group") set out on pages 114 to 211 (together referred to as "the Trust and the Company's consolidated financial statements"). As explained in note 2.1 to the Trust and the Company's consolidated financial statements, the consolidated financial statements of the Trust and the consolidated financial statements of the Company are presented together. The Trust and the Company's consolidated financial statements together comprise the consolidated statement of financial position of the Trust Group and of the JCHIML Group as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Trust Group and of the JCHIML Group for the year then ended, and notes to the Trust and the Company's consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the Trust and the Company's consolidated financial statements give a true and fair view of the consolidated financial position of the Trust Group and the JCHIML Group as at 31 December 2018, and of their consolidated financial performance and their 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 Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Trust Group and the JCHIML 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Trust and the Company's consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Trust and the Company's consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Trust and the Company's consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
The Trust Group and the JCHIML Group adopted the fair value model for their investment properties in accordance with HKAS 40 Investment Property. Changes in fair values were recorded in profit or loss. The Trust Group and the JCHIML Group engaged an independent appraiser to perform valuation on the investment properties as at 31 December 2018. Both the amount of investment properties as at 31 December 2018 and their changes of fair value for the year ended 31 December 2018, amounting to RMB8,855,800,000 and RMB63,689,000, respectively, were significant to the consolidated financial statements. In addition, since the valuation involved management judgement and estimates based on a projection of future cash flows, term yield and reversionary yield which will affect the fair value of the investment properties, we considered the valuation of investment properties is significant to our audit. Relevant disclosures are included in notes 3 "Summary of significant accounting policies", 4 "Significant accounting judgements and estimates" and 15 "Investment properties" to the consolidated financial statements.	We assessed the objectivity, independence and expertise of the external appraiser. We involved our real estate valuation specialists to assist us in evaluating the valuation techniques and assessing the underlying assumptions and estimations, such as term yield, reversionary yield and external market rent against those of peers with similar nature and area. We compared rental assumptions against actual rents of existing leasing contracts, expected occupancy against historical data maintained by the Trust Group and the JCHIML Group. We also assessed the adequacy of the disclosures of investment properties, including valuation sensitivity and the fair value hierarchy.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment, and prepaid land lease payments	
The Trust Group and the JCHIML Group hold property, plant and equipment, and prepaid land lease payments in Mainland China. The carrying amount of property, plant and equipment and prepaid land lease payments amounted to RMB6,892,154,000 and RMB1,230,026,000 as at 31 December 2018. The impairment assessment of these assets is significant to our audit due to (i) the significance of the carrying amount as at 31 December 2018; and (ii) the assessment on impairment loss involved significant management judgment on whether impairment indicators existed and significant estimation of the recoverable amount of these assets for those assets with impairment indicators identified. Such estimation includes: projection of future cash flows, estimated room rates, estimated occupancy rates, discount rates, estimated market price per sqm, etc. Relevant disclosures are included in notes 3 "Summary of significant accounting policies", 4 "Significant accounting judgements and estimates", 14 "Property, plant and equipment" and 16 "Prepaid land lease payments" to the consolidated financial statements.	Our audit procedures included an analysis of the rationale and objective evidence used by management in evaluating whether there are impairment indicators for property, plant and equipment, and prepaid land lease payments. For those assets with impairment indicators, with the assistance from our valuation specialists, we assessed the methodologies and assumptions adopted in the determination of the recoverable amounts of those assets (which is the higher of fair value less costs of disposal and value in use). For value in use, our audit procedures included evaluation of key assumptions used in the discounted cash flow projections prepared by management by reference to the historical performance and business plans of the relevant assets. We also took into account of the reasonableness of the key assumptions, such as discount rate, by benchmarking to the external industry information. For fair value less costs of disposal, our audit procedures included evaluation of key unobservable inputs, such as estimated market price per sqm, used in valuation method by reference to the recent comparable transactions. We also took into account of the objectivity, independence and expertise of the external appraiser engaged by management. We assessed the adequacy of the disclosures of property, plant and equipment and prepaid land lease payments.

INDEPENDENT AUDITOR'S REPORT

Other information included in the Annual Report

The directors of Jinmao (China) Investments Manager Limited (the "Trustee-Manager") (in its capacity as the trustee-manager of the Trust) and the directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the Trust and the Company's consolidated financial statements and our auditor's report thereon.

Our opinion on the Trust and the Company's 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 Trust and the Company's 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 Trust and the Company's 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 the directors for the consolidated financial statements

The directors of the Trustee-Manager and the Company are responsible for the preparation of the Trust and the Company's 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 the Trust and the Company's consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Trustee-Manager and the Company are responsible for assessing the ability of the Trust Group and the JCHIML Group 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 of the Trustee-Manager and the Company either intend to liquidate the Trust Group and the JCHIML Group or to cease operations or have no realistic alternative but to do so.

The directors of the Trustee-Manager and the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the financial reporting process of the Trust Group and the JCHIML Group.

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the Trust and the Company's 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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the Trust and the Company's 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 internal control of the Trust Group and the JCHIML Group.

- 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 ability of the Trust Group and the JCHIML Group 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 Trust and the Company's 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 Trust Group and the JCHIML Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

- Evaluate the overall presentation, structure and content of the Trust and the Company's consolidated financial statements, including the disclosures, and whether the Trust and the Company's 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 Trust Group and the JCHIML Group to express an opinion on the Trust and the Company's 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 them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the Trust and the Company's 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 Wong Kwok Yin.

Ernst & Young
Certified Public Accountants
Hong Kong
18 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	6	**2,564,936**	2,595,448
Cost of sales		**(1,090,099)**	(1,109,683)
Gross profit		**1,474,837**	1,485,765
Other income and gains	6	**35,097**	22,622
Fair value gains on investment properties	15	**63,689**	38,786
Selling and marketing expenses		**(140,830)**	(152,350)
Administrative expenses		**(687,648)**	(742,959)
Other expenses and losses, net		**(8,938)**	(4,379)
Finance costs	8	**(314,600)**	(280,651)
Share of profits of joint ventures		**2,426**	2,678
PROFIT BEFORE TAX	7	**424,033**	369,512
Income tax expense	11	**(173,615)**	(149,569)
PROFIT FOR THE YEAR		**250,418**	219,943
EARNINGS PER SHARE STAPLED UNIT/SHARE OF THE COMPANY	13		
Basic (RMB)		**0.13**	0.11
Diluted (RMB)		**0.13**	0.11

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	Note	**2018** RMB'000	2017 RMB'000
PROFIT FOR THE YEAR		**250,418**	219,943
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Net loss on cash flow hedges	27	**(11,395)**	–
Net income/(loss) on net investment hedges	27	**2,412**	(1,459)
Exchange differences on translation of foreign operations		**(277,680)**	343,595
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		**(286,663)**	342,136
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(36,245)**	562,079

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**6,892,154**	7,117,060
Investment properties	15	**8,855,800**	8,781,200
Prepaid land lease payments	16	**1,185,640**	1,228,254
Other intangible assets	17	**9,549**	12,213
Investments in joint ventures	18	**32,801**	33,865
Investment in an associate	19	**30,000**	–
Deferred tax assets	29	**12,271**	6,503
Total non-current assets		**17,018,215**	17,179,095
CURRENT ASSETS			
Inventories	20	**14,609**	16,570
Trade and bills receivables	21	**92,647**	93,818
Prepayments, other receivables and other assets	22	**81,547**	86,778
Due from related parties	23	**10,543**	4,854
Derivative financial instruments	27	**847**	–
Restricted bank balances	24	**52,752**	26,908
Cash and cash equivalents	24	**760,240**	920,312
Total current assets		**1,013,185**	1,149,240
CURRENT LIABILITIES			
Trade payables	25	**82,125**	86,663
Contract liabilities		**89,096**	–
Other payables and accruals	26	**782,768**	978,566
Interest-bearing bank and other borrowings	28	**5,689,586**	5,250,468
Due to related parties	23	**2,013,203**	1,705,642
Derivative financial instruments	27	**–**	972
Tax payable		**30,636**	37,010
Total current liabilities		**8,687,414**	8,059,321
NET CURRENT LIABILITIES		**(7,674,229)**	(6,910,081)
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,343,986**	10,269,014
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	28	**1,711,209**	2,038,164
Derivative financial instruments	27	**11,974**	–
Deferred tax liabilities	29	**1,790,971**	1,752,468
Total non-current liabilities		**3,514,154**	3,790,632
Net assets		**5,829,832**	6,478,382

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	**2018** RMB'000	2017 RMB'000
EQUITY			
Share capital	30	**1,587**	1,587
Reserves	31	**5,828,245**	6,476,795
Total equity		**5,829,832**	6,478,382

Li Congrui
Director

Tang Yong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Share capital RMB'000	Share premium account RMB'000	Merger reserve RMB'000 (note 31)	Capital reserve RMB'000 (note 31)	PRC statutory surplus reserve RMB'000 (note 31)	Exchange fluctuation reserve RMB'000	Hedging reserve RMB'000 (note 31)	Asset revaluation reserve RMB'000 (note 31)	Retained profits RMB'000	Total equity RMB'000
At 1 January 2017	1,587	5,499,605	(5,771,842)	(8,423)	587,161	(491,951)	–	69,606	6,649,717	6,535,460
Profit for the year	–	–	–	–	–	–	–	–	219,943	219,943
Other comprehensive income/(loss) for the year:										
Effective portion of changes in fair value of hedging instruments arising during the year	–	–	–	–	–	–	(1,459)	–	–	(1,459)
Exchange differences on translation of foreign operations	–	–	–	–	–	343,595	–	–	–	343,595
Total comprehensive loss for the year	–	–	–	–	–	343,595	(1,459)	–	219,943	562,079
Final 2016 distributions declared	–	(282,108)	–	–	–	–	–	–	–	(282,108)
2017 interim distributions	–	(337,049)	–	–	–	–	–	–	–	(337,049)
Transfer from retained profits	–	–	–	–	42,778	–	–	–	(42,778)	–
At 31 December 2017	1,587	4,880,448*	(5,771,842)*	(8,423)*	629,939*	(148,356)*	(1,459)*	69,606*	6,826,882*	6,478,382

	Share capital RMB'000	Share premium account RMB'000	Merger reserve RMB'000 (note 31)	Capital reserve RMB'000 (note 31)	PRC statutory surplus reserve RMB'000 (note 31)	Exchange fluctuation reserve RMB'000	Hedging reserve RMB'000 (note 31)	Asset revaluation reserve RMB'000 (note 31)	Retained profits RMB'000	Total equity RMB'000
At 1 January 2018	1,587	4,880,448	(5,771,842)	(8,423)	629,939	(148,356)	(1,459)	69,606	6,826,882	6,478,382
Profit for the year	–	–	–	–	–	–	–	–	250,418	250,418
Other comprehensive income/(loss) for the year:										
Net loss on cash flow hedges	–	–	–	–	–	–	(11,395)	–	–	(11,395)
Net income on net investment hedges	–	–	–	–	–	–	2,412	–	–	2,412
Exchange differences on translation of foreign operations	–	–	–	–	–	(277,680)	–	–	–	(277,680)
Total comprehensive income/(loss) for the year	–	–	–	–	–	(277,680)	(8,983)	–	250,418	(36,245)
Final 2017 distributions declared	–	(252,639)	–	–	–	–	–	–	–	(252,639)
2018 interim distributions	–	(359,666)	–	–	–	–	–	–	–	(359,666)
Transfer from retained profits	–	–	–	–	32,858	–	–	–	(32,858)	–
At 31 December 2018	1,587	4,268,143*	(5,771,842)*	(8,423)*	662,797*	(426,036)*	(10,442)*	69,606*	7,044,442*	5,829,832

* These reserve accounts comprise the consolidated reserves of RMB5,828,245,000 as at 31 December 2018 (2017: RMB6,476,795,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**424,033**	369,512
Adjustments for:			
Finance costs	8	**314,600**	280,651
Share of profits of joint ventures		**(2,426)**	(2,678)
Bank interest income	6	**(8,962)**	(8,010)
Loss on disposal of items of property, plant and equipment, net	7	**603**	2,352
Gain on disposal of other intangible assets	7	**–**	(899)
Impairment of trade and bills receivables	7	**3,798**	141
Fair value gains on investment properties	15	**(63,689)**	(38,786)
Fair value losses/(gains) on hedges of a net investment	7	**3,012**	(487)
Depreciation	7	**285,852**	291,070
Recognition of prepaid land lease payments	7	**44,383**	44,109
Amortisation of other intangible assets	7	**5,514**	4,939
		1,006,718	941,914
Decrease in inventories		**1,961**	1,572
Increase in trade and bills receivables		**(2,627)**	(16,710)
Decrease in prepayments, other receivables and other assets		**6,621**	17,737
(Increase)/decrease in amounts due from related parties		**(2,199)**	7,218
Decrease in trade payables		**(4,538)**	(6,103)
Increase in contract liabilities		**89,096**	–
(Decrease)/increase in other payables and accruals		**(100,947)**	156,256
Decrease in amounts due to related parties		**(133,520)**	(121,626)
Exchange differences		**(24,489)**	31,049
Cash generated from operations		**836,076**	1,011,307
Interest received		**8,962**	8,010
PRC corporate income tax paid		**(147,254)**	(128,603)
Net cash flows from operating activities		**697,784**	890,714
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(141,026)**	(282,914)
Proceeds from disposal of items of property, plant and equipment		**623**	362
Proceeds from disposal of other intangible assets		**–**	2,789
Investment in an associate		**(30,000)**	–
Additions to investment properties	15	**(10,911)**	(11,064)
Additions to prepaid land lease payments		**–**	(266)
Additions to other intangible assets		**(2,680)**	(2,741)
Realised loss on derivative financial instruments not qualifying as hedges		**(1,572)**	–
Dividends received from joint ventures		**–**	5,190
Increase in restricted bank balances		**(25,844)**	(4,924)
Net cash flows used in investing activities		**(211,410)**	(293,568)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**4,862,432**	6,457,034
Repayment of bank and other borrowings		**(4,991,952)**	(5,809,049)
Interest paid		**(312,750)**	(282,985)
Distributions paid to holders of Share Stapled Units		**(204,938)**	(851,366)
Net cash flows used in financing activities		**(647,208)**	(486,366)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(160,834)**	110,780
Cash and cash equivalents at beginning of year		**920,312**	810,309
Effect of foreign exchange rate changes, net		**762**	(777)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**760,240**	920,312
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**655,013**	774,324
Non-pledged time deposits with original maturity of less than three months when acquired		**62,000**	98,500
Non-pledged time deposits with original maturity of over three months when acquired with an option to withdraw upon demand similar to demand deposits		**43,227**	47,488
Cash and cash equivalents as stated in the consolidated statement of financial position	24	**760,240**	920,312

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

1. Corporate and Trust Group Information

Jinmao (China) Hotel Investments and Management Limited (the "Company") was incorporated in the British Virgin Islands as a company with limited liability on 18 January 2008 and was registered by way of continuation in the Cayman Islands as an exempted company with limited liability on 21 March 2014. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is Rooms 4702-03, 47th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong.

Jinmao Hotel (the "Trust") was constituted as a trust on 13 June 2014 by a Hong Kong law governed trust deed (the "Trust Deed") entered into between Jinmao (China) Investments Manager Limited (the "Trustee-Manager", in its capacity as the trustee-manager of the Trust) and the Company. The scope of activities of the Trust specified in the Trust Deed is essentially limited to investing in the Company, and the powers, authorities and rights of the Trustee-Manager conferred by the Trust Deed are commensurately limited.

The structure of the share stapled units (the "Share Stapled Units") comprises: (i) a unit in the Trust; (ii) a beneficial interest in a specifically identified ordinary share in the Company which is "linked" to the unit and held by the Trustee-Manager as legal owner in its capacity as the trustee-manager of the Trust; and (iii) a specifically identified preference share in the Company which is "stapled" to the unit. The Share Stapled Units jointly issued by the Trust and the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 2 July 2014.

The Company is an investment holding company. During the year, the Trust, the Company and its subsidiaries (hereinafter collectively referred to as the "Trust Group") were principally engaged in hotel operations, property leasing and the provision of property management services in the People's Republic of China (the "PRC").

In the opinion of the directors of the Trustee-Manager and the Company (the "Directors"), China Jinmao Holdings Group Limited ("China Jinmao"), a company incorporated in Hong Kong and listed on the Stock Exchange, is the immediate holding company of the Trust and the Company, and the ultimate holding company of the Trust and the Company is Sinochem Group Co., Limited, a company established in the PRC and is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission in the PRC.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

1. Corporate and Trust Group Information (Continued)

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Trust and the Company Direct	Indirect	Principal activities
Grace Circle Development Limited	BVI/Hong Kong	US$1	100	–	Investment holding
Most Giant Limited	Hong Kong	HK$2	100	–	Investment holding
Forever Eagle Limited	Hong Kong	HK$1	–	100	Investment holding
中國金茂(集團)有限公司 China Jin Mao (Group) Company Limited * #	PRC/ Mainland China	RMB2,635,000,000	–	100	Investment holding, hotel operation and property investment
金茂(上海)物業服務有限公司 Jin Mao (Shanghai) Property Management Co., Ltd. ** #	PRC/ Mainland China	RMB5,000,000	–	100	Property management
金茂(北京)置業有限公司 Beijing Jin Mao Real Estate Company Limited ** #	PRC/ Mainland China	RMB1,600,000,000	–	100	Hotel operation
金茂(三亞)度假酒店有限公司 Jin Mao Sanya Resort Hotel Company Limited ** #	PRC/ Mainland China	RMB300,000,000	–	100	Hotel operation
金茂(三亞)旅業有限公司 Jin Mao Sanya Tourism Company Limited ** #	PRC/ Mainland China	RMB500,000,000	–	100	Hotel operation
金茂(海南)投資有限公司 Jin Mao Hainan Investment Company Limited ** #	PRC/ Mainland China	RMB1,511,579,000	–	100	Investment holding

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

1. Corporate and Trust Group Information (Continued)

Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Trust and the Company Direct	Indirect	Principal activities
金茂深圳酒店投資有限公司 Jin Mao Shenzhen Hotel Investment Company Limited ** #	PRC/ Mainland China	RMB700,000,000	–	100	Hotel operation
金茂(麗江)酒店投資有限公司 Jin Mao (Li Jiang) Hotel Investment Company Limited ** #	PRC/ Mainland China	RMB100,000,000	–	100	Hotel operation
王府井飯店管理有限公司 Wangfujing Hotel Management Company Limited * #	PRC/ Mainland China	US$73,345,000	–	100	Hotel operation
驪隆(上海)酒店管理有限公司 Li Long (Shanghai) Hotel Management Company Limited ** #	PRC/ Mainland China	RMB760,000,000	–	100	Hotel operation
上海金茂酒店管理有限公司 Shanghai Jinmao Hotel Management Company Limited ** #	PRC/ Mainland China	RMB10,000,000	–	100	Hotel management

The names of these companies referred to in these financial statements represent management's best effort at translating the Chinese names of these companies, as no English names have been registered.

* Registered as wholly-foreign-owned enterprises under PRC law

** Registered as limited liability companies under PRC law

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Groups (defined in note 2.1). To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

2.1 Basis of Presentation

In accordance with the Trust Deed, the Trust and the Company are each required to prepare their own sets of financial statements on a consolidated basis. The Trust's consolidated financial statements for the year ended 31 December 2018 comprise the consolidated financial statements of the Trust, the Company and its subsidiaries. The Company's consolidated financial statements for the year ended 31 December 2018 comprise the consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "JCHIML Group").

The Trust controls the Company and the sole activity of the Trust during the year ended 31 December 2018 was investing in the Company. Therefore, the consolidated results and financial position that would be presented in the consolidated financial statements of the Trust are identical to the consolidated financial results and financial position of the Company with the only difference being disclosures of capital of the Company. The consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of financial position, the consolidated statements of changes in equity, the consolidated statements of cash flows, the significant accounting policies and the related explanatory information are common to the Trust and the Company.The Directors therefore believe that it is clearer to present together the consolidated financial statements of the Trust and the consolidated financial statements of the Company, which are hereinafter referred to as "the Trust and the Company's consolidated financial statements".

The Trust Group and the JCHIML Group are referred to as the "Groups".

2.2 Basis of Preparation

The Trust and the Company's consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and derivative financial instruments which have been measured at fair value. The Trust and the Company's consolidated financial statements are presented in RMB and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Basis of consolidation

The Trust's consolidated financial statements for the year ended 31 December 2018 comprise the consolidated financial statements of the Trust, the Company and its subsidiaries. The Company's consolidated financial statements for the year ended 31 December 2018 comprise the consolidated financial statements of the Company and its subsidiaries. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Trust and the Company. Control is achieved when the Groups are exposed, or have rights, to variable returns from the Groups' involvement with the investee and have the ability to affect those returns through the Groups' power over the investee (i.e., existing rights that give the Groups the current ability to direct the relevant activities of the investee).

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

2.2 Basis of Preparation (Continued)

Basis of consolidation (Continued)

When the Trust and the Company have, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Groups consider all relevant facts and circumstances in assessing whether the Groups have power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Groups' voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Trust and the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Groups obtain control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Groups and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Groups are eliminated in full on consolidation.

