



Zhejiang New Century Hotel Management Co., Ltd. 浙江開元酒店管理股份有限公司

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

Stock code : 1158

2019 Interim Report



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CORPORATE INFORMATION

First Board of Directors

Executive Directors

Mr. Jin Wenjie (*Chairman*)
Mr. Chen Miaoqiang

Non-executive Directors

Mr. Chen Miaolin
Mr. Chen Canrong
Mr. Jiang Tianyi
Mr. Zhang Chi

Independent non-executive Directors

Mr. Zhang Rungang
Mr. Khoo Wun Fat William
Ms. Qiu Yun

First Board of Supervisors

Supervisors

Ms. Zha Xianghong (*Chairman*)
Mr. Guo Mingchuan
Ms. Liu Hong

Nomination Committee

Mr. Zhang Rungang (*Chairperson*)
Mr. Chen Canrong
Mr. Khoo Wun Fat William

Audit Committee

Ms. Qiu Yun (*Chairperson*)
Mr. Jiang Tianyi
Mr. Khoo Wun Fat William

Remuneration Committee

Mr. Zhang Rungang (*Chairman*)
Mr. Chen Miaolin
Ms. Qiu Yun

Joint company secretaries

Mr. Li Donglin
Ms. Chan Suet Lam

Authorized representatives

Mr. Jin Wenjie
Ms. Chan Suet Lam

Auditor

PricewaterhouseCoopers

Legal advisers

As to Hong Kong law:
Dechert
As to PRC law:
King & Wood Mallesons

Company name in China

浙江開元酒店管理股份有限公司

Company name in English

Zhejiang New Century Hotel
Management Co., Ltd.

H Share Registrar

Tricor Investor Services Limited
Level 54, Hopewell Centre, 183
Queen's Road East, Hong Kong

Registered office

18th Floor,
No. 818 Shixinzhong Road,
Beigan Subdistrict,
Xiaoshan District, Hangzhou,
Zhejiang Province, the People's
Republic of China (the "PRC")

Principal place of business in the PRC

18th Floor,
No. 818 Shixinzhong Road,
Beigan Subdistrict,
Xiaoshan District, Hangzhou,
Zhejiang Province, the PRC

Principal place of business in Hong Kong

Level 54, Hopewell Centre, 183
Queen's Road East, Hong Kong

Listing exchange for the Company's H Share

Main Board of The Stock Exchange of
Hong Kong Limited
(the "Stock Exchange")

H Shares abbreviation

NC HOTEL

Stock code

01158

Website

<http://www.kaiyuanhotels.com>

* For identification purpose only

OPERATING DATA

During the Reporting Period, the key performance indicators of our hotels in operation (including owned and leased hotels) were as follows:

Item	For the six months ended 30 June					
	Average Occupancy Rate (%)		Average Rate (RMB)		RevPAR (RMB)	
	2019	2018	2019	2018	2019	2018
Upscale business hotels	60.6	62.5	475.4	508.4	288.0	317.6
Upscale resort hotels	55.4	52.0	635.1	627.1	351.8	326.4
Mid-scale full service hotels	57.0	60.3	350.7	357.6	199.9	215.4
Mid-scale select service hotels	57.9	65.4	314.1	350.4	181.9	229.0

No new upscale resort hotels were introduced during the Reporting Period, and as the operation of such hotels matured, both the occupancy and average rates recorded growth. New hotels in other categories were opened during the second half of 2018 and during the Reporting Period. In this case, the average occupancy rates decreased as the new hotels were in the early stages of their business.

Hotel Management Segment

During the Reporting Period, the Group recorded revenue of approximately RMB99.0 million from hotel management segment, representing a year-on-year increase of approximately 31.6%, primarily due to an increase in the number of newly opened managed hotels. Revenue generated from the hotel management segment as a percentage of total revenue increased steadily to 10.9%, up from 9.0% for the corresponding period in 2018.

The following table shows the number of hotels and hotel rooms in operation as at 31 December 2018 and 30 June 2019.

In operation	As at December 2018		As at 30 June 2019	
	No. of Hotels	No. of Hotel Rooms	No. of Hotels	No. of Hotel Rooms
Operated hotels	31	7,501	37	8,782
Managed hotels	119	26,785	141	31,601
Total	150	34,286	178	40,383

The following table shows the number of hotels and hotel rooms of the Group by category, as at 30 June 2019.