The Groups reassess whether or not they control an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Groups lose control over a subsidiary, the Groups derecognise (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognise (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Groups' share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Groups had directly disposed of the related assets or liabilities.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

2.3 Net Current Liabilities

The Groups had net current liabilities of RMB7,674,229,000 as at 31 December 2018. The Directors are of the opinion that, based on a detailed review of the working capital forecast of the Groups and the available unutilised banking facilities, the Groups will have the necessary liquid funds to finance the Groups' working capital and to meet the Groups' capital expenditure requirements.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the Trust and the Company's consolidated financial statements on a going concern basis. Should the Groups be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the Trust and the Company's consolidated financial statements.

2.4 Changes in Accounting Policies and Disclosures

The Groups have adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

2.4 Changes in Accounting Policies and Disclosures (Continued)

Except for the amendments to HKFRS 4 and *Annual Improvements 2014-2016 Cycle*, which are not relevant to the preparation of the Groups' financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) Amendments to HKFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Groups as the Groups do not have any cash-settled share-based payment transactions and have no share-based payment transactions with net settlement features for withholding tax.

(b) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Groups have applied prospectively, the Groups have recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

2.4 Changes in Accounting Policies and Disclosures (Continued)

(b) (Continued)

Classification and measurement (Continued)

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

	HKAS 39 measurement				HKFRS 9 measurement	
Name	Category	Amount	Re-classification	ECL	Amount	Category
		RMB'000	RMB'000	RMB'000	RMB'000	
Financial assets						
Trade and bills receivables	L&R[1]	93,818	–	–	93,818	AC[2]
Financial assets included in prepayments, other receivables and other assets	L&R	29,814	–	–	29,814	AC
Due from related parties	L&R	4,854	–	–	4,854	AC
Restricted bank balances	L&R	26,908	–	–	26,908	AC
Cash and cash equivalents	L&R	920,312	–	–	920,312	AC
		1,075,706			1,075,706	
Financial liabilities						
Trade payables	AC	86,663	–	–	86,663	AC
Financial liabilities included in other payables and accruals	AC	784,444	–	–	784,444	AC
Due to related parties	AC	1,705,642	–	–	1,705,642	AC
Interest-bearing bank and other borrowings	AC	7,288,632	–	–	7,288,632	AC
Derivative financial instruments	FVPL[3]	972	–	–	972	FVPL
		9,866,353			9,866,353	

1 L&R: Loans and receivables
2 AC: Financial assets or financial liabilities at amortised cost
3 FVPL: Financial liabilities at fair value through profit or loss

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

2.4 Changes in Accounting Policies and Disclosures (Continued)

(b) (Continued)

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in note 21 to the financial statements.

	Impairment allowances under HKAS 39 at 31 December 2017	Re-measurement	ECL allowances under HKFRS 9 at 1 January 2018
	RMB'000	RMB'000	RMB'000
Trade and bills receivables	450	–	**450**

Hedge accounting

The Groups have applied hedge accounting under HKFRS 9 prospectively. At the date of initial application of HKFRS 9, all of the Groups' existing hedging relationships were eligible to be treated as continuing hedging relationships. The adoption of the hedge accounting requirements of HKFRS 9 has had no impact on the Groups' financial statements.

Impact on reserves and retained profits

The impact of transition to HKFRS 9 on reserves and retained profits is as follows:

	Reserves and retained profits
	RMB'000
Retained profits	
Balance as at 31 December 2017 under HKAS 39	6,826,882
Recognition of expected credit losses for trade and bills receivables under HKFRS 9	–
Deferred tax in relation to the above	–
Balance as at 1 January 2018 under HKFRS 9	6,826,882

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

2.4 Changes in Accounting Policies and Disclosures (Continued)

(c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract liability account balances between periods and key judgements and estimates. The disclosures are included in note 6 to the financial statements. As a result of the application of HKFRS 15, the Groups have changed the accounting policy with respect to revenue recognition in note 3 to the financial statements.

The Groups have adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Groups have elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of HKFRS 15:

	Note	Increase/(decrease) RMB'000
Liabilities		
Contract liabilities	(i)	107,434
Other payables and accruals	(i)	(107,434)

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2.4 Changes in Accounting Policies and Disclosures (Continued)

(c) (Continued)

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on profit or loss, other comprehensive income or on the Groups' operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
	Note	HKFRS 15	Previous HKFRS	Increase/ (decrease)
		RMB'000	RMB'000	RMB'000
Liabilities				
Contract liabilities	(i)	89,096	–	89,096
Other payables and accruals	(i)	782,768	871,864	(89,096)

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of financial position as at 31 December 2018 and the statement of profit or loss for the year ended 31 December 2018 are described below:

(i) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Groups recognised consideration received from customers in advance as other payables. Under HKFRS 15, the amount is classified as contract liabilities.

Therefore, upon adoption of HKFRS 15, the Groups reclassified RMB107,434,000 from other payables to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under HKFRS 15, RMB89,096,000 was reclassified from other payables to contract liabilities in relation to the consideration received from customers in advance.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

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2.4 Changes in Accounting Policies and Disclosures (Continued)

(d) Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Groups.

(e) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Groups' financial statements as the Groups' accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

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2.5 Issued But Not Yet Effective Hong Kong Financial Reporting Standards

The Groups have not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Trust and the Company's consolidated financial statements.

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Groups is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Groups expect to adopt the amendments prospectively from 1 January 2020.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

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2.5 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (Continued)

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

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2.5 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (Continued)

The Groups will adopt HKFRS 16 from 1 January 2019. During 2018, the Groups have performed a detailed assessment on the impact of adoption of HKFRS 16. The Groups plan to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Groups plan to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Groups' incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Groups plan to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Groups expect to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Groups' financial statements.

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Groups expect to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Groups also intend to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

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2.5 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (Continued)

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Groups expect to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Groups' financial statements.

3. Summary of Significant Accounting Policies

Investments in associates and joint ventures

An associate is an entity in which the Groups have a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Groups' investments in associates and joint ventures are stated in the consolidated statement of financial position at the Groups' share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Groups' share of the post-acquisition results and other comprehensive income of associates and joint ventures are included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Groups recognise their share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Groups and the Groups' associates or joint ventures are eliminated to the extent of the Groups' investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Groups' investments in associates or joint ventures.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

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3. Summary of Significant Accounting Policies (Continued)

Investments in associates and joint ventures (Continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Groups measure and recognise any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Fair value measurement

The Groups measure their investment properties and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Groups. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Groups use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Groups determine whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

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3. Summary of Significant Accounting Policies (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those categories consistent with the function of the impaired assets.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

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3. Summary of Significant Accounting Policies (Continued)

Related parties

A party is considered to be related to the Groups if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Groups;
- (ii) has significant influence over the Groups; or
- (iii) is a member of the key management personnel of the Groups or of a parent of the Groups;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Groups are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Groups are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Groups or an entity related to the Groups;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Groups or to the parent of the Groups.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

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3. Summary of Significant Accounting Policies (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Groups recognise such parts as individual assets with specific useful lives and depreciate them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Hotel properties	1.7% – 2.8%
Leasehold improvements	18% – 20%
Buildings	1.7% – 5%
Furniture, fixtures and office equipment	3.8% – 33.3%
Motor vehicles	8.3% – 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction or equipment under installation or testing, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction/equipment and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

3. Summary of Significant Accounting Policies (Continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Groups as an owner-occupied property becomes an investment property, the Groups account for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 to 10 years.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

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3. Summary of Significant Accounting Policies (Continued)

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Groups are the lessor, assets leased by the Groups under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Groups are the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Groups' business model for managing them. With the exception of trade and bills receivables that do not contain a significant financing component or for which the Groups have applied the practical expedient of not adjusting the effect of a significant financing component, the Groups initially measure a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade and bills receivables that do not contain a significant financing component or for which the Groups have applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Groups' business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Groups commit to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

3. Summary of Significant Accounting Policies (Continued)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Groups measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Groups commit to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

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3. Summary of Significant Accounting Policies (Continued)

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018) (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses and losses for receivables.

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Trust and the Company's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Groups have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Groups have transferred substantially all the risks and rewards of the asset, or (b) the Groups have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Groups have transferred the Groups' rights to receive cash flows from an asset or have entered into a pass-through arrangement, the Groups evaluate if, and to what extent, the Groups have retained the risk and rewards of ownership of the asset. When the Groups have neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Groups continue to recognise the transferred asset to the extent of the Groups' continuing involvement. In that case, the Groups also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Groups have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Groups could be required to repay.

3. Summary of Significant Accounting Policies (Continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)

The Groups recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Groups expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Groups assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Groups compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Groups consider a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Groups may also consider a financial asset to be in default when internal or external information indicates that the Groups are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Groups. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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3. Summary of Significant Accounting Policies (Continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018) (Continued)

General approach (Continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade and bills receivables that do not contain a significant financing component or when the Groups apply the practical expedient of not adjusting the effect of a significant financing component, the Groups apply the simplified approach in calculating ECLs. Under the simplified approach, the Groups do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Groups have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

The Groups assess at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3. Summary of Significant Accounting Policies (Continued)

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018) (Continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Groups first assess whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Groups determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, they include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Groups.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses and losses in the statement of profit or loss.

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Groups' financial liabilities include trade and other payables, amounts due to related parties, interest-bearing bank and other borrowings and derivative financial instruments.

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3. Summary of Significant Accounting Policies (Continued)

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) (Continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss (policies under HKFRS 9 applicable from 1 January 2018)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Groups that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Groups' own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at fair value through profit or loss (policies under HKAS 39 applicable before 1 January 2018)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

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3. Summary of Significant Accounting Policies (Continued)

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) (Continued)

Subsequent measurement (Continued)

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and subsequent measurement

The Groups use derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

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3. Summary of Significant Accounting Policies (Continued)

Derivative financial instruments and hedge accounting (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) (Continued)

Initial recognition and subsequent measurement (Continued)

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Groups formally designate and document the hedge relationship to which the Groups wish to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

Before 1 January 2018, the documentation included identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Groups assessed the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges were expected to be highly effective in achieving offsetting changes in fair value or cash flows and were assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Starting from 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Groups will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Groups actually hedge and the quantity of the hedging instrument that the Groups actually use to hedge that quantity of hedged item.

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

3. Summary of Significant Accounting Policies (Continued)

Derivative financial instruments and hedge accounting (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) (Continued)

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The hedging reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

3. Summary of Significant Accounting Policies (Continued)

Derivative financial instruments and hedge accounting (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) (Continued)

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Groups expect to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Groups' cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

3. Summary of Significant Accounting Policies (Continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in countries in which the Groups operate.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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3. Summary of Significant Accounting Policies (Continued)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Groups have a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

3. Summary of Significant Accounting Policies (Continued)

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Groups expect to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Groups will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Groups and the customer at contract inception. When the contract contains a financing component which provides the Groups a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Hotel and other service income is recognised in the period in which such services are rendered because the customer simultaneously receives and consumes the benefits provided by the Groups;

(b) Revenue from the rendering of property management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Groups.

Revenue from other source

Rental income is recognised on a time proportion basis over lease terms, except for contingent rental income which is recognised when it arises, where premiums received to terminate leases are recognised in the statement of profit or loss when they arise.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

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3. Summary of Significant Accounting Policies (Continued)

Revenue recognition (applicable before 1 January 2018)

Revenue is recognised when it is probable that the economic benefits will flow to the Groups and when the revenue can be measured reliably, on the following bases:

(a) hotel and other service income, in the period in which such services are rendered;

(b) rental income, on a time proportion basis over lease terms, except for contingent rental income which is recognised when it arises, where premiums received to terminate leases are recognised in the statement of profit or loss when they arise;

(c) from the rendering of property management services, in the period in which such services are rendered; and

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Groups have received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Groups transfer goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Groups perform under the contract.

Employee benefits

Pension schemes

The Groups operate a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of the Groups' employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Groups in an independently administered fund. The Groups' employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Groups' subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

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3. Summary of Significant Accounting Policies (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends/distributions

Final dividends/distributions are recognised as a liability when they are approved by the shareholders/holders of Share Stapled Units in a general meeting. Proposed final dividends/distributions are disclosed in the notes to the financial statements.

Interim dividends/distributions are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The Trust and the Company's consolidated financial statements are presented in RMB, while the Trust's and the Company's functional currency is HK$. Each entity in the Groups determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Groups are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Groups' net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

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3. Summary of Significant Accounting Policies (Continued)

Foreign currencies (Continued)

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Groups initially recognise the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Groups determine the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Trust, the Company and subsidiaries operating outside Mainland China are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of the Trust, the Company and subsidiaries operating outside Mainland China are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the Trust, the Company and subsidiaries operating outside Mainland China which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

4. Significant Accounting Judgements and Estimates

The preparation of the Trust and the Company's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Groups' accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Trust and the Company's consolidated financial statements:

4. Significant Accounting Judgements and Estimates (Continued)

Judgements (Continued)

Classification between investment properties and owner-occupied properties

The Groups determine whether a property qualifies as an investment property, and have developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Groups consider whether a property generates cash flows largely independently of the other assets held by the Groups. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Groups account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Withholding tax arising from the distribution of dividends

The Groups' determination, as to whether to accrue withholding taxes arising from the distributions of dividends by certain subsidiaries according to the relevant tax rules enacted in the jurisdictions, is subject to judgement on the plan of the distribution of dividends.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Provision for expected credit losses on trade and bills receivables

The Groups use a provision matrix to calculate ECLs for trade and bills receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating, and forms of credit insurance).

The provision matrix is initially based on the Groups' historical observed default rates. The Groups will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Groups' historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Groups' trade and bills receivables is disclosed in note 21 to the financial statements, respectively.

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31 December 2018

4. Significant Accounting Judgements and Estimates (Continued)

Estimation uncertainty (Continued)

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Groups consider information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties as at 31 December 2018 was RMB8,855,800,000 (2017: RMB8,781,200,000). Further details, including the key assumptions used for fair value measurement, are given in note 15 to the Trust and the Company's consolidated financial statements.

Impairment of non-financial assets

The Groups assess whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of deferred tax assets relating to recognised tax loss at 31 December 2018 was RMB12,116,000 (2017: RMB6,236,000). The amount of unrecognised tax losses at 31 December 2018 was RMB400,083,000 (2017: RMB478,700,000). Further details are contained in note 29 to the financial statements.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

4. Significant Accounting Judgements and Estimates (Continued)

Estimation uncertainty (Continued)

PRC corporate income tax

The Groups are subject to income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimates and judgements based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise. The carrying amount of income tax payable as at 31 December 2018 was RMB30,636,000 (2017: RMB37,010,000).

5. Operating Segment Information

For management purposes, the Groups are organised into business units based on their products and services they provided and have three reportable operating segments as follows:

(a) the property leasing segment leases office and commercial premises;

(b) the hotel operations segment provides hotel accommodation services; and

(c) the "others" segment mainly comprises the provision of property management and the operation of an observation deck.

Management monitors the results of the Groups' operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Groups' profit before tax except that interest income and finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, amounts due from related parties, investments in an associate, derivative financial instruments, restricted bank balances, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings and related interest payables, tax payable, amounts due to related parties, deferred tax liabilities, derivative financial instruments and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted in accordance with the terms and conditions mutually agreed by the parties involved.

Geographical information

The Groups' operations are mainly conducted in Mainland China. Management considered that there is one reportable geographic segment as all revenue from external customers is generated in Mainland China and the Groups' significant non-current assets are located in Mainland China.

Information about major customers

For the years ended 31 December 2017 and 2018, there was no single external customer from which the revenue derived accounted for 10% or more of the Groups' total revenue.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

5. Operating Segment Information (Continued)

For the year ended 31 December 2018

	Property leasing RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Segment revenue				
Sales to external customers	498,979	1,864,283	201,674	2,564,936
Segment results	445,629	225,487	61,148	732,264
Reconciliation:				
Interest income				8,962
Corporate and other unallocated expenses				(2,593)
Finance costs				(314,600)
Profit before tax				424,033
Segment assets	8,894,438	12,077,928	144,418	21,116,784
Reconciliation:				
Elimination of intersegment receivables				(8,759,895)
Corporate and other unallocated assets				5,674,511
Total assets				18,031,400
Segment liabilities	293,118	7,020,556	54,624	7,368,298
Reconciliation:				
Elimination of intersegment payables				(8,726,514)
Corporate and other unallocated liabilities				13,559,784
Total liabilities				12,201,568
Other segment information:				
Share of profits of joint ventures	–	–	2,426	2,426
Depreciation and amortisation	2,309	284,642	4,415	291,366
Recognition of prepaid land lease payments	–	44,383	–	44,383
Loss on disposal of items of property, plant and equipment, net	–	603	–	603
Impairment recognised in the statement of profit or loss	–	3,731	67	3,798
Fair value gains on investment properties	63,689	–	–	63,689
Investments in joint ventures	–	–	32,801	32,801
Capital expenditure*	13,553	102,751	1,292	117,596

* Capital expenditure consists of additions to property, plant and equipment, intangible assets, prepaid land lease payments and investment properties.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

5. Operating Segment Information (Continued)

For the year ended 31 December 2017

	Property leasing RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	514,363	1,902,663	178,422	2,595,448
Segment results	401,217	236,723	38,997	676,937
Reconciliation:				
Interest income				8,010
Corporate and other unallocated expenses				(34,784)
Finance costs				(280,651)
Profit before tax				369,512
Segment assets	8,817,487	12,224,408	106,271	21,148,166
Reconciliation:				
Elimination of intersegment receivables				(8,559,376)
Corporate and other unallocated assets				5,739,545
Total assets				18,328,335
Segment liabilities	303,203	7,145,398	56,355	7,504,956
Reconciliation:				
Elimination of intersegment payables				(8,525,996)
Corporate and other unallocated liabilities				12,870,993
Total liabilities				11,849,953
Other segment information:				
Share of profits of joint ventures	–	–	2,678	2,678
Depreciation and amortisation	2,465	288,973	4,571	296,009
Recognition of prepaid land lease payments	–	44,109	–	44,109
Loss on disposal of items of property, plant and equipment	–	2,352	–	2,352
Impairment recognised in the statement of profit or loss	–	141	–	141
Fair value gains on investment properties	38,786	–	–	38,786
Investments in joint ventures	–	–	33,865	33,865
Capital expenditure	13,556	185,585	1,821	200,962

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

6. Revenue, Other Income and Gains

An analysis of revenue is as follows:

	2018 RMB'000	2017 RMB'000
Revenue		
Revenue from contracts with customers		
Hotel operations	**1,864,283**	1,902,663
Others	**201,674**	178,422
Revenue from other sources		
Gross rental income	**498,979**	514,363
	2,564,936	2,595,448

Revenue from contracts with customers

(i) Disaggregated revenue information

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2018 RMB'000
Hotel operations	**90,183**
Others	**17,251**
	107,434

(ii) Performance obligations

Information about the Groups' performance obligations is summarised below:

- For hotel operations, the performance obligation is satisfied when services are rendered. Short-term advances are sometimes required before rendering the services; and

- For other service contracts, the performance obligation is satisfied over time as services are rendered. Short-term advances are sometimes required before rendering the services. Service contracts are for periods of one year or less, or are billed based on the time incurred.

  The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are all expected to be recognised within one year.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

6. Revenue, Other Income and Gains (Continued)

	2018 RMB'000	2017 RMB'000
Other income		
Bank interest income	8,962	8,010
Government grants*	18,172	5,374
	27,134	13,384
Gains		
Fair value gains on derivative financial instruments – ineffective portion of transactions not qualifying as hedges	–	487
Others	7,963	8,751
	35,097	22,622

* Various government grants have been received from the relevant authorities for the Groups' businesses conducted in certain cities in Mainland China. There are no unfulfilled conditions or contingencies relating to these grants.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

7. Profit Before Tax

The Groups' profit before tax is arrived at after charging/(crediting):

	Notes	2018 RMB'000	2017 RMB'000
Cost of services provided		**1,090,099**	1,109,683
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**23,104**	39,417
Depreciation	14	**285,852**	291,070
Amortisation of intangible assets	17	**5,514**	4,939
Minimum lease payments under operating leases		**10,286**	11,227
Recognition of prepaid land lease payments	16	**44,383**	44,109
Auditors' remuneration		**1,663**	1,553
Employee benefit expense (including directors' and chief executive's remuneration (note 9)):			
Wages and salaries		**535,302**	523,657
Pension scheme contributions (defined contribution schemes)*		**43,420**	47,457
		578,722	571,114
Foreign exchange differences, net		**(12,252)**	20,217
Fair value losses on derivative financial instruments – transactions not qualifying as hedges**		**3,012**	–
Loss on disposal of items of property, plant and equipment, net**		**603**	2,352
Gain on disposal of other intangible assets		**–**	(899)
Impairment of trade and bills receivables		**3,798**	141

* As at 31 December 2018, the Groups had no forfeited contributions available to reduce the Groups' contributions to the pension schemes in future years (2017: Nil).

** This item is included in "Other expenses and losses, net" in the consolidated statement of profit or loss.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

8. Finance Costs

An analysis of finance costs is as follows:

	2018 RMB'000	2017 RMB'000
Interest on bank loans and notes	**304,265**	271,306
Amortisation of ancillary costs incurred in connection with the arrangement of bank loans	**10,335**	9,345
	314,600	280,651

9. Directors' and Chief Executive's Remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c), and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2018 RMB'000	2017 RMB'000
Fees	**507**	519
Other emoluments:		
Salaries, allowances and benefits in kind	**1,429**	1,373
Performance related bonuses*	**1,081**	2,240
Pension scheme contributions	**151**	200
	2,661	3,813
	3,168	4,332

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the performance of the Groups' operations.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

9. Directors' and Chief Executive's Remuneration (Continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2018 RMB'000	2017 RMB'000
Dr. Chung Shui Ming Timpson	169	173
Dr. Chen Jieping	169	173
Dr. Xin Tao	169	173
	507	519

There were no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

(b) Executive director, non-executive directors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2018					
Executive director:					
Mr. Tang Yong	–	1,429	1,081	151	2,661
	–	1,429	1,081	151	2,661
Non-executive directors:					
Mr. Zhang Hui	–	–	–	–	–
Mr. Li Congrui	–	–	–	–	–
Mr. Jiang Nan	–	–	–	–	–
Ms. Lan Haiqing (note 3)	–	–	–	–	–
	–	–	–	–	–
	–	1,429	1,081	151	2,661

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

9. Directors' and Chief Executive's Remuneration (Continued)

(b) Executive director, non-executive directors and the chief executive (Continued)

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2017					
Executive directors:					
Mr. Zhang Hui (note 2)	–	1,215	2,092	177	3,484
Mr. Tang Yong (note 1)	–	158	148	23	329
	–	1,373	2,240	200	3,813
Non-executive directors:					
Mr. Zhang Hui (note 2)	–	–	–	–	–
Mr. Li Congrui	–	–	–	–	–
Mr. Jiang Nan	–	–	–	–	–
Ms. Lan Haiqing	–	–	–	–	–
	–	–	–	–	–
	–	1,373	2,240	200	3,813

Notes:

(1) Mr. Tang Yong was appointed as an executive director and the chief executive of the Trustee-Manager and the Company, with effect from 19 October 2017. The remuneration disclosed above represented his remuneration during his tenure as an executive director and the chief executive of the Trustee-Manager and the Company.

(2) Mr. Zhang Hui was re-designated from an executive director of the Trustee-Manager and the Company to a non-executive director of the Trustee-Manager and the Company, with effect from 19 October 2017.

(3) Ms. Lan Haiqing resigned as a non-executive director of the Trustee-Manager and the Company with effect from 8 June 2018.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2017: Nil).

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

10. Five Highest Paid Employees

The five highest paid employees during the year included one director and the chief executive (2017: two directors and the chief executive). The remuneration for the year of the five highest paid employees of the Trustee-Manager and the Company are as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	**5,183**	4,033
Performance related bonuses	**4,417**	5,285
Pension scheme contributions	**717**	712
	10,317	10,030

The number of highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees 2018	 2017
HK$1,500,001 to HK$2,000,000	**1**	3
HK$2,000,001 to HK$2,500,000	**3**	1
HK$3,000,001 to HK$3,500,000	**1**	–
HK$4,000,001 to HK$4,500,000	**–**	1
	5	5

11. Income Tax

	2018 RMB'000	2017 RMB'000
Current – PRC corporate income tax	**140,880**	127,585
Deferred (note 29)	**32,735**	21,984
Total tax charge for the year	**173,615**	149,569

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Groups did not generate any assessable profits arising in Hong Kong during the year (2017: Nil).

PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% (2017: 25%) on the taxable profits of the Groups' PRC subsidiaries during the year.

11. Income Tax (Continued)

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Trust, the Company and the majority of its subsidiaries are domiciled to the tax charge for the year is as follows:

2018

	Mainland China RMB'000	Hong Kong RMB'000	Total RMB'000
Profit/(loss) before tax	**573,562**	**(149,529)**	**424,033**
Tax at the statutory tax rate	**143,391**	**(24,672)**	**118,719**
Profits and losses attributable to joint ventures	**(607)**	**–**	**(607)**
Expenses not deductible for tax	**18,432**	**24,672**	**43,104**
Tax losses utilised from previous periods	**(4,175)**	**–**	**(4,175)**
Tax losses from previous periods recognised	**(5,880)**	**–**	**(5,880)**
Tax losses not recognised	**22,454**	**–**	**22,454**
Tax charge for the year	**173,615**	**–**	**173,615**

2017

	Mainland China RMB'000	Hong Kong RMB'000	Total RMB'000
Profit/(loss) before tax	501,306	(131,794)	369,512
Tax at the statutory tax rate	125,326	(21,746)	103,580
Profits and losses attributable to joint ventures	(669)	–	(669)
Expenses not deductible for tax	11,432	21,746	33,178
Tax losses utilised from previous periods	(393)	–	(393)
Tax losses from previous periods recognised	(6,236)	–	(6,236)
Tax losses not recognised	20,109	–	20,109
Tax charge for the year	149,569	–	149,569

The share of tax attributable to joint ventures amounting to RMB838,000 (2017: RMB900,500) is included in the "Share of profits of joint ventures" in the consolidated statement of profit or loss.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

12. Distributions

	Note	2018 RMB'000	2017 RMB'000
Interim – HK20.55 cents (2017: HK19.60 cents) per Share Stapled Unit		**336,086**	346,443
Proposed 2018 distributions attributable to group distributable income – HK12.88 cents (2017: HK15.45 cents) per Share Stapled Unit	(a)	**229,278**	261,536
		565,364	607,979

(a) The proposed 2018 distribution to holders of Share Stapled Units is based on the group distributable income for the year ended 31 December 2018 and the number of Share Stapled Units as at 31 December 2018. The proposed 2018 distribution was not recognised as a liability as at 31 December 2018, and is subject to the approval of the holders of Share Stapled Units at the forthcoming AGM.

The group distributable income for the year ended 31 December 2018 was RMB565,364,000, equivalent to HK$668,600,000, which was adjusted from the profit or loss for the year ended 31 December 2018 after the adjustments permitted under the Trust Deed and the Company's Articles.

(i) Pursuant to clause 1.1 of the Trust Deed, "Adjustments" include, but are not limited to (i) unrealised revaluation gains/losses, including impairment provisions and reversals of impairment provisions; (ii) impairment of goodwill/recognition of negative goodwill; (iii) material non-cash gains/losses; (iv) costs of any public offering of Share Stapled Units that are expensed through the consolidated statement of profit or loss but are funded by proceeds from the issuance of such Share Stapled Units; (v) depreciation and amortisation; (vi) tax charges as shown in the consolidated statement of profit or loss; and (vii) net finance income/costs as shown in the consolidated statement of profit or loss.

(ii) The Trust Deed and the articles of association of the Company state that, except with the prior approval of an ordinary resolution of registered holders of units and an ordinary resolution of the shareholders of the Company and subject to compliance with all applicable laws of the Cayman Islands and the articles of association of the Company, the Directors will declare and distribute 100% of the distributable income (as defined in the Trust Deed) in respect of each financial year thereafter. The Trust Deed requires the Trustee-Manager (on behalf of the Trust) to distribute the dividends, distributions and other amounts received by the Trustee-Manager in respect of the ordinary shares from the Company, after deduction of all amounts permitted to be deducted or paid under the Trust Deed.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

13. Earnings Per Share Stapled Unit

The calculation of the basic earnings per Share Stapled Unit/ordinary share of the Company for the year is based on the profit for the year of RMB250,418,000 (2017: RMB219,943,000), and the weighted average number of Share Stapled Units of 2,000,000,000 (2017: 2,000,000,000) in issue during the year.

The Groups had no potentially dilutive Share Stapled Units/ordinary shares of the Company in issue during the year (2017: Nil).

The calculation of basic and diluted earnings per Share Stapled Unit/ordinary share of the Company is based on:

	2018	2017
	RMB'000	RMB'000
Earnings		
Profit for the year, used in the calculation of basic and diluted earnings per Share Stapled Unit/ordinary share of the Company	**250,418**	219,943

	Number of Share Stapled Units/ ordinary shares of the Company	
	2018	2017
Share Stapled Units/ordinary shares of the Company		
Weighted average number of Share Stapled Units/ordinary shares of the Company in issue during the year, used in the calculation of basic and diluted earnings per Share Stapled Unit/ordinary share of the Company	**2,000,000,000**	2,000,000,000

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

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14. Property, Plant and Equipment

	Hotel properties RMB'000	Leasehold improvements RMB'000	Buildings RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2018							
At 1 January 2018:							
Cost	8,002,304	49,284	143,970	1,409,165	26,136	34,448	9,665,307
Accumulated depreciation and impairment	(1,482,078)	(49,284)	(40,374)	(957,358)	(19,153)	–	(2,548,247)
Net carrying amount	6,520,226	–	103,596	451,807	6,983	34,448	7,117,060
At 1 January 2018, net of accumulated depreciation and impairment	6,520,226	–	103,596	451,807	6,983	34,448	7,117,060
Additions	9,723	–	–	10,959	–	81,178	101,860
Disposals	(35,632)	–	–	(850)	(116)	(4,316)	(40,914)
Depreciation provided during the year	(200,616)	–	(2,546)	(80,614)	(2,076)	–	(285,852)
Transfers	(234,793)	–	–	335,562	(1,237)	(99,532)	–
At 31 December 2018, net of accumulated depreciation and impairment	6,058,908	–	101,050	716,864	3,554	11,778	6,892,154
At 31 December 2018:							
Cost	7,741,601	49,284	143,970	1,747,925	22,159	11,778	9,716,717
Accumulated depreciation and impairment	(1,682,693)	(49,284)	(42,920)	(1,031,061)	(18,605)	–	(2,824,563)
Net carrying amount	6,058,908	–	101,050	716,864	3,554	11,778	6,892,154

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

14. Property, Plant and Equipment (Continued)

	Hotel properties	Leasehold improvements	Buildings	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2017							
At 1 January 2017:							
Cost	7,869,469	49,284	143,970	1,501,443	28,755	8,616	9,601,537
Accumulated depreciation and impairment	(1,282,557)	(49,284)	(37,829)	(877,076)	(19,094)	–	(2,265,840)
Net carrying amount	6,586,912	–	106,141	624,367	9,661	8,616	7,335,697
At 1 January 2017, net of accumulated depreciation and impairment	6,586,912	–	106,141	624,367	9,661	8,616	7,335,697
Additions	116,736	–	–	6,040	187	52,879	175,842
Disposals	(56,985)	–	–	(46,139)	(285)	–	(103,409)
Depreciation provided during the year	(193,245)	–	(2,545)	(92,700)	(2,580)	–	(291,070)
Transfers	66,808	–	–	(39,761)	–	(27,047)	–
At 31 December 2017, net of accumulated depreciation and impairment	6,520,226	–	103,596	451,807	6,983	34,448	7,117,060
At 31 December 2017:							
Cost	8,002,304	49,284	143,970	1,409,165	26,136	34,448	9,665,307
Accumulated depreciation and impairment	(1,482,078)	(49,284)	(40,374)	(957,358)	(19,153)	–	(2,548,247)
Net carrying amount	6,520,226	–	103,596	451,807	6,983	34,448	7,117,060

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

15. Investment Properties

	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January	**8,781,200**	8,731,350
Additions	**10,911**	11,064
Net gain from a fair value adjustment recognised in profit or loss	**63,689**	38,786
Carrying amount at 31 December	**8,855,800**	8,781,200

The Groups' investment properties consist of one commercial property in Mainland China. The Directors have determined that the investment properties consist of one class of asset, i.e., commercial, based on the nature, characteristics and risks of the property. The Groups' investment properties were revalued on 31 December 2018 and 31 December 2017 at approximately RMB8,855,800,000 and RMB8,781,200,000, respectively, by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers. Each year, the Groups' management decide to appoint which external valuer to be responsible for the external valuations of the Groups' properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Groups' management have discussions with the valuer on the valuation assumptions and valuation results every year when the valuation is performed for annual financial reporting.

These investment properties are leased to related parties and third parties under operating leases, further summary details of which are included in note 34(a) to the Trust and the Company's consolidated financial statements.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Groups' investment properties:

	Fair value measurement as at 31 December 2018 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties	–	–	8,855,800	8,855,800

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15. Investment Properties (Continued)

Fair value hierarchy (Continued)

	Fair value measurement as at 31 December 2017 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties	–	–	8,781,200	8,781,200

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: Nil).

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

2018

	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Commercial properties – Jin Mao Tower – Office	Term and reversion method	Term yield	4.50%
		Reversionary yield	5.00%
		Market rent (per sqm p.a.)	RMB4,224
Commercial properties – Jin Mao Tower – Retail	Term and reversion method	Term yield	4.50%
		Reversionary yield	5.00%
		Market rent (per sqm p.a.)	RMB9,960
Commercial properties – Jin Mao Tower – Car parks	Term and reversion method	Term yield	3.50%
		Reversionary yield	4.00%
		Market rent (per unit p.a.)	RMB12,000

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15. Investment Properties (Continued)

Fair value hierarchy (Continued)

2017

	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Commercial properties – Jin Mao Tower – Office	Term and reversion method	Term yield	4.50%
		Reversionary yield	5.00%
		Market rent (per sqm p.a.)	RMB4,092
Commercial properties – Jin Mao Tower – Retail	Term and reversion method	Term yield	4.50%
		Reversionary yield	5.00%
		Market rent (per sqm p.a.)	RMB9,708
Commercial properties – Jin Mao Tower – Car parks	Term and reversion method	Term yield	3.50%
		Reversionary yield	4.00%
		Market rent (per unit p.a.)	RMB11,700

The term and reversion method measures the fair value of the property by taking into account the rental income derived from the existing leases with due allowance for the reversionary income potential of the leases, which are then capitalised into the value at appropriate rates.

A significant increase (decrease) in the term yield and the reversionary yield in isolation would result in a significant decrease (increase) in the fair value of the investment properties. A significant increase (decrease) in the market rent and the price per square metre would result in a significant increase (decrease) in the fair value of the investment properties.

16. Prepaid Land Lease Payments

	Notes	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January		**1,272,434**	1,307,029
Additions		**1,975**	9,514
Recognised during the year	7	**(44,383)**	(44,109)
Carrying amount at 31 December		**1,230,026**	1,272,434
Current portion included in prepayments, other receivables and other assets	22	**(44,386)**	(44,180)
Non-current portion		**1,185,640**	1,228,254

17. Other Intangible Assets

	Computer software RMB'000	Total RMB'000
31 December 2018		
At 1 January 2018:		
Cost	59,927	59,927
Accumulated amortisation	(47,714)	(47,714)
Net carrying amount	12,213	12,213
Cost at 1 January 2018, net of accumulated amortisation	12,213	12,213
Additions	2,850	2,850
Amortisation provided during the year	(5,514)	(5,514)
At 31 December 2018, net of accumulated amortisation	9,549	9,549
At 31 December 2018:		
Cost	62,747	62,747
Accumulated amortisation	(53,198)	(53,198)
Net carrying amount	9,549	9,549

	Computer software RMB'000	Others RMB'000	Total RMB'000
31 December 2017			
At 1 January 2017:			
Cost	55,385	3,860	59,245
Accumulated amortisation	(42,894)	(1,851)	(44,745)
Net carrying amount	12,491	2,009	14,500
Cost at 1 January 2017, net of accumulated amortisation	12,491	2,009	14,500
Additions	4,542	–	4,542
Disposals	–	(1,890)	(1,890)
Amortisation provided during the year	(4,820)	(119)	(4,939)
At 31 December 2017, net of accumulated amortisation	12,213	–	12,213
At 31 December 2017:			
Cost	59,927	–	59,927
Accumulated amortisation	(47,714)	–	(47,714)
Net carrying amount	12,213	–	12,213

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

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18. Investments in Joint Ventures

	2018 **RMB'000**	2017 RMB'000
Share of net assets	**32,801**	33,865

The amounts due from/to joint ventures are disclosed in note 23 to the Trust and the Company's consolidated financial statements.

Particulars of the Groups' joint ventures are as follows:

Name	Place of registration and business	Percentage of Ownership interest	Voting power	Profit sharing	Principal activities
上海金茂錦江汽車服務有限公司 Shanghai Jin Mao Jin Jiang Automobile Service Company Limited ("Jin Mao Jin Jiang")#	PRC/Mainland China	50%	57%	50%	Lease of commercial vehicles
上海金茂汽車租賃有限公司 Shanghai Jin Mao Auto Hire Company Limited ("Jin Mao Auto Hire")#	PRC/Mainland China	45%	57%	45%	Lease of commercial vehicles

\# The names of these companies referred to in the Trust and the Company's consolidated financial statements represent management's best effort at translating the Chinese names of these companies, as no English names have been registered.

Jin Mao Jin Jiang and Jin Mao Auto Hire (collectively, the "Auto Hire Group"), which are indirectly held by the Trust and the Company and are considered as material joint ventures of the Groups, act as the Groups' taxi and car chauffeur service providers in Mainland China and are accounted for using the equity method.

18. Investments in Joint Ventures (Continued)

The following tables illustrate the summarised financial information in respect of the Auto Hire Group adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2018 RMB'000	2017 RMB'000
Cash and cash equivalents	10,680	6,026
Other current assets	22,726	18,576
Current assets	33,406	24,602
Non-current assets	52,254	59,843
Financial liabilities, excluding trade and other payables	(467)	(10,242)
Other current liabilities	(19,591)	(6,473)
Current liabilities	(20,058)	(16,715)
Net assets	65,602	67,730
Revenue	39,156	49,890
Interest income	20	18
Depreciation and amortisation	(11,304)	(12,990)
Interest expenses	(179)	(138)
Tax	(1,676)	(1,801)
Profit and total comprehensive income for the year	4,852	5,355
Dividend received	3,490	5,190

Reconciliation to the Groups' interests in the joint ventures:

	2018 RMB'000	2017 RMB'000
Proportion of the Groups' ownership	50%	50%
The Groups' share of net assets of the joint ventures and carrying amount of the investments	32,801	33,865
Share of the joint ventures' profit and total comprehensive income	2,426	2,678

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19. Investment in an Associate

	2018 RMB'000	2017 RMB'000
Share of net assets	**30,000**	–

The amount due from an associate is disclosed in note 23 to the Trust and the Company's consolidated financial statements.

The following tables illustrate the summarised financial information adjusted for any differences in accounting policies of the Groups' investment in the associate that is not individually material:

	2018 RMB'000	2017 RMB'000
Cash and cash equivalents	**31,000**	–
Current assets	**31,000**	–
Net assets	**31,000**	–

The Groups' interests in the associate:

	2018 RMB'000	2017 RMB'000
Proportion of the Groups' ownership	**74.26%**	–
The Groups' share of net assets of the associate and carrying amount of the investment	**30,000**	–

20. Inventories

	2018 RMB'000	2017 RMB'000
Raw materials	**3,220**	3,337
Hotel merchandise	**9,796**	11,551
Trading stock	**1,593**	1,682
	14,609	16,570

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

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21. Trade and Bills Receivables

	2018 RMB'000	2017 RMB'000
Trade and bills receivables	**93,805**	94,268
Impairment	**(1,158)**	(450)
	92,647	93,818

The Groups' trading terms with certain of the Groups' customers in relation to the provision of hotel and other services are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to three months, extending up to six months for major customers. Each customer has a maximum credit limit.

The Groups seek to maintain strict control over their outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Groups' trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Groups do not hold any collateral or other credit enhancements over their trade receivable balances. Trade and bills receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018 RMB'000	2017 RMB'000
Within 1 month	**83,424**	84,185
1 to 3 months	**5,174**	4,791
4 to 6 months	**1,208**	4,410
Over 6 months	**2,841**	432
	92,647	93,818

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

	2018 RMB'000	2017 RMB'000
At beginning of year	**450**	309
Impairment losses, net	**708**	141
At end of year	**1,158**	450

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

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21. Trade and Bills Receivables (Continued)

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating, and forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade and bills receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Groups' trade receivables using a provision matrix:

As at 31 December 2018

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	**0.39%**	**1.24%**	**5.26%**	**13.34%**	**1.23%**
Gross carrying amount (RMB'000)	**83,424**	**3,405**	**1,733**	**5,243**	**93,805**
Expected credit losses (RMB'000)	**326**	**42**	**91**	**699**	**1,158**

Impairment under HKAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade and bills receivables, which was measured based on incurred credit losses under HKAS 39, as at 31 December 2017 was a provision for individually impaired trade and bills receivables of RMB450,000 with a carrying amount before provision of RMB450,000.

The individually impaired trade and bills receivables as at 31 December 2017 related to customers that were in financial difficulties or were in default.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

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21. Trade and Bills Receivables (Continued)

Impairment under HKAS 39 for the year ended 31 December 2017 (Continued)

The ageing analysis of the trade and bills receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017 RMB'000
Neither past due nor impaired	85,743
Less than 1 month past due	2,881
1 to 3 months past due	2,640
Over 3 months past due	2,554
	93,818

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Groups. Based on past experience, the Directors were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

22. Prepayments, Other Receivables and Other Assets

	Note	**2018** **RMB'000**	2017 RMB'000
Prepayments		**18,702**	12,784
Deposits		**6,062**	8,039
Other receivables		**12,397**	21,775
Prepaid land lease payments	16	**44,386**	44,180
		81,547	86,778

None of the above assets is impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

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23. Balances With Related Parties

An analysis of the balances with related parties is as follows:

	2018 RMB'000	2017 RMB'000
Due from related parties:		
Fellow subsidiaries	**9,104**	4,850
Joint ventures	**752**	–
An associate	**600**	–
An associate of the Groups' ultimate holding company	**87**	4
	10,543	4,854
Due to related parties:		
Immediate holding company	**843,302**	411,992
Fellow subsidiaries	**1,147,086**	1,267,922
Joint ventures	**1,445**	4,358
Joint ventures of immediate holding company	**1**	1
An associate of the Groups' ultimate holding company	**21,369**	21,369
	2,013,203	1,705,642

The amounts due from/to related parties are unsecured, interest-free and are repayable on demand.

24. Cash and Cash Equivalents and Restricted Bank Balances

	2018 RMB'000	2017 RMB'000
Cash and bank balances	**655,013**	774,324
Time deposits	**157,979**	172,896
	812,992	947,220
Less: Restricted bank balances	**(52,752)**	(26,908)
Cash and cash equivalents	**760,240**	920,312

As at 31 December 2018, the cash and bank balances and time deposits of the Groups denominated in RMB amounted to RMB769,433,000 (2017: RMB914,477,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Groups are permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

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24. Cash and Cash Equivalents and Restricted Bank Balances (Continued)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of within one year depending on the immediate cash requirements of the Groups, and earn interest at the respective short term time deposit rates. The bank balances and restricted bank balances are deposited with creditworthy banks with no recent history of default.

25. Trade Payables

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018	2017
	RMB'000	RMB'000
Within 1 year or on demand	**79,558**	81,673
1 to 2 years	**–**	4,770
Over 2 years	**2,567**	220
	82,125	86,663

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

26. Other Payables and Accruals

	2018	2017
	RMB'000	RMB'000
Other payables	**694,205**	784,444
Receipts in advance	**7,367**	107,434
Accruals	**81,196**	86,688
	782,768	978,566

Other payables and accruals are non-interest-bearing with an average term of not more than one year.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

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27. Derivative Financial Instruments

		As at 31 December 2018		As at 31 December 2017
	Assets	Liabilities	Assets	Liabilities
	RMB'000	RMB'000	RMB'000	RMB'000
Interest rate swaps	847	–	–	–
Forward foreign currency contracts	–	–	–	(972)
Cross currency interest rate swap	–	(11,974)	–	–
	847	(11,974)	–	(972)

Cash flow hedge under HKFRS 9 – Interest rate risk and foreign currency risk

At 31 December 2018, the Groups had interest rate swap agreements in place with a notional amount of HK$1,450,000,000 whereby they pay interest at fixed rates ranged from 3.19% to 3.32% and receive interest at a variable rate equal to the Hong Kong Interbank Offered Rate ("HIBOR") plus 1.4% on the notional amount. The swaps are being used to hedge the interest rate exposure to the HIBOR plus 1.4% variable rate unsecured loans with total face value of HK$1,450,000,000.

At 31 December 2018, the Groups had a cross currency interest rate swap agreement in place with a notional amount of US$250,000,000 and HK$1,960,350,000 whereby they pay interest at a fixed rate of 3.45% and pay HK$1,960,350,000 on the termination date, and receive interest at a variable rate equal to the London Interbank Offered Rate ("LIBOR") plus 1.1% and receive US$250,000,000 on the termination date. The swap is being used to hedge the interest rate and foreign currency risk exposure to the LIBOR plus 1.1% variable rate unsecured loan with a face value of US$250,000,000.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the variable rate loan (i.e., notional amount, maturity, payment and reset dates). The Groups have established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swaps and cross currency interest rate swaps is identical to that of the hedged risk component. To test the hedge effectiveness, the Groups use the hypothetical derivative method and compare the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

The hedge ineffectiveness can arise from:

- differences in the timing of cash flows of the hedged item and the hedging instrument;
- different interest rate curves applied to discount the hedged items and hedging instruments;
- the counterparties' credit risks differently impacting the fair value movements of the hedging instrument and the hedged item; and
- changes to the forecasted amounts of cash flows of hedged items and hedging instruments.

27. Derivative Financial Instruments (Continued)

The impact of the hedging instruments on the statement of financial position is as follows:

	Notional amount	Carrying amount RMB'000	Line item in the statement of financial position	Change in fair value used for measuring hedging ineffectiveness for the year RMB'000
As at 31 December 2018				
Interest rate swaps	HK$1,450,000,000	847	Derivative financial instruments (assets)	847
Cross currency interest rate swap	US$250,000,000/ HK$1,960,350,000	(11,974)	Derivative financial instruments (liabilities)	(11,974)

The effects of the cash flow hedge on the statement of profit or loss and the statement of comprehensive income are as follows:

	Total hedging gain/(loss) recognised in other comprehensive income RMB'000	Hedge ineffectiveness recognised in profit or loss RMB'000
Year ended 31 December 2018		
Interest rate swaps	817	–
Cross currency interest rate swap	(12,212)	–
	(11,395)	–

Hedge of net investments in foreign operations

The Groups had entered into various forward currency contracts to manage the Groups' foreign currency risk arising from the net investments in foreign operations. These forward currency contracts are designated as hedging instruments and measured at fair value through profit or loss. Net fair value gains on the hedging instrument of RMB2,412,000 relating to the effective portion of the hedge were recognised in other comprehensive income.

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28. Interest-Bearing Bank and Other Borrowings

	2018			2017		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans, unsecured	1.66-5.66	2019	2,847,071	1.32-4.35	2018	2,619,068
Current portion of long-term bank loans, unsecured	HIBOR+1.2, HIBOR+1.4	2019	2,142,515	LIBOR+1.1	2018	1,631,400
Notes, unsecured	4.27	2019	700,000	4.65	2018	1,000,000
			5,689,586			5,250,468
Non-current						
Bank loans, unsecured	LIBOR+1.1	2020	1,711,209	HIBOR+1.2, HIBOR+1.4	2019	2,038,164
			1,711,209			2,038,164
			7,400,795			7,288,632

	2018 RMB'000	2017 RMB'000
Analysed into bank loans repayable:		
Within one year	4,989,586	4,250,468
In the second year	1,711,209	2,038,164
	6,700,795	6,288,632
Analysed into other borrowings repayable:		
Within one year	700,000	1,000,000
	700,000	1,000,000
	7,400,795	7,288,632

Notes:

(a) The Groups' loan facilities amounted to RMB12,310,529,000 (2017: RMB11,446,862,000), of which RMB7,400,795,000 (2017: RMB7,288,632,000) had been utilised as at the end of the reporting period.

(b) Except for the bank and other borrowings amounting to approximately RMB1,807,018,000 (2017: RMB1,631,400,000) and RMB3,343,777,000 (2017: RMB3,087,232,000) which are denominated in United States dollars ("US$") and HK$, respectively, all bank and other borrowings are denominated in RMB.

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29. Deferred Tax

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Revaluation of properties	Depreciation allowance in excess of related depreciation	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax liabilities at 1 January 2017	1,455,506	262,790	6,072	1,724,368
Deferred tax charged to the statement of profit or loss during the year (note 11)	9,697	16,375	2,040	28,112
Gross deferred tax liabilities at 31 December 2017 and 1 January 2018	**1,465,203**	**279,165**	**8,112**	**1,752,480**
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 11)	**15,922**	**22,655**	**(74)**	**38,503**
Gross deferred tax liabilities at 31 December 2018	**1,481,125**	**301,820**	**8,038**	**1,790,983**

Deferred tax assets

	Losses available for offsetting against future taxable profits	Accruals	Total
	RMB'000	RMB'000	RMB'000
Gross deferred tax assets at 1 January 2017	–	387	387
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 11)	6,236	(108)	6,128
Gross deferred tax assets at 31 December 2017 and 1 January 2018	**6,236**	**279**	**6,515**
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 11)	**5,880**	**(112)**	**5,768**
Gross deferred tax assets at 31 December 2018	**12,116**	**167**	**12,283**

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29. Deferred Tax (Continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Groups for financial reporting purposes:

	2018 RMB'000	2017 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**12,271**	6,503
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(1,790,971)**	(1,752,468)
	(1,778,700)	(1,745,965)

As at 31 December 2018, the Groups had tax losses arising in Mainland China of RMB465,245,000 that would expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Groups, the applicable rate is 5% or 10%. The Groups are therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Groups' subsidiaries established in Mainland China. In the opinion of the Directors, the unremitted earnings of the Groups' PRC subsidiaries are expected to be used to fund their operations and capital expenditures and therefore it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised amounted approximately RMB6,064,107,000 at 31 December 2018.

There are no income tax consequences attaching to the payment of distributions/dividends by the Trust and the Company to the holders of Share Stapled Units/shareholders.

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30. Share Capital

Shares

	2018 RMB	2017 RMB
Issued and fully paid:		
2,000,000,000 ordinary shares of HK$0.0005 each	**793,500**	793,500
2,000,000,000 preference shares of HK$0.0005 each	**793,500**	793,500
	1,587,000	1,587,000

31. Reserves

The amounts of the Groups' reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the Trust and the Company's consolidated financial statements.

(i) Merger reserve

The merger reserve of the Groups represents the capital contributions from the equity holders of the subsidiaries now comprising the Groups before the completion of the group reorganisation underwent to rationalise the corporate structure of the Trust Group in preparation for the listing of the Share Stapled Units jointly issued by the Trust and the Company.

(ii) Capital reserve

The capital reserve represents the difference between the cost of acquisition and the non-controlling interests acquired in the case of an acquisition of an additional equity interest in a non-wholly-owned subsidiary and the waiver of a payable by a shareholder.

(iii) PRC statutory surplus reserve

Transfers from retained profits to the statutory surplus reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Groups' subsidiaries established in Mainland China and were approved by the boards of directors of the respective subsidiaries.

The statutory surplus reserve can be used to cover previous years' losses, if any, and may be converted into capital in proportion to equity holders' existing equity holding, provided that the balance after such conversion is not less than 25% of the registered capital.

(iv) Asset revaluation reserve

The asset revaluation reserve arose from changes in use from owner-occupied properties to investment properties carried at fair value.

(v) Hedging reserve

The hedging reserve represents reserves related to net investment hedges and cash flow hedges.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

32. Note to the Consolidated Statement of Cash Flows

Changes in liabilities arising from financing activities

	2018	
	Bank and other loans	Amount due to the immediate holding company
	RMB'000	RMB'000
At 1 January 2018	**7,288,632**	**218,004**
Changes from financing cash flows	**(129,520)**	**–**
Foreign exchange movement	**241,683**	**22,851**
2017 annual and 2018 interim dividends payable	**–**	**407,367**
At 31 December 2018	**7,400,795**	**648,222**

	2017	
	Bank and other loans	Amount due to the immediate holding company
	RMB'000	RMB'000
At 1 January 2017	6,922,149	471,775
Changes from financing cash flows	647,985	(644,136)
Foreign exchange movement	(281,502)	(21,561)
2016 annual and 2017 interim dividends payable	–	411,926
At 31 December 2017	7,288,632	218,004

33. Contingent Liabilities

As at 31 December 2018, the Groups did not have any significant contingent liabilities (2017: Nil).

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

34. Operating Lease Arrangements

(a) As lessor

The Groups lease their investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from one to ten years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2018, the Groups had total future minimum lease receivables under non-cancellable operating leases with their tenants falling due as follows:

	2018	2017
	RMB'000	RMB'000
Within one year	**418,146**	443,480
In the second to fifth years, inclusive	**566,637**	633,102
After five years	**80,230**	79,049
	1,065,013	1,155,631

(b) As lessee

The Groups lease certain of their office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At 31 December 2018, the Groups had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018	2017
	RMB'000	RMB'000
Within one year	**4,852**	5,845
In the second to fifth years, inclusive	**1,134**	3,370
	5,986	9,215

35. Commitments

In addition to the operating lease commitments detailed in note 34(b) above, the Groups had the following capital commitments as at the end of the reporting period:

	2018	2017
	RMB'000	RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**9,789**	5,168
Capital contributions payable to an associate	**90,000**	–
	99,789	5,168

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

36. Related Party Transactions

(a) In addition to the transactions detailed elsewhere in these Trust and the Company's consolidated financial statements, the Groups had the following material transactions with related parties during the year:

	Notes	2018 RMB'000	2017 RMB'000
Transactions with fellow subsidiaries:			
Decoration services received	(i)	**1,387**	12,276
Provision of property management services	(i)	**14,474**	13,599
Rental income	(i)	**22,066**	15,638
Rental expense	(i)	**626**	631
Consultancy service income	(i)	**1,865**	–
Commercial property management services received	(ii)	**1,540**	1,274
Transactions with the immediate holding company:			
Provision of hotel property management services	(iii)	**8,131**	7,750
Transactions with the associate of the Groups' ultimate holding company:			
Provision of property management services	(i)	**4,318**	2,033
Rental income	(i)	**28,582**	50,541

Notes:

(i) These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(ii) Effective from 1 January 2017, commercial property management expenses were payable at a fixed percentage of 3% of the annual rental income from the commercial portions of the Groups' properties pursuant to the commercial property management agreement dated 7 December 2016 entered into between Jinmao Investment Management (Shanghai) Co., Ltd. ("China Jinmao (Shanghai) "), a wholly-owned subsidiary of China Jinmao, and China Jin Mao (Group) Co., Ltd. ("China Jin Mao (Group) "), an indirect wholly-owned subsidiary of the Company, and the commercial property management agreement dated 7 December 2016 entered into between China Jinmao (Shanghai) and Jinmao (Li Jiang) Hotel Investment Limited Company, an indirect wholly-owned subsidiary of the Company.

Due to the internal business restructuring of China Jinmao, effective from 1 July 2017, China Jinmao (Shanghai) had transferred all its rights and obligations under the commercial property management agreements dated 7 December 2016 to Jinmao Commercial Properties (Shanghai) Company Limited (金茂商業房地產(上海)有限公司), which is also a wholly-owned subsidiary of China Jinmao. All other terms are substantially the same as those in the commercial property management agreements dated 7 December 2016.

(iii) On 7 December 2016, the Company entered into the renewed hotel property management agreement with China Jinmao for a period of three years with effect from 1 January 2017. Pursuant to the hotel property management agreement, the Groups would be entitled to receive the following annual fees for providing certain hotel property management services to the relevant hotels of China Jinmao and its subsidiaries (the "Relevant Hotels"): (i) a basic management fee of 0.5% of the total development costs of the Relevant Hotels; and (ii) an incentive fee of 4% of the earnings before interest, taxes, depreciation and amortisation of the Relevant Hotels upon the formal opening of the Relevant Hotels.

36. Related Party Transactions (Continued)

(b) Outstanding balances with related parties

Details of the Groups' balances with related parties are disclosed in note 23 to the Trust and the Company's consolidated financial statements.

(c) Compensation of key management personnel of the Groups

	2018 **RMB'000**	2017 RMB'000
Short term employee benefits	**9,600**	9,318
Post-employment benefits	**717**	712
Total compensation paid to key management personnel	**10,317**	10,030

Further details of directors' and the chief executive's emoluments are included in note 9 to the Trust and the Company's consolidated financial statements.

(d) Transactions and balances with other state-owned entities

The Groups are indirectly controlled by the PRC government and operate in an economic environment predominated by entities directly or indirectly owned or controlled by the government through its agencies, affiliates or other organisations (collectively "State-owned Entities" ("SOEs")). During the year, the Groups had some transactions with other SOEs including, but not limited to, borrowings, deposits and the provision of property lease and management services. The Directors consider that these transactions with other SOEs were activities conducted in the ordinary course of business and that the dealings of the Groups have not been significantly or unduly affected by the fact that the Groups and the other SOEs are ultimately controlled or owned by the PRC government. The Groups have also established pricing policies for the Groups' products and services and such pricing policies do not depend on whether or not the customers are SOEs.

A certain portion of these related party transactions in respect of items (i), (ii) and (iii) of (a) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

37. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2018

Financial assets

	Derivatives designated as hedging instruments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade and bills receivables	–	92,647	92,647
Financial assets included in prepayments, other receivables and other assets	–	18,459	18,459
Due from related parties	–	10,543	10,543
Derivative financial instruments	847	–	847
Restricted bank balances	–	52,752	52,752
Cash and cash equivalents	–	760,240	760,240
	847	934,641	935,488

Financial liabilities

	Derivatives designated as hedging instruments RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	–	82,125	82,125
Financial liabilities included in other payables and accruals	–	694,205	694,205
Derivative financial instruments	11,974	–	11,974
Due to related parties	–	2,013,203	2,013,203
Interest-bearing bank and other borrowings	–	7,400,795	7,400,795
	11,974	10,190,328	10,202,302

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

37. Financial Instruments by Category (Continued)

2017

Financial assets

	Loans and receivables RMB'000
Trade and bills receivables	93,818
Financial assets included in prepayments, other receivables and other assets	29,814
Due from related parties	4,854
Restricted bank balances	26,908
Cash and cash equivalents	920,312
	1,075,706

Financial liabilities

	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	–	86,663	86,663
Financial liabilities included in other payables and accruals	–	784,444	784,444
Derivative financial instruments	972	–	972
Due to related parties	–	1,705,642	1,705,642
Interest-bearing bank and other borrowings	–	7,288,632	7,288,632
	972	9,865,381	9,866,353

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

38. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Groups' financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Derivative financial instruments	**847**	–	**847**	–
Financial liabilities				
Derivative financial instruments	**11,974**	972	**11,974**	972
Interest-bearing bank and other borrowings	**7,400,795**	7,288,632	**7,401,278**	7,285,223
	7,412,769	7,289,604	**7,413,252**	7,286,195

Management has assessed that the fair values of cash and cash equivalents, restricted bank balances, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals, and amounts due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Groups' finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of interest-bearing bank and other borrowings except for notes have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of notes is based on quoted market prices. The Groups' own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2018 was assessed to be insignificant.

The Groups enter into derivative financial instruments with counterparties, principally financial institutions with good credit ratings. Derivative financial instruments, including forward foreign currency contracts and interest rate swaps, are measured using valuation techniques. The models incorporate market observable inputs including the foreign exchange spot and forward rates and interest rate curves. The carrying amounts of derivative financial instruments are the same as their fair values.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

38. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Groups' financial instruments:

Assets measured at fair value:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Derivative financial instruments	–	847	–	847

The Groups did not have any financial assets measured at fair value at 31 December 2017.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

38. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Derivative financial instruments	–	**11,974**	–	**11,974**

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Derivative financial instruments	–	972	–	972

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2017: Nil).

Assets for which fair value is disclosed:

The Groups did not have any financial assets that were not measured at fair value in the consolidated statement of financial position but for which the fair value is disclosed as at 31 December 2018 (2017: Nil).

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

38. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

Fair value hierarchy (Continued)

Liabilities for which fair value are disclosed:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	**700,483**	**6,700,795**	**–**	**7,401,278**

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	996,591	6,288,632	–	7,285,223

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

39. Financial Risk Management Objectives and Policies

The Groups' principal financial instruments comprise bank loans and other borrowings and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Groups' operations. The Groups have various other financial assets and liabilities such as trade and bills receivables and payables, which arise directly from the Groups' operations.

The Groups also enter into derivative transactions, including principally interest rate swaps, cross currency interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Groups' sources of finance and net investment in foreign operations.

It is, and has been throughout the year under review, the Groups' policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Groups' financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

39. Financial Risk Management Objectives and Policies (Continued)

Interest rate risk

The Groups' exposure to the risk of changes in market interest rates relates primarily to the Groups' long term debt obligations with floating interest rates.

The Groups' policy is to manage the Groups' interest cost using a mix of fixed and variable rate debts. The Groups enter into interest rate swaps, in which the Groups agree to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Groups' profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
31 December 2018		
US$	**25**	**–**
HK$	**25**	**(5,260)**
US$	**(25)**	**–**
HK$	**(25)**	**5,260**
31 December 2017		
US$	25	(4,135)
HK$	25	(5,166)
US$	(25)	4,135
HK$	(25)	5,166

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the year and had applied the exposure to interest rate risk to those bank and other borrowings in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in interest rates over the year until the end of the next reporting period.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

39. Financial Risk Management Objectives and Policies (Continued)

Foreign currency risk

All of the Groups' turnover and substantially all of the Groups' operating expenses are denominated in RMB, which is currently not a freely convertible currency. The PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of Mainland China. Shortages in the availability of foreign currencies may restrict the ability of the Groups' PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other amounts to the Groups.

Under existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without the prior approval from the State Administration of Foreign Exchange by complying with certain procedural requirements. However, the approval from the appropriate PRC governmental authorities is required where RMB is to be converted into foreign currencies and remitted out of Mainland China to pay capital account items, such as the repayment of bank loans denominated in foreign currencies.

Currently, the Groups' PRC subsidiaries may purchase foreign currencies for settlement of current account transactions, including the payment of dividends, without the prior approval of the State Administration of Foreign Exchange. The Groups' PRC subsidiaries may also retain foreign currencies in their current accounts to satisfy foreign currency liabilities or to pay dividends. Since foreign currency transactions on the capital account are still subject to limitations and require the approval from the State Administration of Foreign Exchange, this could affect the ability of the Groups' subsidiaries to obtain the required foreign currencies through debt or equity financing, including by means of loans or capital contributions.

The Groups' financial assets and liabilities are not subject to foreign currency risk, except for certain cash and cash equivalents and interest-bearing bank borrowings denominated in US$ and HK$. The fluctuations in the exchange rates of RMB against foreign currencies could affect the Groups' results of operations. The Groups have used derivative financial instruments to reduce the exposure to US$ and HK$ arising from the borrowings.

The Groups entered into derivative financial instruments in respect of the net foreign investments and cash flow hedges to minimise the foreign currency exposures arising from the Groups' net investments in foreign operations and US$ dominated interest-bearing bank borrowings as detailed in note 27 to the Trust and the Company's consolidated financial statements. It is the Groups' policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness. The Groups will constantly review the economic situation and its foreign currency risk profile, and will consider other appropriate hedging measures in future as may be necessary.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

39. Financial Risk Management Objectives and Policies (Continued)

Foreign currency risk (Continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate between RMB and US$ and the exchange rate between HK$ and US$ on the Groups' profit before tax for the years ended 31 December 2018 and 2017.

	Increase/ (decrease) in US$ exchange rate	Increase/ (decrease) in profit before tax
	%	RMB'000
31 December 2018		
If the HK$ weakens against the US$	**1**	**988**
If the HK$ strengthens against the US$	**(1)**	**(988)**
If the RMB weakens against the US$	**5**	**441**
If the RMB strengthens against the US$	**(5)**	**(441)**
31 December 2017		
If the HK$ weakens against the US$	1	(16,922)
If the HK$ strengthens against the US$	(1)	16,922
If the RMB weakens against the US$	5	388
If the RMB strengthens against the US$	(5)	(388)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Groups are exposed to credit risk from the Groups' leasing activities, the provision of hotel and property management services and the Groups' financing activities, including deposits with banks and financial institutions. Credit risk is managed by requiring tenants to pay rentals in advance. Outstanding tenants' receivables are regularly monitored. The maximum exposure to credit risk as at the end of the reporting period is the carrying value of each class of financial assets.

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

39. Financial Risk Management Objectives and Policies (Continued)

Liquidity risk

The Groups' objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing loans. In the opinion of the Directors, the Groups are expected to have adequate source of funding to finance and manage the Groups' liquidity position.

The maturity profile of the Groups' financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Within one year or on demand	More than one year but less than two years	Total
	RMB'000	RMB'000	RMB'000
31 December 2018			
Interest-bearing bank and other borrowings	**5,854,282**	**1,737,706**	**7,591,988**
Trade payables	**82,125**	**–**	**82,125**
Other payables	**694,205**	**–**	**694,205**
Derivative financial instruments	**–**	**11,974**	**11,974**
Due to related parties	**2,013,203**	**–**	**2,013,203**
	8,643,815	**1,749,680**	**10,393,495**

	Within one year or on demand	More than one year but less than two years	Total
	RMB'000	RMB'000	RMB'000
31 December 2017			
Interest-bearing bank and other borrowings	5,350,561	2,066,406	7,416,967
Trade payables	86,663	–	86,663
Other payables	784,444	–	784,444
Derivative financial instruments	972	–	972
Due to related parties	1,705,642	–	1,705,642
	7,928,282	2,066,406	9,994,688

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

39. Financial Risk Management Objectives and Policies (Continued)

Capital management

The primary objectives of the Groups' capital management are to safeguard the Groups' ability to continue as a going concern, so that the Groups can continue to provide returns for shareholders/holders of Share Stapled Units and benefits for other stakeholders, and to provide an adequate return to shareholders/holders of Share Stapled Units by pricing products and services commensurately with the level of risk.

The Groups manage the capital structure and make adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Groups may adjust the dividend/distribution payment to shareholders/holders of Share Stapled Units, issue new Share Stapled Units or sell assets to reduce debt. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

The Groups monitor capital on the basis of the debt-to-adjusted-capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total interest-bearing bank and other borrowings (as shown in the consolidated statement of financial position) less cash and cash equivalents and restricted bank balances. Adjusted capital comprises all components of equity and amounts due to related parties. The Groups aim to maintain the debt-to-adjusted-capital ratio at a reasonable level. The debt-to-adjusted-capital ratios as at the end of the reporting periods were as follows:

	Notes	**2018** **RMB'000**	2017 RMB'000
Interest-bearing bank and other borrowings	28	**7,400,795**	7,288,632
Less: Cash and cash equivalents	24	**(760,240)**	(920,312)
Restricted bank balances	24	**(52,752)**	(26,908)
Net debt		**6,587,803**	6,341,412
Total equity		**5,829,832**	6,478,382
Add: Amounts due to related parties	23	**2,013,203**	1,705,642
Adjusted capital		**7,843,035**	8,184,024
Debt-to-adjusted-capital ratio		**84.0%**	77.5%

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

40. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**9,025,000**	9,025,000
CURRENT ASSETS		
Prepayments, other receivables and other assets	**1,227**	–
Due from a subsidiary	**520,018**	496,110
Derivative financial instruments	**847**	–
Restricted bank balances	**27,377**	23,302
Cash and cash equivalents	**6,887**	1,676
Total current assets	**556,356**	521,088
CURRENT LIABILITIES		
Other payables	**13,104**	15,453
Due to subsidiaries	**324,210**	136,456
Due to a related party	**843,302**	411,992
Interest-bearing bank borrowings	**3,439,586**	2,680,469
Total current liabilities	**4,620,202**	3,244,370
NET CURRENT LIABILITIES	**(4,063,846)**	(2,723,282)
TOTAL ASSETS LESS CURRENT LIABILITIES	**4,961,154**	6,301,718
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**1,711,209**	2,038,164
Derivative financial instruments	**11,974**	–
Total non-current liabilities	**1,723,183**	2,038,164
Net assets	**3,237,971**	4,263,554
EQUITY		
Share capital	**1,587**	1,587
Reserves (note)	**3,236,384**	4,261,967
Total equity	**3,237,971**	4,263,554

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

40. Statement of Financial Position of the Company (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Accumulated losses RMB'000	Exchange fluctuation reserve RMB'000	Hedging reserve RMB'000	Total RMB'000
At 1 January 2017	5,499,605	(363,258)	(432,258)	–	4,704,089
Loss for the year	–	(131,782)	–	–	(131,782)
Translation of functional currency to presentation currency	–	–	308,817	–	308,817
Final 2016 distributions declared	(282,108)	–	–	–	(282,108)
2017 interim distributions	(337,049)	–	–	–	(337,049)
At 31 December 2017 and 1 January 2018	4,880,448	(495,040)	(123,441)	–	4,261,967
Loss for the year	–	(149,054)	–	–	(149,054)
Net loss on cash flow hedges	–	–	–	(11,395)	(11,395)
Net income on net investment hedges	–	–	–	953	953
Translation of functional currency to presentation currency	–	–	(253,782)	–	(253,782)
Final 2017 distributions declared	(252,639)	–	–	–	(252,639)
2018 interim distributions	(359,666)	–	–	–	(359,666)
At 31 December 2018	4,268,143	(644,094)	(377,223)	(10,442)	3,236,384

41. Approval of the Trust and the Company's Consolidated Financial Statements

The Trust and the Company's consolidated financial statements were approved and authorised for issue by the Directors on 18 March 2019.

INDEPENDENT AUDITOR'S REPORT

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Independent auditor's report
To the sole member of Jinmao (China) Investments Manager Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of Jinmao (China) Investments Manager Limited (the "Company") set out on pages 215 to 224, which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its 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 Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the directors and those charged with governance for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the Company'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 Company or to cease operations or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company'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 Company'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 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 Company to cease to continue as a going concern.

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

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the financial statements (Continued)

We communicate with those charged with governance 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.

Ernst & Young
Certified Public Accountants
Hong Kong
18 March 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018 HK$	2017 HK$
Administrative expenses	(67,455)	(46,305)
Less: Amount borne by a fellow subsidiary	67,455	46,305
PROFIT OR LOSS BEFORE TAX	–	–
Income tax expense	–	–
PROFIT OR LOSS FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	–

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	2018 HK$	2017 HK$
CURRENT ASSET		
Due from the immediate holding company	1	1
Net asset	1	1
EQUITY		
Share capital	1	1
Total equity	1	1

Li Congrui
Director

Tang Yong
Director

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Share capital HK$	Total equity HK$
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	1	1

STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	2018 HK$	2017 HK$
CASH FLOWS FROM OPERATING ACTIVITIES		
Trust distributable income received in a capacity as trustee-manager	**720,000,000**	715,600,000
Trust distributable income paid in a capacity as trustee-manager	**(720,000,000)**	(715,600,000)
Net cash flows used in operating activities	**–**	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR AND AT END OF YEAR	**–**	–
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**–**	–

NOTES TO FINANCIAL STATEMENTS

31 December 2018

1. Corporate Information

Jinmao (China) Investments Manager Limited (the "Company") is a limited liability company incorporated in Hong Kong on 20 March 2014. The registered office of the Company is located at Rooms 4702-03, 47th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong.

In the opinion of the directors of the Company (the "Directors"), China Jinmao Holdings Group Limited ("China Jinmao"), a company incorporated in Hong Kong and listed on the Main Board of The Stock Exchange of Hong Kong Limited, is the immediate holding company of the Company, and the ultimate holding company of the Company is Sinochem Group Co., Limited, a company established in the People's Republic of China (the "PRC") and is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission in the PRC.

The principal activity of the Company is administering Jinmao Hotel (the "Trust"), in its capacity as trustee-manager of the Trust.

2.1 Basis of Preparation

The Company's financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. The Company's financial statements have been prepared under the historical cost convention. The Company's financial statements are presented in Hong Kong dollars ("HK$") except when otherwise indicated.

2.2 Changes in Accounting Policies and Disclosures

The Company has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.2 Changes in Accounting Policies and Disclosures (Continued)

Except for the amendments to HKFRS 4 and *Annual Improvements 2014-2016 Cycle*, which are not relevant to the preparation of the Company's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to HKFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Company as the Company does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. It has had no impact on the financial position or performance of the Company.

(c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. It has had no impact on the financial position or performance of the Company.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.2 Changes in Accounting Policies and Disclosures (Continued)

(d) Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Company.

(e) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Company's financial statements as the Company's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards

The Company has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Company's financial statements.

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (Continued)

Further information about those HKFRSs that are expected to be applicable to the Company is as follows:

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Company expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Company's financial statements.

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Company expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Company's financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

3. Summary of Significant Accounting Policies

Related parties

A party is considered to be related to the Company if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Company are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

3. Summary of Significant Accounting Policies (Continued)

Financial instruments

Financial assets

The Company's financial asset includes an amount due from the immediate holding company and is classified and accounted for as financial assets at amortised cost (2017: loans and receivables). Financial assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Any changes in their value are recognised in profit or loss.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

An assessment of impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment loss on loans and receivables is recognised when there is objective evidence that the Company will not be able to collect all the amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

4. Share Capital

At the time of incorporation, 1 ordinary share of the Company was issued.

5. Income Tax

No provision for Hong Kong profits tax has been made as the Company did not generate any assessable profits arising in Hong Kong during the year.

6. Related Party Transactions

Transactions with a fellow subsidiary are disclosed in the statement of profit or loss and other comprehensive income.

In the opinion of the directors, the directors represented the key management personnel of the Company. During the year, no compensation was paid to the key management personnel.

7. Fair Value and Fair Value Hierarchy of Financial Instrument

As at 31 December 2018 and 2017, the carrying amount of the Company's financial instrument approximated to its fair value.

8. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the Directors on 18 March 2019.

FIVE-YEAR FINANCIAL INFORMATION

31 December 2018

I. Major Information of Statements of Profit or Loss

RMB'000

	2014 (Restated)	2015 (Restated)	2016	2017	**2018**
RESULTS					
Revenue	2,186,527	2,390,261	2,450,751	2,595,448	**2,564,936**
Sale Costs	(956,435)	(1,050,586)	(1,065,969)	(1,109,683)	**(1,090,099)**
Gross profit	1,230,092	1,339,675	1,384,782	1,485,765	**1,474,837**
Other income and gains	33,595	126,583	51,356	22,622	**35,097**
Fair value gains on investment properties	1,061,040	314,120	319,281	38,786	**63,689**
Selling and marketing expenses	(211,286)	(140,298)	(145,442)	(152,350)	**(140,830)**
Administrative expenses	(710,280)	(645,819)	(702,051)	(742,959)	**(687,648)**
Other expenses and losses, net	73	(2,407)	(542)	(4,379)	**(8,938)**
Finance costs	(296,472)	(337,672)	(319,860)	(280,651)	**(314,600)**
Share of profits of joint ventures	2,518	3,265	3,682	2,678	**2,426**
PROFIT BEFORE TAX	1,109,280	657,447	591,206	369,512	**424,033**
Income tax expense	(390,948)	(221,349)	(216,580)	(149,569)	**(173,615)**
PROFIT FOR THE YEAR	718,332	436,098	374,626	219,943	**250,418**
Attributable to:					
Owners of the parent	718,332	436,098	374,626	219,943	**250,418**
Non-controlling interests	–	–	–	–	**–**
	718,332	436,098	374,626	219,943	**250,418**

II. Major Information of Financial Position

RMB'000

	2014 (Restated)	2015 (Restated)	2016	2017	**2018**
Total non-current assets	16,785,625	17,229,327	17,381,497	17,179,095	**17,018,215**
Total current assets	1,075,186	993,992	1,025,722	1,149,240	**1,013,185**
Total assets	17,860,811	18,223,319	18,407,219	18,328,335	**18,031,400**
Total current liabilities	4,316,225	4,606,201	6,510,662	8,059,321	**8,687,414**
Total non-current liabilities	6,360,801	6,639,533	5,361,097	3,790,632	**3,514,154**
Total liabilities	10,677,026	11,245,734	11,871,759	11,849,953	**12,201,568**
Equity attributable to:					
Owners of the parent	7,183,785	6,977,585	6,535,460	6,478,382	**5,829,832**

ENVIRONMENTAL,
Social and Governance Report

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

About This Report

This report is the environmental, social and governance report publicly released by Jinmao (China) Hotel Investments and Management Limited, mainly introducing the Company's values on responsibility, management, practices, and performance in the environmental, social and governance aspects.

Range of Period

This report covers a period from 1 January 2018 to 31 December 2018.

Frequency of publication

This report is an annual report.

Scope of Reporting

This report covers Jinmao (China) Hotel Investments and Management Limited and all its subsidiaries. For the entities included in the issuer group and the summary of their relevant businesses, please refer to the "Management Discussion and Analysis" section of the Annual Report 2018 of Jinmao (China) Hotel Investments and Management Limited. As compared to the previous year, the discussion for Shanghai Jin Mao Jin Jiang Automobile Service Company Limited is removed, as it is an associate of the Company and not consolidated as a subsidiary of the Company. Content involving only certain or some subsidiaries will be specified accordingly.

Basis of Preparation

This report was prepared in accordance with the ESG Reporting Guide of Appendix 27 of the Listing Rules, *How To Prepare An ESG Report? A Step-By-Step Guide To ESG Reporting* published by HKEX in 2018, Sustainability Reporting Guidelines (GRI standards) of the Global Reporting Initiative (GRI), and the National Standards of the PRC GB/T 36000-2015: Guidance on social responsibility.

Sources of Information

The information and data disclosed in this report all come from the relevant internal statistical reports, company files and reports, subcontractor investigations and statistics of Jinmao (China) Hotel Investments and Management Limited.

Description of references

For the purpose of presentation, "Jinmao (China) Hotel Investments and Management Limited" in this report is referred to as "Jinmao Hotel", "the Company", "we" or "us".

Compliance with the ESG Reporting Guide

For the year ended 31 December 2018, Jinmao Hotel (through the Trustee-Manager) and the Company had been in compliance with the applicable code provisions as set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules and adopted applicable recommended disclosures set out in the ESG Reporting Guide. For more information, please see the ESG Index at the end of this report.

1. Corporate governance

Jinmao Hotel adheres to the ideal of "Innovation, Integration and Cooperation" and always operates in compliance with laws and regulations. We strictly abide by business ethics and focus on responsibility management, and ensure high-quality growth and sustainable development.

1.1 Compliance with laws and regulations

ESG Indicators: B7 General Disclosure; B7.1; B7.2; B6.3; B6.5

Compliance with laws and regulations is always the bottom line of enterprise management, and also the basis and guarantee of healthy operation of an enterprise. Jinmao Hotel integrates enterprise ethics, social norms and self-discipline into every link of the Company's operation. Through improving the management and the supervision system, emphasizing on-the-job training, and protecting customers' privacy and intellectual property rights, the Company ensures the compliance with laws and regulations in its own operation.

- *Ensuring fair operation*

  ESG Indicators: B7 General Disclosure

  Jinmao Hotel strictly abides by business ethics standards to ensure the effective operation of the Company's business management activities under the principles of fairness, justice, openness and integrity. The Company incorporated the *Management Standards of Complaints and Proposals, Case Inspection and Trial Procedures, Discipline of Purchase Through Public Bidding*, and *Anti-corruption Agreement* into its management system, making every effort to build a corruption-free enterprise and create a fair and competitive business environment.

- *Prevention of corruption*

  ESG Indicators: B7 General Disclosure; B7.1; B7.2

  Jinmao Hotel has continuously deepened its work on discipline inspection and supervision, and prevented corruption and bribery by the comprehensive self-inspection on the system and personnel. In terms of institutional construction, the Company continuously improves the "no way to corrupt" working mechanism, sorts out the corruption risks in key areas, key links and sensitive positions, formulates preventive measures to prevent the occurrence of various moral hazards from the source, explores and gradually constructs the "strong supervision" mechanism of the Company, and standardizes and supervises the operation of power. In terms of personnel awareness, the Company continuously raises the ideological awareness of performing duties honestly in key positions, and carries out seven training events on this theme throughout the year. In terms of performance appraisal, the company adopts a one-vote veto appraisal mechanism for honest risk to ensure the effective operation of anti-corruption and bribery working mechanisms. In 2018, the number of people involved in corruption and bribery was zero and there were no major violations related to bribery, extortion, fraud or money laundering in Jinmao Hotel.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- *Protection of intellectual property rights*

  ESG Indicators: B6.3

  Jinmao Hotel pays attention to the protection of intellectual property rights as well as the use and maintenance of brand image. In 2018, the Company renewed 29 trademarks of Jin Mao Tower's graphic logo, and applied for 9 new word and graphic logos of Jinmao Hotel's self-owned brand. Over 100 trademarks were accumulatively owned and authorized to be used. Advertising, pictures, text and other intellectual property rights cases involving the hotel operation and tourism business should be reviewed and approved internally to reduce the risk of infringement. There were no trademark or other intellectual property disputes in 2018.

- *Emphasis on customer privacy*

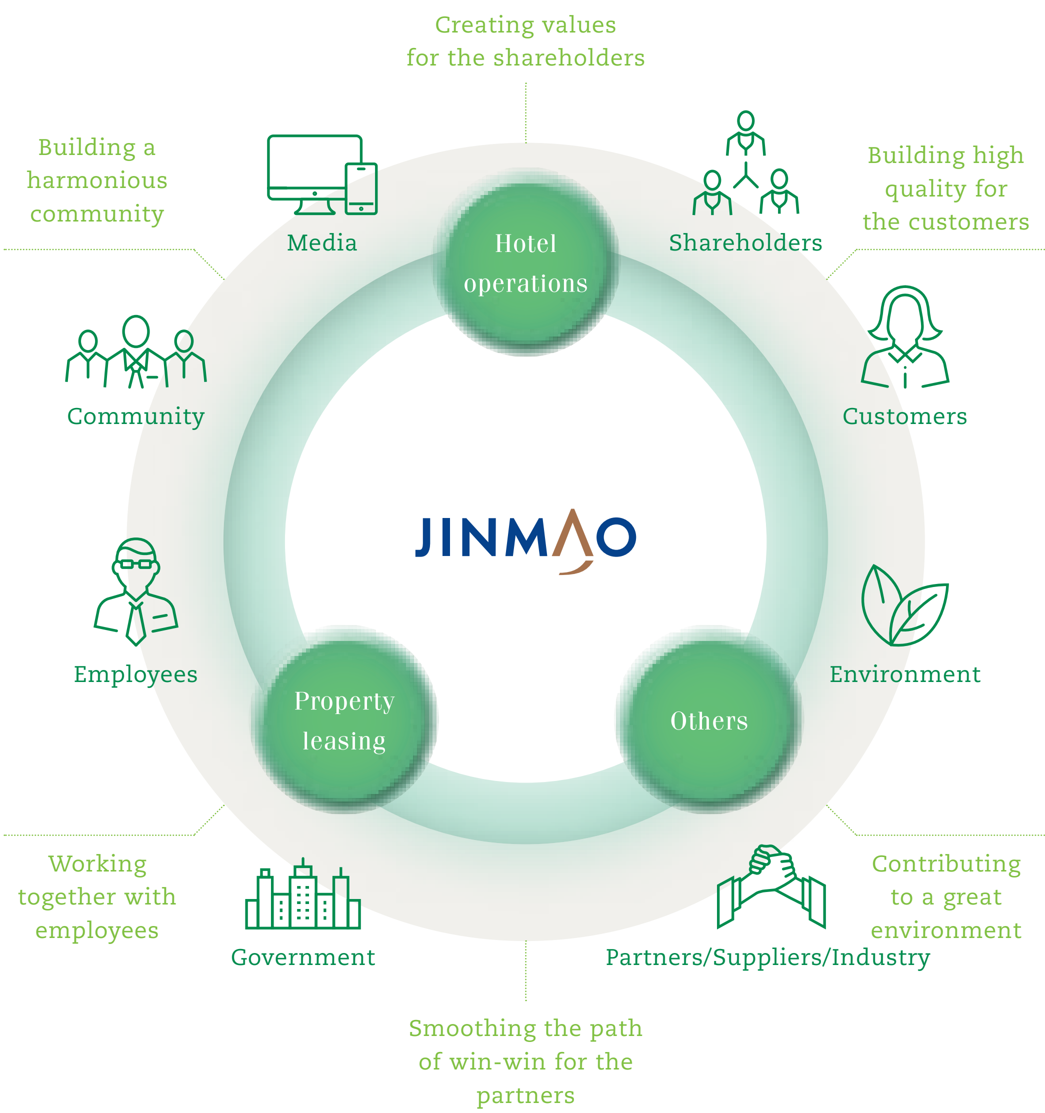
  ESG Indicators: B6.5

  Jinmao Hotel attaches importance to the security of customers' private information and data, and integrates it into its daily business activities. The Company sets different levels of confidentiality standards for employees, customers and intermediaries, and urges strict compliance and implementation. Specific archivists are responsible for the custody of private information concerning customers, and strict access and permission rules have been set up.

1.2 Responsibility governance

The Company upholds the social responsibility concepts of "creating values for the shareholders, building high quality for the customers, contributing a green civilization for the environment, working together with employees, smoothing the path of win-win for the partners and building a harmonious community". We strive to integrate social responsibility management into the daily operation of the Company and strengthen the communication and interaction between the Company and stakeholders, and work together to create a future of value co-win.

Corporate Social Responsibility Model



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. Green mutuality

Jinmao Hotel is creating a green hotel project, promoting energy conservation and emission reduction, and achieving low-carbon operation. Meanwhile, the Company organizes environmental protection public welfare activities to enhance the awareness of environmental protection of employees and customers, and share green harmony.

2.1 Environmental management

ESG Indicators: A1 General Disclosure; A2 General Disclosure; A3 General Disclosure

Jinmao Hotel adheres to the environmental management concept of people-oriented, prevention-oriented and comprehensive management, actively promoting the green operation, constructing a long-term mechanism for environmental protection, and continuously improving the Company's environmental performance.

- *Improving environmental management system*

  Focusing on HSE system construction, Jinmao Hotel unswervingly promotes the "standardization and systematization" line in environmental management. In 2018, the Company carried out a comprehensive review of the environmental management system and revised the *Jinmao Hotel Environmental Protection Management Guidelines*, in order to generalize and institutionalize management of environmental protection work within the scope of business. At the same time, the Company has set up specific HSE personnel in all the new construction project teams, whose responsibility is to carry out environmental impact assessments for new construction, reconstruction and expansion projects. In this way, the requirements of environmental management would be fully implemented and the integrity and effectiveness of environmental management in the HSE system would be continuously improved.

  In 2018, there were no violations related to environmental protection that had a significant impact in Jinmao Hotel.

2.2 Reducing emission

ESG Indicators: A1 General Disclosure; A1.1; A1.2; A1.3; A1.4; A1.5; A1.6

Jinmao Hotel adopts energy-saving and environmental protection technology to prevent new sources of pollution, enhancing the utilisation of resources, striving to minimize the impact of hotel operation on the environment and achieve the green operation.

- *Strengthening emission management*

  ESG Indicators: A1 General Disclosure

  The *Guidelines for Environmental Protection Management of Jinmao Hotel* of the Company urges and requests affiliated companies to implement full-staff, all-round and whole-process pollution control, to strictly control the generation and emissions of pollutants, and to effectively manage the air emissions, water discharges, noise and solid waste from operation and construction of the Company. We give priority to energy-saving, water-saving and other technologies and equipment conducive to environmental protection to ensure that all emissions meet the regulatory requirements of local governments and relevant authorities.

- *Reducing emissions*

  ESG Indicators: A1.5

  In 2018, the Company implemented 14 energy-saving renovation projects, while the number of the previous year was 7. However, due to the development of the hotel business, the impact of local weather and the upgrading reconstruction of some hotels, the Company's emissions of air and greenhouse gases have increased compared with the previous year. Jinmao Hotel will continue to strengthen emissions management, and make efforts to promote energy conservation and emission reduction in order to achieve practical results.

- *Waste disposal*

  ESG Indicators: A1.6

  According to the requirements of the regulatory institutions and the Company, the hotels affiliated to the Company classify and dispose of non-hazardous waste and hazardous waste, and promote the recycling of resources through waste classification.

Non-hazardous waste

- **Waste sorting and recycling**

  Grand Hyatt Shanghai and Hyatt Regency Chongming are equipped with garbage collection zones for collecting, separating and preserving recyclable garbage, including paper, corrugated cardboard, glass, plastic and metal.

- **Waste recycling and reuse**

  The Ritz-Carlton Sanya, Yalong Bay implemented the renovation project of guest rooms in 2018 by renovating and reusing some decorative materials and furniture. The hotel supplied the old household appliance and furniture to staff dormitories to avoid waste of materials and save costs.

Hazardous waste

The hazardous waste concerning the Company mainly includes waste batteries, waste lighting fixtures, selenium drum, ink cartridges and so on. Hazardous waste is handed over to qualified subcontractors for general recovery and treatment. In the project of engineering construction, the Company strengthens the pre-audit material testing certificate and strives to eliminate the generation of hazardous waste from the source.

Waste Disposal Measures of Jinmao Hotel

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Table: The emission KPIs of Jinmao Hotel in 2018

		ESG Indicators	Unit	2018	2017
A1.1	The types of emissions and respective emissions data	Nitrogen oxides	tonnes	**0.3632**	0.3560
		Sulfur oxides	tonnes	**0.0605**	0.0590
		Particulate matter	tonnes	**0.1211**	0.1190
		Waste water discharge	tonnes	**1,662,053**	1,624,322
A1.2	Greenhouse gas emissions in total and intensity	Direct emissions	Tonnes CO_2	**19,562.5453**	19,164.9160
			tonnes CO_2/m^2	**0.0120**	0.0196
		Indirect emissions	tonnes CO_2	**111,143.5119**	100,706.5418
			tonnes CO_2/m^2	**0.1134**	0.1027
		Total CO_2 equivalent emissions	tonnes CO_2	**130,706.0572**	119,871.4578
			tonnes CO_2/m^2	**0.1333**	0.1223
A1.3	Total hazardous waste produced and intensity	Wasted batteries and other electronic waste	kg	**1,139.37**	1,473.49
		Waste lamp tubes and bulbs	kg	**1,378.71**	1,123.34
		Oil and lubricating oil	kg	**217.5**	609.2
		Paint	kg	**2,514.8**	2,096.7
		Wasted printer consumables		**1,233 (approximately 1,887 kg)**	1,187 (approximately 1,817 kg)
		Total discharge of hazardous waste	kg	**7,137.38**	7,119.73
		Emission density of hazardous waste	kg/m^2	**0.00728**	0.00726
A1.4	Total non-hazardous waste produced and intensity	Kitchen waste	kg	**2,379,661**	1,488,710
		Plastic	kg	**50,060**	48,273
		Metal	kg	**30,564**	35,038.7
		Paper	kg	**73,807**	75,451
		Glass	kg	**50,802**	43,639
		Wood products	kg	**811,746**	680,717

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		ESG Indicators	Unit	2018	2017
		Total discharge of non-hazardous waste	kg	**3,396,640**	2,371,828.7
		Density of discharge of non-hazardous waste	kg/m^2	**3.4650**	2.4195
A1.5	Results achieved by mitigate emissions	Difference of CO_2 emissions from the previous year	tonnes	**up by ↑ 10,834.60**	down by ↓ 2,241.73
		Difference of wastewater discharge from the previous year	tonnes	**up by ↑ 37,731**	down by ↓ 12,524

Notes:

1. The types of emissions and emission coefficients are mainly calculated based on the use of natural gas. The calculation coefficients come from the paper *Pollutant Generation Coefficient of Coal and Natural Gas Combustion*, co-authored by Li Xianrui, Han Youpeng and Zhao Zhennong;

2. In greenhouse gas emissions, the conversion coefficient between standard coal and carbon dioxide comes from the paper *Calculation of Carbon Dioxide Emissions from Standard Coal*, co-authored by Tu Hua and Liu Cuijie. Among them, direct emissions are mainly calculated based on the use of natural gas. The conversion coefficient of standard coal of natural gas is derived from the average value of many kinds of natural gas coefficients in *General Principles for Computing Comprehensive Energy Consumption GBT2589-2008*. Indirect emissions are calculated based on the consumption of heat and the purchase of electricity. The conversion coefficient of standard coal of thermal energy is derived from *General Principles for Computing Comprehensive Energy Consumption GBT2589-2008*. And the coefficient of power factor is derived from the mean emission factor of China's regional grid baseline determined by the Division of Climate Change Response of the National Development and Reform Commission in 2016;

3. The total amount of hazardous waste and hazardous waste are provided by the hotels affiliated to the Company. The data of 2017 do not include Grand Hyatt Shanghai, Lijiang Jinmao Hotel • The Unbound Collection by Hyatt and Jinmao Purelax Mountain Hotel, Lijiang; The data of 2018 does not include Jinmao Purelax Mountain Hotel, Lijiang.

4. The variation of carbon dioxide emissions is the difference between the total carbon dioxide emissions in 2018 and 2017;

5. The variation of wastewater discharge is the difference of wastewater discharge between 2018 and 2017.

2.3 Energy saving and efficiency enhancing

ESG Indicators: A1.5; A2 General Disclosure; A2.1; A2.2; A2.3; A2.4; A2.5

Jinmao Hotel actively carries out energy-saving renovation projects, striving to reduce energy consumption and improve energy efficiency.

◈ *Reinforce energy management*

ESG Indicators: A1.5; A2 General Disclosure; A2.3; A2.4

Jinmao Hotel reinforces energy management and realizes specialized lean operation according to the *Energy Design Guidelines* applicable to the pre-opening projects and *Energy Management Guidelines* of Jinmao Hotel Quality System Document. Based on the comparison (evaluation) of investment returns between new hotels and mature operating hotels, the Company uses advanced energy-saving technologies to rationally use resources in combination with local climate, meteorological conditions and energy management standards. In 2018, the Company launched a number of energy-saving technological renovations to help achieve low-carbon operations.

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Table: Energy saving renovations of the hotels affiliated to the Company

Category	ESG Indicators	Hotel	Renovations	Improvements of energy efficiency
The reduction in electric energy consumption and the increase in efficiency	A2.3	Hilton Sanya Yalong Bay Resort & Spa	Replacement of P38 lamps with LED lights in public areas	The original 80W lights were replaced by 25W lights to save energy consumption
			Part of the outdoor lamps were replaced with LED lights	The original high-pressure sodium lamps were replaced by LED lights to reduce power consumption
		JW Marriott Hotel Shenzhen	Upgraded the LED and improved the control of the lighting system	The common lights in the lobbies, conference rooms, banquet halls, restaurants, walkways, offices and guest rooms of the hotel's own area (excluding tenants) were replaced by energy-saving LED lights to reduce the energy consumption of the lighting system
			Installation of intelligent control system for kitchen smoke exhaust fan and air supply fan	The hotel installed intelligent control systems for partial kitchen smoke exhaust fan and air supply fan to realize automatic energy-saving operation
			Optimal control of air conditioning box and air supply and exhaust	The hotel added variable air volume control system to some air-conditioning boxes as well as energy-saving controller and automatic control of fresh air blower switcher, achieving automatic control and operation of air-conditioning boxes and saving energy consumption and heat and cold of air-conditioning system
The reduction in heat energy consumption and the increase in efficiency	A2.3	The Westin Beijing Chaoyang	Adding air source heat pump at the roof of the 35th storey	The air source heat pump technology was adopted to ensure the temperature of elevator room. At the same time, heat was supplied to the hot water system and cold air was supplied to the lower air conditioning to reduce energy consumption

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Category	ESG Indicators	Hotel	Renovations	Improvements of energy efficiency
		JW Marriott Hotel Shenzhen	Air-cooled heat pump system replacing the domestic hot water	The hotel installed high-efficiency air source heat pump units in boiler rooms replacing traditional boilers, which could provide some domestic hot water for hotels, optimizing the control system of domestic hot water. It could adjust the temperature of hot water outlet in different periods according to the change of outdoor climate and end-use load, realize automatic control on demand, and save energy consumption of hot water
			The intellectual control system of the refrigeration motor room	Optimize the energy-saving control system of hotel refrigeration station, make the whole motor room run in the best efficiency range, and reduce the consumption of heat energy
			Adding heat pump to the laundry	The hotel laundry room installs high-efficiency air source heat pump units instead of boilers to provide some domestic hot water for the hotel, optimizes the control system of domestic hot water, realizes the automatic control of the temperature of hot water outlet in different periods on demand, and saves the energy consumption of hot water
		Renaissance Beijing Wangfujing Hotel	The addition of thermal insulation film in executive lounge and presidential suite	The addition of thermal insulation film in the executive lounge and presidential suite would decrease the room temperature by 1-2 degrees in summer and effectively reduce the consumption of heat energy to achieve the saving of energy
		Hilton Sanya Yalong Bay Resort & Spa	Energy saving reform of refrigerated water pump	Current chilled water pumps were replaced by high-efficiency energy-saving pumps to save energy consumption
The reduction in water consumption and the increase in efficiency	A2.4	Grand Hyatt Shanghai	Closing part of the laundry function	Closing part of the laundry function would reduce the water consumption of the laundry by 4,665 tonnes per year
		Hilton Sanya Yalong Bay Resort & Spa	Installation of water-saving devices in guest rooms	Water-saving devices were installed in guest rooms to effectively reduce water consumption

◈ *Promoting green office*

Jinmao Hotel actively promotes a green office, and reduces energy consumption in operation by reducing standby time of office electrical equipment, controlling air conditioning temperature in a reasonable range, promoting paperless and networked office, double-sided printing and reducing the use of company cars.

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◆ *The use of packaging materials*

ESG Indicators: A2.5

The packaging materials of Jinmao Hotel are mainly materials packaging raw kitchen food, hotel food processing finished products and toiletries. Materials packaging raw food and toiletries, some of which are cartons or paper bags in some hotels, are provided by product suppliers. In 2018, Jinmao Hotel calculated the packaging materials used by various hotels grouped by categories of paper, plastic and metal, and strengthened the control over the use of packaging materials.

Table: The KPIs of energy use of Jinmao Hotel in 2018

ESG Indicators	Details of disclosure	Unit	2018	2017
A2.1 Energy consumption **A2.3 Energy use efficiency**	Natural gas consumption	m^3	**6,054,152**	5,931,095
	Natural gas consumption density	m^3/m^2	**6.1759**	6.0504
	Electricity consumption	KWh	**114,472,826**	103,327,182
	Electricity consumption density	KWh/m^2	**116.7754**	105.4056
A2.1 Energy consumption	Thermal consumption	GJ	**39,119**	39,747
	Thermal consumption density	GJ/m^2	**0.0399**	0.0405
	Direct energy consumption	MWh	**62,622.6348**	61,349.7639
	Indirect energy consumption	MWh	**125,347.9085**	114,376.8480
	Total energy consumption	MWh	**187,970.5433**	175,726.6119
	Energy consumption density	MWh/m^2	**0.1918**	0.1793
A2.2 Water consumption	Water consumption	tonnes	**1,843,704**	1,801,849
	Water consumption density	$tonnes/m^2$	**1.8808**	1.8381
A2.5 Packaging material used	Paper	kg	**138,181**	51,408
	Plastic	kg	**19,008.5**	10,755
	Metal	kg	**13,878**	15,000

Notes:

1. Direct energy consumption includes natural gas consumption, and indirect energy consumption includes electricity consumption and thermal consumption. The calculation coefficient is derived from *General Principles for Computing Comprehensive Energy Consumption GBT2589-2008*;

2. The information on the use of packaging materials is provided by the hotels of the Company. The information for 2017 does not include Grand Hyatt Shanghai, JW Marriott Hotel Shenzhen, Lijiang Jinmao Hotel • The Unbound Collection by Hyatt and Jinmao Purelax Mountain Hotel, Lijiang. The data of 2018 does not include Jinmao Purelax Mountain Hotel, Lijiang.

2.4 Beautifying ecological environment

ESG Indicators: A3 General Disclosure; A3.1

Jinmao Hotel actively participates in the ecological protection and construction of the operating site. During the construction and operation of the hotel, it pays attention to rational development, protection of biodiversity and ecological security, and formulates and implements relevant management programs of ecological protection and restoration according to law. At the same time, the hotels affiliated to the Company actively carry out environmental public welfare activities, encouraging employees and hotel guests to participate in environmental protection activities.

- *Enhancement of Environmental Protection Awareness*

  The Ritz-Carlton Sanya, Yalong Bay launched "Earth Hour" energy-saving activities, inviting guests to participate in interesting activities and creative catering within the hour of power outage, and promoting a green lifestyle.

- *Beautify the Community Environment*

  The Blue Energy Committee of Hilton Sanya Yalong Bay Resort & Spa participated in the Yalong Bay Beach Environmental Sanitation Rehabilitation Action and contributed to community environmental governance. In addition, the hotel actively organized volunteers to participate in mangrove cleaning activities to remove alien species of plants and provide a good growth environment for mangroves. Lijiang Jinmao Hotel • The Unbound Collection by Hyatt carried out "Plogging" environmental protection activities in Shuhe Ancient Town. Nearly 100 volunteers among the staff participated to help Shuhe Ancient Town clean its streets and beautify its ecological environment.

3. Win-win in the value aspect

Jinmao Hotel builds a win-win eco-system of corporate value from four aspects: customer satisfaction, employee growth, partner development and community harmony. While realizing its own development, Jinmao Hotel continuously contributes value to customers, employees, partners and communities, helping urban operation and development.

3.1 Customer satisfaction

ESG Indicators: B6 General Disclosure; B6.2; B6.4; B8.1; B8.2

Jinmao Hotel adheres to the customer-oriented concept, innovating service products and improving customer satisfaction management. We create a high-end and home-like experience for customers and exceeding their expectations through constantly improving service standards, enriching service content and broadening service pipelines.

3.1.1 Ensuring service quality

ESG Indicators: B6 General Disclosure; B6.2; B6.4

Jinmao Hotel regards improving service quality as an important measure to enhance brand image and market competitiveness. The Company ensures the service quality of the company in an all-round way by ensuring the health and safety of customers, providing high-level property services and creating high-quality and signature products.

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- *Guarantee of customer health and safety*

  ESG Indicators: B6 General Disclosure; B6.2

  Customer health and safety is critical to Jinmao Hotel. The Company actively promotes the safety strategy and continuously improves the HSE (health, safety and environment) responsibility system. We are fully committed to customer health and safety through measures such as improving the responsibility system, screening potential safety hazards, upgrading and renovating safety equipment and facilities, etc. In 2018, there were no responsible complaints about safety and environmental protection in the office area (including parking lots) of Jin Mao Tower, and nor were there major safety accidents of tenants.

- *Providing high-level property services*

  ESG Indicators: B6 General Disclosure; B6.4

  Jinmao Hotel continuously improves customer satisfaction with high-standard and high-level property value-added services and creates a safe, comfortable and efficient environment for owners. Jinmao Hotel improves its property management ability by formulating a quality management system and standards, carrying out publicity, education and training, refining the content of property services and setting up specific quality control posts. In 2018, a total of 163 problems were found by property managers during daily and weekly inspection, all of which have been rectified.

Establishment of quality management system and standards

We fully ensure the service quality of enterprises by formulating 129 management standards and 79 technical standards.

Instructing, educating and training

We carry out safety education and drills to enhance the safety awareness of all employees. In 2018, we carried out safety education of three levels, drills, safety and environmental protection inspection, special hidden danger investigation, theme month and theme work, etc.

Refinement of property service content

We ensure that the bathroom and public area of each floor office building are cleaned and disinfected once every 15 minutes; daily cleaning of domestic waste is completed; and solid waste and hazardous waste are recycled in time according to the tenant's requirements, these get cleaned and disposed by the warehouse of the supply chain department after collection.

Setting up specific quality control posts

We set up specific quality control posts, i.e. quality managers, who carry out supervision and inspection of property services and facilities and equipment through daily inspection, weekly inspection, quarterly night inspection and so on. They also urge corresponding departments to rectify once they find service quality problems and track the completion of rectification.

Measures for Jinmao Hotel to Provide High Level Property Services

- *Creating high-quality sightseeing service*

  ESG Indicators: B6.4

  As a popular tourist attraction in Shanghai, the 88th-floor Observation Deck of Jin Mao Tower is one of the earliest tourist attractions in Shanghai to pass the ISO 9001 certification quality system management standard. It has been striving to continuously improve and maintain high-level service standards and quality. In 2018, the tourism business department carried out an internal audit and passed the re-certification of ISO quality control system *GB/T 19001-2016/ISO 9001:2015*.

3.1.2 Service product innovation

ESG Indicators: B8 General Disclosure; B8.1; B8.2

Innovation is the soul and inexhaustible power of enterprise development and progress, and product innovation is the key to enhance the core competitiveness of an enterprise. Jinmao Hotel continuously innovates service content and form, makes service content more intimate and service type richer, and creates a high quality experience for customers with comprehensive supporting facilities and an intimate exclusive service.

- *Enriching service content*

  Jinmao Hotel enriches its service content from the perspective of customer demand, so as to enhance customer satisfaction with the Company through more intimate and effective services. In 2018, Jin Mao Tower added 14 convenience service projects in the lobby, such as portable charger, borrowing presbyopic glasses and free gift bags. We also provide door cleaning, business meeting and tea break services for tenants. New communication channels were built for tenants, presenting daily and regular tips such as weather forecast and PM2.5 index of Jin Mao Tower and releasing various kinds of festival activities and safety tips for Jin Mao Tower; the service quality is improved continually.

- *Cooperation and Exchange*

  Jinmao Hotel promotes resource replacement, strengthens IP cooperation and media cooperation to promote core competitiveness and attract customers' attention. In 2018, Jinmao Hotel cooperated with Walt Disney Company during the "The China Tour of Mickey's 90th Anniversary". As the only selected landmark in Shanghai, Jin Mao Tower appeared together with the Great Wall, Chengdu Giant Panda Breeding Base, Terracotta in Xi'an, The Yellow Crane Tower in Wuhan and other well-known landmarks in China.

3.1.3 Customer satisfaction management

ESG Indicators: B6.2

Customer satisfaction management is a continuous process of strengthening communication with customers, understanding customer needs, and constantly improving product and service quality to meet customer needs. Through a variety of feedback channels for customers' comments, Jinmao Hotel collects and finds the focus of customers' needs, solves customers' problems and difficulties, and continuously improves customer satisfaction.

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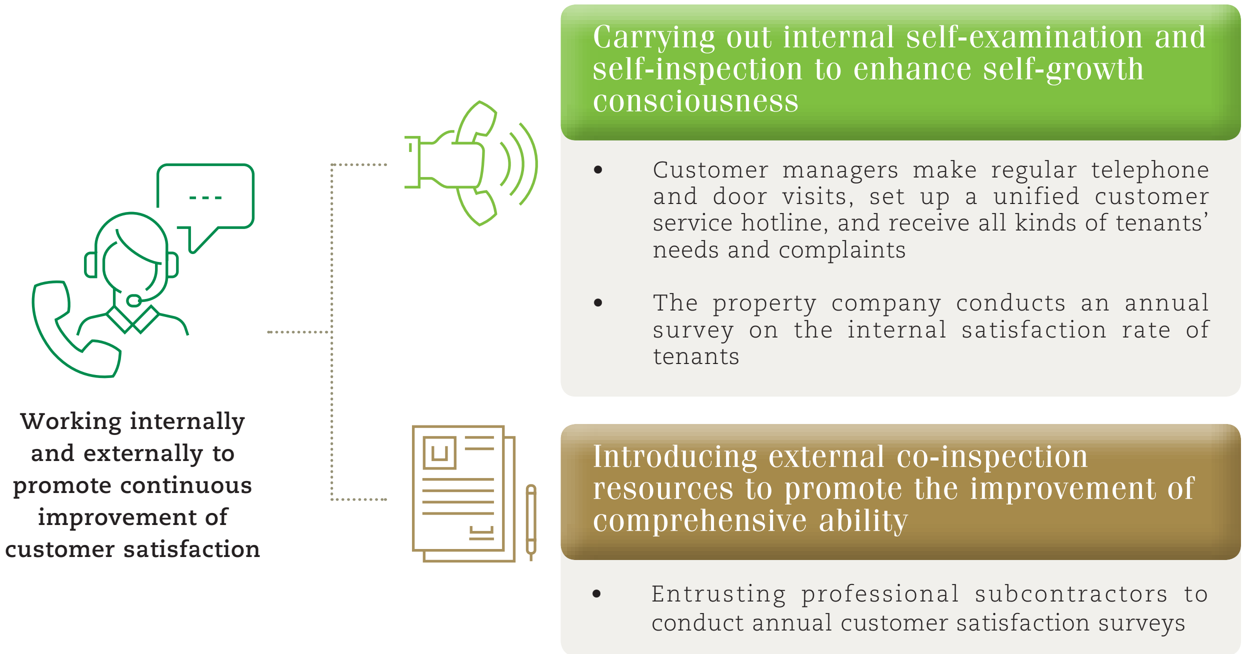

The measure for survey on customer satisfaction and complaints of Jinmao Hotel

In 2018, the overall positive review of Jinmao Hotel ranks fourth in the calibre corporation, with positive review continued to increase for 7 months. In terms of scoring on CTrip, 5 hotels scored 4.7 points or above.

In 2018, Jinmao Hotel obtained a 96.15% satisfaction rate in the satisfaction survey of the office tenants in Jin Mao Tower, collected 24 problems from tenants' feedback and formulated rectification plans for them by various functional departments, and confirmed the completion time of rectification. At the same time, Jin Mao Tower commissioned professional subcontractors to conduct a survey of customer satisfaction, and got a total score of 98 points. The high-quality property service of Jin Mao Tower has been highly recognized by customers.

The 88th-floor Observation Deck of Jin Mao Tower, as an important highlight service project of the Company, has carried out annual customer satisfaction surveys for 13 consecutive years, listening to customers' voices, accepting customers' suggestions and continuing to improve the service of the Observation Deck accordingly. The overall satisfaction of individual visitors with the 88th-floor Observation Deck of Jin Mao Tower showed an upward trend from 9.35 points in 2017 to 9.87 points in 2018, and the willingness to revisit and recommend increased significantly.

3.2 Growth of employees

ESG Indicators: B1 General Disclosure; B2 General Disclosure; B3 General Disclosure; B4 General Disclosure

Excellent employees are the company's most important wealth. Jinmao Hotel respects and protects the basic rights and interests of every employee, protects the occupational health and safety of employees, strives to provide training and career development opportunities for them, and builds a stage for outstanding talents to show themselves.

3.2.1 *Guarantee of basic rights and interests*

ESG Indicators: B1 General Disclosure; B1.1; B1.2; B4 General Disclosure; B4.1; B4.2

Jinmao Hotel adheres to the principle of people-oriented and realizes the mutual increase of company value and employee value. We promote the long-term development of enterprises through the implementation of fair and diverse employment policies, improving the salary and welfare system and other measures. We select, use, educate and retain employees according to the standards of both ability and integrity.

- *Practice employment equity and diversity*

  ESG Indicators: B1 General Disclosure; B4 General Disclosure; B4.1; B4.2

  The Company strictly abides by national laws and regulations to ensure the legitimate compliance of personnel and employment. During the recruitment process, the Company communicates fully with the candidates, provides detailed recruitment information and answers the reasonable consultation of the candidates. We respect the wishes of the employees during every recruitment process, without coercion or deception. The Company is committed to creating a fair environment for employees to grow and actively recruits employees of different genders, ages, nationalities and regions in order to enhance the diversity of the talent team. In 2018, there were no violation cases of child labor, forced labor or other violations, nor were there strikes, stoppages and other cases which would impose major adverse effects on the business and operation of the Company. In 2018, the Company was named "Outstanding Employer of the Year of China Hotels & Tourism 2018" by 61HR.com.

- *Optimizing employee management policies*

  ESG Indicators: B1 General Disclosure

  Jinmao Hotel always attaches great importance to the cultivation of excellent teams. According to the institutions of *Recruitment and Employment Management Standards*, *Post Management Standards and Staff Rewards and Punishments Management Guidelines*, Jinmao Hotel strengthens the evaluation of organizational performance and individual performance as well as the application of results. We strive to maintain an efficient staff team while improving the enterprise staff management system.

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Improving the salary and welfare system

ESG Indicators: B1 General Disclosure; B1.1; B1.2

Jinmao Hotel standardizes the Company's salary system according to the *Standards of Salary and Welfare Management*, maintaining the internal fairness and market competitiveness, attracting and retaining all kinds of outstanding talents in the Company, and ensures that salary approval and distribution can objectively reflect the value and performance of employees. While initiating the creativity and enthusiasm of the talent team, the Company takes into account the short-term and long-term interests of employees, who share these development achievements with us.

Table: The basic information of workforce of Jinmao Hotel

	Indicators	Unit	2018	2017
Employees	Total number	Number of people	**3,414**	3,483
	Female	Number of people	**1,434**	1,543
	Senior positions	Number of people	**4**	4
	Mid-level positions	Number of people	**26**	22
	Common positions	Number of people	**3,384**	3,457
	Contract employees	Number of people	**3,414**	3,483
	Temporary workers	Number of people	**177**	186
	Interns	Number of people	**861**	925
	Other categories	Number of people	**50**	48
	Age 30 or below	Number of people	**1,508**	1,621
	Age 31-50	Number of people	**1,650**	1,623
	Age 51 or above	Number of people	**256**	239
	Foreign staff	Number of people	**25**	30

Note: The data of 2017 has been adjusted according to the statistic caliber of 2018.

Table: The employee turnover rate

	Indicators	2018	2017
The employee turnover rate	The overall turnover rate	**39.18%**	46.94%
	Female	**41.88%**	49.03%
	Male	**37.16%**	45.41%
	Senior positions	**0.00%**	0.00%
	Mid-level positions	**4.26%**	22.22%
	Common positions	**39.44%**	47.16%
	Age 30 or below	**52.99%**	64.39%
	Age 31-50	**28.80%**	32.74%
	Age 51 or above	**24.20%**	31.76%

Note:

1. The calculation method of turnover rate: the total number of departures in that year/[(total number of employees at the beginning of the year + total number of employees at the end of the year)/2]*100% (excluding dispatched employees);

2. The relatively high turnover rate in the hotel industry is the standard situation in the industry.

3.2.2 *Occupational health and safety*

ESG Indicators: B2 General Disclosure; B2.1; B2.2; B2.3

Guarding the occupational health and safety of employees is the basic responsibility of the Company to employees, and the health and safety of employees is also the basis for the smooth work of the Company. Jinmao Hotel actively promotes a safety strategy, strengthening awareness of safety production, consolidating the foundation of HSE and improving the construction of the HSE responsibility system. The Company implements safety risk prevention and control and process supervision. This strengthens the safety awareness of employees at all levels through safety training.

- ***Strengthen safety management***

  ESG Indicators: B2 General Disclosure

  The Company promotes the implementation of HSE responsibility around the construction of the HSE system. In the first half of 2018, Jinmao Hotel comprehensively organised the HSE management system, via revising 11 original regulations, adding 11 new HSE management regulations, and updating 18 first-level elements, 135 second-level elements and 524 third-level elements in the *Guidelines and Scoring Methods for HSE Achievement Management of Jinmao Hotel*, forming a dynamic renewal management for HSE system.

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◆ *Emphasis on Occupational Health*

ESG Indicators: B2.1; B2.2; B2.3

In 2018, Jinmao Hotel continued to implement the annual physical examination of employees. Organized physicians interpreted the physical examination reports for employees, and invited external experts to give special lectures on the important health indicators for employees, paying attention to their health problems.

The occupational hazard factors within the Company, including high temperature and noise, are within the acceptable range specified in the standard. Besides, in order to protect employees from occupational hazards, the Company carries out professional training for special industries and special jobs, including but not limited to: electrical safety operation certificate, food safety inspection certificate, firefighter certificate, boiler water quality inspector certificate, elevator administrator certificate, climbing certificate, anti-falling rescue certificate, and other related professional certificates. Every employee on these posts should get a certificate before getting to work.

Table: Indicators of employee health and safety

	Indicators	Unit	**2018**	2017
Employee health and safety	Lost days due to work injury	Day	**1,210**	1268.6
	Employees suffered from work injury	Number of people	**59**	60

3.2.3 *Staff training and development*

ESG Indicators: B2.3; B3 General Disclosure; B3.1; B3.2

Jinmao Hotel, following the principle of "focusing on capacity building and talent echelon construction", provides training and career development opportunities for outstanding talents, stimulates value creativity of employees, and creates a good environment for employees' sustainable growth and development. At the same time, Jinmao Hotel organizes a variety of staff activities to meet the multi-level needs of employees, unite the team and create a harmonious cultural atmosphere.

◆ *Improving the construction of training system*

ESG Indicators: B3 General Disclosure; B3.1; B3.2

Jinmao Hotel, in accordance with business development needs and job performance requirements, combines the factors of talent growth, innovates training forms, enriches training content, constantly improves training system construction, and provides various training arrangements for talents at all levels to meet their development needs. In 2018, the training coverage of employees of different genders, ages and levels was 100%.

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Measures of improving the construction of the training system

1. **Considering employees' needs and innovating training forms**
   We combined the external expert teaching, internal lecturer teaching and teacher-apprentice teaching. During 2018, online learning platform was used to facilitate employees to improve themselves using free time. At the same time, the "Jinmao Cup" safety knowledge contest was held to stimulate employees' learning motivation.

2. **Improve the training system based on the present situation of jobs**
   The Company added *Guidelines for the Management of Internal Lecturers* to clarify the operating rules of the internal lecturer team in order to fully tap into internal resources, realize knowledge accumulation and inheritance, and standardize selection, training and motivation.

3. **Integrate with market changes and update training content**
   The Company focuses on asset management and innovation & exploit training, such as hotel asset management theory and case sharing, the outlook of China's macro-economic and RMB, block chain technology prospects and technical explanations, etc. These help employees understand the direction of the Company's development, continue to update employees' awareness of current market trends, and boost the Company's future development.

Table: Average time of training for employees

		Indicators	Unit	2018
Average time of training for employees	Position levels	Senior positions	Hour	**100**
		Mid-level positions	Hour	**65**
		Common positions	Hour	**55**
	Profession categories	Managerial competence trainings	Hour	**5**
		Customer service trainings	Hour	**23**
		HSE trainings	Hour	**12**

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◆ *Enriching the Cultural Life of Employees*

ESG Indicators: B2.3

Jinmao Hotel actively carries out various sports activities, balancing the work and life of employees by, caring for their physical and mental health. In 2018, the Company organised and developed various staff activities with the theme of emphasising welfare on festivals, caring for employees' lives, strengthening physical exercise and paying attention to workers with difficulties.

Bringing a variety of cultural activities for staff

Emphasizing welfare on festivals

- **During the Lantern Festival,** the Company organized staff to carry out an activity with a strong Shanghai style, during which they ate sweet dumpling balls and guessed lantern riddles.
- **On Women's Day,** all the female employees were invited to the silent (deaf and mute) coffee shop for interactive tasting of hand-brewed coffee.
- **On Children's Day**, the Company gave bed-clothes as presents to the children (under 14 years of age) of 77 workers.

Caring for employees' life

- **Chinese New Year's Event:** The Company's labour union held the 2018 Jinmao Hotel Spring Festival Celebration, which was attended by more than 60 people.
- **Employee birthday party:** Following the main theme of "We will be better in 2018" and combining with the theme of each month, the Company held the employee birthday party every month.

Strengthening employees' physical exercise

- **For the "healthy" ones:** In 2018, the activity of "Get a movie ticket after 30 walks of over 10 thousand steps" aroused the enthusiasm of every employee to walk and encourage fitness among the whole staff.
- **"Listen to the Wind" Jogging group:** In 2018, 13 employees participated in the "walk into the new era with vigorous strides, start a new journey with solid work", i.e. a fitness run along the river participated by employees from enterprises and directly managed by Pudong District.
- **Badminton association:** The Company regularly carried out badminton activities, and chose the opportunity to establish a badminton association.

Paying attention to the employees in difficulty

- **The Company carefully implements the long-term mechanism of poverty alleviation and assistance.** On the Chinese New Year Eve of, we sent condolences and subsidy to six workers in difficulty in Shanghai Property Management and Grand Hyatt Shanghai. And with the support of the "micro-wish" activities carried out by the labour union of the enterprises directly managed by Pudong District, we also sent a micro-wish gift worth RMB500 yuan to four other workers in difficulty.

3.3 Partners' development

ESG Indicators: B5 General Disclosure; B5.1; B5.2

Jinmao Hotel always attaches importance to the development of business partners, promotes the equality between enterprises, respects each other and helps to safeguard the interests of both sides, in order to achieve win-win development and create a good and harmonious industry environment.

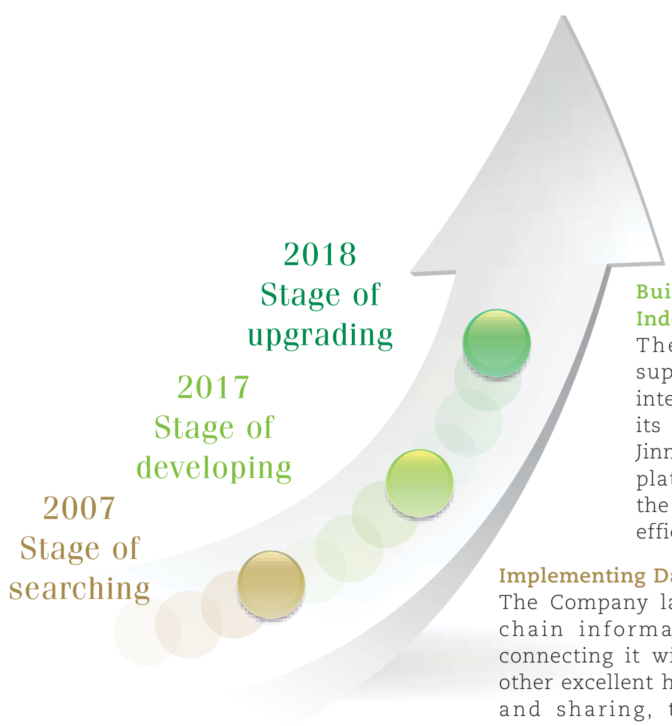
3.3.1 *Supply chain management*

ESG Indicators: B5.1

The supply chain is an important part of supporting hotel operation and development. Jinmao Hotel attaches great importance to the development and management of the supply chain platform. Since 2007, the Company has developed a supply chain management platform for its own supply chain management characteristics, and connected the platform with Hyatt Group, Marriott Corporation, SCALA, MC, SCM, BBS and other procurement systems of Hyatt Group, Marriott Group, Starwood Group, Hilton Group and other major hotel management groups, by sharing suppliers and procurement information.

In 2017, Jinmao Hotel officially launched a new version of Jinmao Supply Chain Platform with independent intellectual property rights. In 2018, further innovation and optimization were made to the platform, which became more scalable, and strong support were provided for the light assets export of Jinmao Hotel.

In 2018, Jinmao Hotel integrated the function module of database data in the development of the new supply chain platform. It can carry out multi-dimensional data analysis such as purchasing process compliance, purchasing amount distribution, supplier, purchasing cost control, realizing the unification of the supply chain platform and the database analysis platform. In 2018, under the situation of food CPI rising, the hotels affiliated to the Company achieved the result that the annual increase of purchasing price was lower than that of food CPI based on guaranteeing the quality of purchasing.



Integrated Supply Chain Platform and Database Analysis Platform
By integrating database related functional modules, the platform can carry out multi-dimensional data analysis, and provide technical support for Jinmao hotel management and purchasing managers. This helps to improve the company's cost control and core technology development capabilities.

Building a Supply Chain Platform of Independent Intelligent Property Rights
The Company formed a new Jinmao supply chain platform with independent intellectual property rights. Integrating with its own supply chain management needs, Jinmao Hotel innovated and upgraded the platform on the original basis, expanded the application scenario, and improved the efficiency of supply chain management.

Implementing Data Exchange and Sharing
The Company launched an online supply chain information sharing platform, connecting it with purchasing systems of other excellent hotel groups. By exchanging and sharing, the scale advantage of purchasing can be brought into play, the efficiency of purchasing can be improved, and the brand value of the Company can be enhanced.

The Development Process of Jinmao Hotel's Supply Chain Management Platform

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Table: The distribution of suppliers of Jinmao Hotel

The Affiliated Companies	Number of Suppliers
Jinmao (China) Hotel Investments and Management Limited	291
Shanghai Jinmao Hotel Management Company Limited	21
Grand Hyatt Shanghai	739
Hyatt Regency Chongming	286
The Ritz-Carlton Sanya, Yalong Bay	816
Hilton Sanya Yalong Bay Resort & Spa	385
The Westin Beijing Chaoyang	640
Renaissance Beijing Wangfujing Hotel	274
JW Marriott Hotel Shenzhen	710
Lijiang Jinmao Hotel • The Unbound Collection by Hyatt and Jinmao Purelax Mountain Hotel, Lijiang	335
Jin Mao (Shanghai) Property Management Co., Ltd.	857

Note: Some suppliers are dealing with two or more hotels.

3.3.2 *Responsible procurement*

ESG Indicators: B5 General Disclosure; B5.2

The sustainable development ability of an enterprise is closely related to the consciousness and level of performance of suppliers. Jinmao Hotel strives to improve the suppliers' compliance and safety management level and helps to guarantee the Company's service quality from the source by improving the supplier audit system, strengthening the management of suppliers, and actively practicing responsible procurement.

◆ *Improving the supplier audit system*

ESG Indicators: B5 General Disclosure; B5.2

The quality of suppliers directly affects the company's product and service level. Jinmao Hotel continues to strengthen the evaluation, audit and screening of suppliers. The Company completed the revision of the *Guidelines for Bidding and Purchasing Management* and we screen high-quality supplier partners with high standards. At the same time, discipline inspection and supervision were included in the bidding and procurement process. The rules of honest practice and business integrity during a procurement would be supervised and examined to ensure the legitimate compliance of the whole procurement process and all parties involved.

Adhering to the three principles of openness, fairness and justice	Principle of honesty and trustworthiness	Principle of business secrecy
• Information and procedures for bidding and procurement must be made public. • Bid evaluation criteria must be fair and consistent. • The conclusion must be objective and fair.	• Participation of relevant parties in all aspects of bidding and procurement shall be diligent, professional and credible.	• All technologies, patents and trademark quotations involved in the bidding and procurement review shall be kept confidential.

Social Responsibility Clauses in the Bidding and Purchasing Principles of Jinmao Hotel

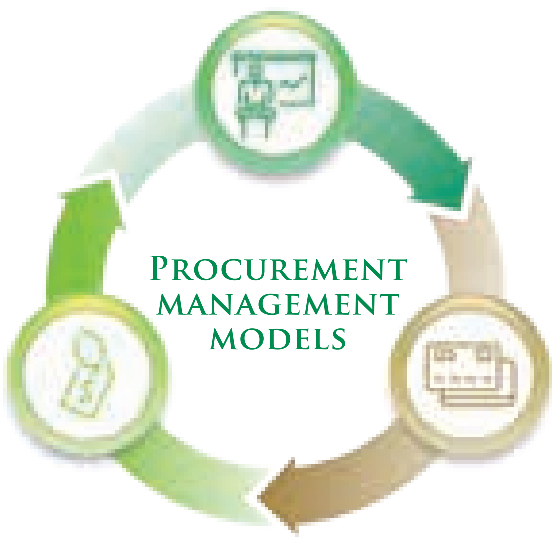
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- *Promote the quality and efficiency of purchasing*

ESG Indicators: B5.2

Jinmao Hotel formulates the corresponding management model according to the daily procurement, one-time procurement and centralized procurement requirements. It sets up price matching rate and other related indicators to evaluate its hotels, so as to promote procurement efficiency and quality. As of the end of 2018, the hotels had saved RMB1.62 million yuan in purchasing cost through centralized procurement.

Centralized procurement
Jinmao supply chain unified bidding pricing after summarizing the procurement needs of the affiliated hotels. Eventually, centralized procurement agreement prices are implemented by the procurement departments of the hotels. The awareness of procurement cost control of hotels has been enhanced through the implementation of centralized procurement.



Daily procurement
The Company regularly inquires and fixes prices for products which need to be purchased repeatedly, such as fresh and dry goods.

Purchasing disposable goods
All purchases such as those in a project, those of an item or a batch of items not often used, need to be examined and approved on a case-by-case basis.

Purchasing Management Model of Jinmao Hotel

3.4 Community harmony

ESG Indicators: B8 General Disclosure; B8.1; B8.2

Community is the basis for the survival and development of an enterprise. Keeping good relationships with the community is an important way for an enterprise to obtain community support and understanding. Jinmao Hotel adheres to the concept of common development with the society, takes the actual demands of the communities in each operating area as the goal, gives full play to the advantages of the Company's resources, unites the forces of public welfare. It focuses on community construction and voluntary activities for public welfare. The Company promotes fine and sustained public welfare, and shares the achievements of development with the society, so as to contribute to the promotion of social civilization.

3.4.1 *Participation in community construction*

ESG Indicators: B8.1

Jinmao Hotel participates in community construction to give back to society. The Company enthusiastically participates in social development and safeguard to social harmony and fairness with the contribution of resources and strength.

- *Helping with community youth education*

  Jinmao Hotel actively participates in the community youth education activities. In August 2018, employees of Hyatt Regency Chongming held the graduation ceremony of summer vacation school at the Fourth Residential Committee of Xinqiao. They presented a Chinese refreshment making course for children, disseminated the catering culture with Chinese characteristics, and drew a successful conclusion to the summer vacation school curriculum.

- *Improving community medical conditions*

  Jinmao Hotel contributes to the improvement of community medical conditions. The volunteers from Hyatt Regency Chongming went to Xinqiao Village to carry out a free clinic service, providing residents with health consultation, blood pressure measurement, blood sugar special diagnosis and other services. The community volunteers provided publicity materials about health information to residents and explained health knowledge to them. The experts of the service team earnestly received every patient who came to the clinic and gave them suggestions on diet, medication, diagnosis and treatment, so that everyone who came to the clinic could enjoy high-quality medical services at the door of their home.

3.4.2 *Voluntary activities for public welfare*

ESG Indicators: B8.1; B8.2

- *Developing poverty alleviation and helping the weak*

  In 2018, Renaissance Beijing Wangfujing Hotel launched a book donation campaign for poor primary schools. The total number of donees is 38, including 5 students with special poverty and 1 student with disabilities. In the campaign, the hotel sent dictionaries, books, brushes, rulers and so on to encourage students to study hard, learn cultural knowledge, broaden their horizons, and give back to the society with their own achievements in the future.

  The Blue Energy Committee of Hilton Sanya Yalong Bay Resort & Spa is dedicated to bringing positive energy to the Company's community. Every quarter, the hotel offers condolences and warm regards to the disabled children in Sanya Bright Disabled Children's Centre.

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◆ *Caring for the physical and mental health of the elderly*

In 2018, together with the "volunteer bank" established by members of the Shanghai Municipal Committee of the CPPCC, the Standing Committee of the Shanghai Zhigong Party Committee, and other relevant non-governmental organizations, Jinmao Hotel launched a public welfare campaign of visiting community nursing homes in autumn. The Company aimed to provide voluntary services for the elderly, while recording voluntary service time through the "volunteer bank". A situation of "I serve others' parents, others serve my parents" was formed and a platform for volunteers to offer love precisely was built. The Jinmao Hotel volunteers also made Dragon Boat Festival sachets, played games and ate Zongzi together with the elderly, bringing material support and spiritual care to them. Through this activity, more attention has been drawn to the elderly groups from all walks of life.

4. Index of ESG Indicators

The Area of Environmental				
Aspects	Indicators	Details	Corresponding chapters	Notes
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Green mutuality – Environmental management Green mutuality – Reducing emission	In 2018, there was no significant violation in relation to environmental friendliness of the Company.
	A1.1	The types of emissions and respective emissions data.	Green mutuality – Reducing emission	
	A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green mutuality – Reducing emission	
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green mutuality – Reducing emission	
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green mutuality – Reducing emission	
	A1.5	Description of measures to mitigate emissions and results achieved.	Green mutuality – Energy saving and efficiency enhancing Green mutuality – Reducing emission	
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Green mutuality – Reducing emission	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Area of Environmental				
Aspects	**Indicators**	**Details**	**Corresponding chapters**	**Notes**
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Green mutuality – Environmental management Green mutuality – Energy saving and efficiency enhancing	
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Green mutuality – Energy saving and efficiency enhancing	
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Green mutuality – Energy saving and efficiency enhancing	
	A2.3	Description of energy use efficiency initiatives and results achieved.	Green mutuality – Energy saving and efficiency enhancing	
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Green mutuality – Energy saving and efficiency enhancing	In 2018, Jinmao Hotel did not encounter the problem of seeking water source in its daily operation. The water used by the hotels affiliated to the Company and Jin Mao Tower comes from municipal water supply, and does not involve water source protection.
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Green mutuality – Energy saving and efficiency enhancing	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Area of Environmental				
Aspects	**Indicators**	**Details**	**Corresponding chapters**	**Notes**
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Green mutuality – Environmental management Green mutuality – Beautifying ecological environment	
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green mutuality – Beautifying ecological environment	
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Win-win in the value aspect – Growth of employees	
	B1.1	Total workforce by gender, employment type, age group and geographical region.	Win-win in the value aspect – Growth of employees	
	B1.2	Employee turnover rate by gender, age group and geographical region.	Win-win in the value aspect – Growth of employees	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Area of Environmental				
Aspects	Indicators	Details	Corresponding chapters	Notes
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Win-win in the value aspect – Growth of employees	In 2018, there were no violations related to health and safety that had a significant impact on the Company.
	B2.1	Number and rate of work-related fatalities.	Win-win in the value aspect – Growth of employees	
	B2.2	Lost days due to work injury.	Win-win in the value aspect – Growth of employees	
	B2.3	Description of occupational health and safety measures adopted and how they are implemented and monitored.	Win-win in the value aspect – Growth of employees	
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Win-win in the value aspect – Growth of employees	
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Win-win in the value aspect – Growth of employees	
	B3.2	The average training hours completed per employee by gender and employee category.	Win-win in the value aspect – Growth of employees	
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Win-win in the value aspect – Growth of employees	In 2018, there were no significant violations related to child or forced labour in the Company.
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	Win-win in the value aspect – Growth of employees	
	B4.2	Description of steps taken to eliminate such practices when discovered.	Win-win in the value aspect – Growth of employees	
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Win-win in the value aspect – Partners' development	
	B5.1	Number of suppliers by geographical region.	Win-win in the value aspect – Partners' development	
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Win-win in the value aspect – Partners' development	

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The Area of Environmental				
Aspects	Indicators	Details	Corresponding chapters	Notes
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Win-win in the value aspect – Customer satisfaction	In 2018, there were no significant violations related to the health and safety of products and services, advertising, labelling or privacy issues in the Company.
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Win-win in the value aspect – Customer satisfaction	In 2018, there were no products which needed to be recycled for safety and health reasons in the Company.
	B6.2	Number of products and service related complaints received and how they are dealt with.	Win-win in the value aspect – Customer satisfaction	
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Corporate governance – Compliance with the laws and regulations	
	B6.4	Description of quality assurance process and recall procedures.	Win-win in the value aspect – Customer satisfaction	
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Win-win in the value aspect – Customer satisfaction Corporate governance – Compliance with the laws and regulations	

		The Area of Environmental		
Aspects	Indicators	Details	Corresponding chapters	Notes
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Corporate governance – Compliance with the laws and regulations	There were no significant violations related to bribery, extortion, fraud or money laundering in the Company.
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Corporate governance – Compliance with the laws and regulations	
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Corporate governance – Compliance with the laws and regulations	
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Win-win in the value aspect – Customer satisfaction Win-win in the value aspect – Community harmony	
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Win-win in the value aspect – Customer satisfaction Win-win in the value aspect – Community harmony	
	B8.2	Resources contributed (e.g. money or time) to the focus area.	Win-win in the value aspect-Customer satisfaction Win-win in the value aspect-Community harmony	

DEFINITIONS

"AGM"	the annual general meeting of the Trust and the Company to be held on a combined basis as a meeting
"Board(s)"	the Trustee-Manager Board and/or the Company Board
"BoCom"	Bank of Communications Co., Ltd. Hong Kong Branch
"BoCom Facility Agreement"	the facility agreement dated 2 September 2016 entered into between the Company and BoCom, pursuant to which BoCom agreed to grant HK$1,000,000,000.00 equivalent HK$/US$ dual currency term loan facility to the Company
"CCB"	China Construction Bank (Asia) Corporation Limited
"CCB Facility Letter"	the facility letter dated 23 August 2016 obtained by the Company from CCB, pursuant to which CCB agreed to grant a HK$1,000,000,000.00 equivalent HK$/US$ dual currency term loan facility to the Company
"China Jinmao"	China Jinmao Holdings Group Limited (中國金茂控股集團有限公司), (formerly known as Franshion Properties (China) Limited 方興地產(中國)有限公司) a company incorporated in Hong Kong with limited liability on 2 June 2004, whose shares are listed on the Main Board of the Stock Exchange (stock code: 00817) and a controlling Holder of Share Stapled Units and a connected person of Jinmao Hotel and the Company
"China Jinmao Group"	China Jinmao and its subsidiaries (excluding the Trust Group)
"China Jin Mao (Group)"	China Jin Mao (Group) Company Limited (中國金茂(集團)有限公司), a company incorporated in the PRC with limited liability on 10 February 1993 and a wholly-owned subsidiary of the Company
"China Jinmao (Shanghai)"	Jinmao Investment Management (Shanghai) Co., Ltd. (金茂投資管理(上海)有限公司), a company incorporated in the PRC with limited liability on 15 November 2007 and a wholly-owned subsidiary of China Jinmao, and therefore a connected person of the Company
"Company"	Jinmao (China) Hotel Investments and Management Limited (金茂(中國)酒店投資管理有限公司) (formerly known as Jinmao (China) Investments Holdings Limited 金茂(中國)投資控股有限公司), a company incorporated under the laws of the British Virgin Islands with limited liability on 18 January 2008 and registered by way of continuation in the Cayman Islands as an exempted company with limited liability on 21 March 2014 under the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands

DEFINITIONS

"Company Audit Committee"	the audit committee of the Company
"Company Board"	the board of directors of the Company
"Company's Articles"	the amended and restated articles of association of the Company adopted on 13 June 2014, as amended from time to time
"Comp Set"	a group of hotels that are seen as direct competitors to the hotels of the Company
"Connected Tenants"	Sinochem International and/or its subsidiaries (excluding Shanghai Dehuan and its subsidiaries) who are tenants of Sinochem International Plaza
"DBS"	DBS Bank Ltd.
"DBS Facility Letter"	the facility letter dated 2 September 2016 obtained by the Company from DBS, pursuant to which the DBS agreed to grant US$250,000,000.00 term loan facility to the Company
"Director(s)"	a director of the Trustee-Manager and/or a director of the Company
"EBITDA"	profit before tax, after deducting fair value gains on investment properties, bank interest income and other investment income, adding back depreciation, amortisation of intangible assets, recognition of prepaid lease payments less amount capitalised, finance costs, write-down of inventories to net realisable value and impairment of items of property, plant and equipment, and adjustment for impairment/(reversal of impairment) of trade receivables and gain or loss on disposal of items of property, plant and equipment. As a non-HKFRS accounting measure, EBITDA is included because the Group's management believes such information will be helpful for investors in assessing our operating performance
"Excluded Hotels"	includes The Westin Nanjing, Meixi Lake International Plaza Hotel, Nanjing International Center Phase II Hotel and a hotel in the Nansha Jinmao Wan Project in Guangzhou, PRC
"GFA"	gross floor area
"Group", "we" or "our"	the Company and its subsidiaries

DEFINITIONS

"Group Distributable Income"	the audited consolidated profit attributable to the Holders of Share Stapled Units in respect of the relevant financial year or the relevant distribution period after giving effect to certain adjustments as described in the Prospectus and the Trust Deed
"Holder(s) of Share Stapled Units"	person(s) registered in the Share Stapled Units register as holder(s) of Share Stapled Units and, where the registered holder of Share Stapled Units is HKSCC Nominees Limited, shall also include, where the context so admits, the CCASS participants whose securities accounts with the Central Clearing and Settlement System are deposited with the Share Stapled Units
"Hotel Arrangements"	the arrangements relating to the existing and future interests of the China Jinmao Group in hotel assets as set out in "Report of The Directors" in this report
"Hotel Arrangements Deed"	the deed dated 13 June 2014 entered into between the Company and China Jinmao relating to the Hotel Arrangements
"Jiaxing Investment"	Jinmao (Jiaxing) Investment Management Company Limited (金茂(嘉興)投資管理有限公司), a company indirectly owned by China Jinmao as to 50% of its equity interests, and therefore a connected person of the Company
"Jinmao Hotel" or "Trust"	Jinmao Hotel (金茂酒店) (formerly known as Jinmao Investments (金茂投資)), a trust constituted by the Trust Deed under the laws of Hong Kong, which has been established as a fixed single investment trust, with its activities being limited to investing in the Company and anything necessary or desirable for or in connection with investing in the Company
"Jinmao (Li Jiang)"	Jinmao (Li Jiang) Real Estate Company Limited (金茂(麗江)置業有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of China Jinmao, and therefore a connected person of the Company
"Jinmao Xinhe"	Tianjin Jinmao Xinhe Investment Management Company Limited(天津金茂信和投資有限公司), a company indirectly owned by China Jinmao as to 50% of its equity interests

DEFINITIONS

"Jin Mao Shenzhen"	Jin Mao Shenzhen Hotel Investment Company Limited (金茂深圳酒店投資有限公司), a company incorporated in the PRC with limited liability on 2 June 1993 and an indirect wholly-owned subsidiary of the Company
"Lijiang Jinmao Hotels"	Lijiang Jinmao Hotel • The Unbound Collection by Hyatt and Jinmao Purelax Mountain Hotel, Lijiang
"Listing"	the listing of the Share Stapled Units on the Main Board of the Stock Exchange
"Listing Date"	the date on which the Share Stapled Units were first listed and from which dealings in the Share Stapled Units were permitted to take place on the Main Board of the Stock Exchange, being 2 July 2014
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Loan Facility"	the term loan facility agreement dated 13 June 2014 entered into between the Company and a group of financial institutions
"Lujiazui Central Financial District"	an urban centre of the Pudong New District of Shanghai, the PRC, which covers an area of approximately 1.7 sq.km.
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Properties"	the property portfolio of the Group, comprising Jin Mao Tower and eight hotels of the Group as at the date of this report
"Prospectus"	the prospectus jointly issued by Jinmao Hotel and the Company dated 19 June 2014
"Residential Property Management Services Agreement"	the property management agreement entered into between Shanghai Property Management and Jinmao (Li Jiang) on 29 December 2017, pursuant to which Shanghai Property Management agreed to provide certain property management services in relation to the residential community of Lijiang Jinmao Whisper of Jade Dragon
"Review Period"	from 1 January 2018 to 31 December 2018

DEFINITIONS

"RevPAR"	revenue per available room, calculated as the total room revenue divided by the total number of room nights available for sale during the relevant period, which may not directly reflect the total number of rooms in inventory due to renovations or other considerations
"RMB"	Renminbi, the lawful currency of the PRC
"Sales and Display Units Management Services Agreement"	the property management agreement entered into between Shanghai Property Management and Jinmao (Li Jiang) on 29 December 2017, pursuant to which Shanghai Property Management agreed to provide certain property management services in relation to the sales and display units of Lijiang Jinmao Whisper of Jade Dragon
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shanghai Decoration"	Shanghai Jin Mao Construction & Decoration Company Limited (上海金茂建築裝飾有限公司), a company incorporated in the PRC with limited liability on 18 October 1994 and a wholly-owned subsidiary of China Jinmao
"Shanghai Dehuan"	Shanghai Dehuan Property Co., Ltd. (上海德寰置業有限公司), a company incorporated in the PRC with limited liability and a non wholly-owned subsidiary of Sinochem Group, and therefore a connected person of the Company
"Shanghai Property Management"	Jin Mao (Shanghai) Property Management Co., Ltd. (金茂(上海)物業服務有限公司), a company incorporated in the PRC with limited liability on 18 September 1995 and an indirect wholly-owned subsidiary of the Company
"Shanghai Yinhui"	Shanghai Yinhui Real Estate Development Co., Ltd. (上海銀匯房地產開發有限公司), a company incorporated in the PRC with limited liability on 30 March 2000 and a non-wholly owned subsidiary of China Jinmao, and therefore a connected person of the Company

DEFINITIONS

"Share Stapled Units"	the combination of the following securities or interests in securities which, subject to the provisions in the Trust Deed, can only be dealt with together and may not be dealt with individually or one without the others: (a) a Unit; (b) the beneficial interest in a specifically identified ordinary share of the Company linked to the Unit and held by the Trustee-Manager as legal owner (in its capacity as trustee-manager of Jinmao Hotel); and (c) a specifically identified preference share of the Company stapled to the Unit
"Shareholders"	the persons registered at the relevant time in the principal register of members of the Company maintained in Cayman Islands or the branch register of members of the Company established and maintained in Hong Kong as the holders of an ordinary share of the Company and/or a preference share of the Company
"Shenzhen Yuemao Properties"	Shenzhen Yuemao Properties Company Limited (深圳悅茂置業有限公司), an indirect non-wholly-owned subsidiary of China Jinmao, and therefore a connected person of the Company
"Sinochem Conglomerate"	Sinochem Group and its subsidiaries (excluding the Trust Group and the China Jinmao Group)
"Sinochem Group"	Sinochem Group Co., Limited (中國中化集團有限公司), a state-owned enterprise established in the PRC on 11 August 1981 and the ultimate controlling holder of the Share Stapled Units
"Sinochem Hong Kong"	Sinochem Hong Kong (Group) Company Limited (中化香港(集團)有限公司), the controlling holder of the Share Stapled Units
"Sinochem International"	Sinochem International Corporation (中化國際(控股)股份有限公司), a state-owned corporation incorporated in the PRC and listed on the Shanghai Stock Exchange (stock code: 600500) and a subsidiary of Sinochem Group

DEFINITIONS

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Trust Deed"	the trust deed dated 13 June 2014 constituting Jinmao Hotel and entered into between the Trustee-Manager and the Company
"Trust Distributable Income"	the Trustee-Manager's distributing 100% of the dividends (on behalf of Jinmao Hotel), distributions and other amounts received by it from the Company in respect of the ordinary shares of the Company, after deduction of all amounts permitted to be deducted or paid under the Trust Deed (such as operating expenses of Jinmao Hotel), as required under the Trust Deed
"Trust Group"	Jinmao Hotel and the Group
"Trust Property"	all property and rights of any kind whatsoever which are held on trust for Holders of Share Stapled Units, in accordance with the terms of the Trust Deed
"Trustee-Manager"	Jinmao (China) Investments Manager Limited (金茂(中國)投資管理人有限公司), a company incorporated in Hong Kong with limited liability on 20 March 2014, in its capacity as trustee-manager of Jinmao Hotel
"Trustee-Manager Audit Committee"	the audit committee of the Trustee-Manager
"Trustee-Manager Board"	the board of directors of the Trustee-Manager
"Trustee-Manager's Articles"	the articles of association of the Trustee-Manager, as amended from time to time
"Unit"	a unit in Jinmao Hotel

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Jinmao Purelax Mountain Hotel, Lijiang
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