	No. of operated hotels (No. of hotel rooms) in operation	No. of managed hotels (No. of hotel rooms) in operation	No. of operated hotels (No. of hotel rooms) in pipeline	No. of managed hotels (No. of hotel rooms) in pipeline	Total no. of hotels (No. of hotel rooms) in operation and in pipeline
Upscale business hotels	8 (3,287)	41 (14,300)	–	26 (7,580)	75 (25,167)
Upscale resort hotels	4 (830)	16 (3,868)	–	32 (7,230)	52 (11,928)
Mid-scale full service hotels	10 (2,523)	30 (7,288)	–	60 (15,292)	100 (25,103)
Mid-scale select service	15 (2,142)	54 (6,145)	2 (318)	83 (9,443)	154 (18,048)
Total	37 (8,782)	141 (31,601)	2 (318)	201 (39,545)	381 (80,246)

The following table is a breakdown of our hotels by first-, new first-, second-, third-tier and other cities, as at 30 June 2019.

	No. of operated hotels (No. of hotel rooms) in operation	No. of managed hotels (No. of hotel rooms) in operation	No. of operated hotels (No. of hotel rooms) in pipeline	No. of managed hotels (No. of hotel rooms) in pipeline	Total no. of hotels (No. of hotel rooms) in operation and in pipeline
First-tier cities	4 (655)	7 (1,699)	-	4 (704)	15 (2,958)
New first-tier cities	17 (4,594)	41 (8,370)	1 (150)	51 (8,870)	110 (21,984)
Second-tier cities	10 (2,210)	38 (8,678)	1 (168)	49 (9,741)	98 (20,797)
Third-tier cities	6 (1,423)	35 (7,680)	-	57 (11,648)	98 (20,751)
Others	-	20 (5,174)	-	40 (8,582)	60 (13,756)
Total	37 (8,782)	141 (31,601)	2 (318)	201 (39,545)	381 (80,246)

Note: Others include Anshun, Beihai, Bozhou, Changjiang Li Autonomous County, Chizhou, Chongzuo, Dazhou, Dali, Enshi, Fangchenggang, Fuzhou, Fuyang, Heze, Huangshan, Huangshi, Kaifeng, Leshan, Nyingchi, Lu'an, Pu'er, S.E. Qian Prefecture, Shangqiu, Shaoyang, Shiyang, Tongling, Weinan, Wenchang, Xishuangbanna, Xinxiang, Xinyu, Suqian, Suzhou, Xuancheng, Ya'an, Yan'an, Yingtan, Zaozhuang, Zhangjiajie, Zhumadian and Zunyi.

The following table is a breakdown of our hotels by geographic location, as at 30 June 2019.

	No. of operated hotels (No. of hotel rooms) in operation	No. of managed hotels (No. of hotel rooms) in operation	No. of operated hotels (No. of hotel rooms) in pipeline	No. of managed hotels (No. of hotel rooms) in pipeline	Total no. of hotels (No. of hotel rooms) in operation and in pipeline
Zhejiang Province	24 (6,133)	80 (16,519)	1 (150)	78 (14,580)	183 (37,382)
Jiangsu Province	4 (966)	13 (2,638)	-	24 (4,858)	41 (8,462)
Anhui Province	-	5 (772)	-	13 (2,383)	18 (3,155)
Jiangxi Province	-	6 (1,840)	1 (168)	9 (1,961)	16 (3,969)
Henan Province	-	2 (647)	-	9 (2,325)	11 (2,972)
Shanghai Municipality	4 (655)	6 (1,346)	-	3 (538)	13 (2,439)
Shandong Province	-	5 (1,507)	-	7 (1,190)	12 (2,697)
Guizhou Province	-	2 (802)	-	6 (1,347)	8 (2,149)
Hainan Province	-	2 (974)	-	3 (880)	5 (1,854)
Hunan Province	1 (153)	1 (276)	-	3 (650)	5 (1,079)
Guangxi Province	-	2 (397)	-	6 (1,290)	8 (1,687)
Yunnan Province	-	1 (85)	-	3 (976)	4 (1,061)
Hubei Province	-	1 (315)	-	10 (1,600)	11 (1,915)
Others	4 (975)	15 (3,483)	-	27 (4,967)	46 (9,425)
Total	37 (8,782)	141 (31,601)	2 (318)	201 (39,545)	381 (80,246)



DEFINITIONS AND GLOSSARY

“our Company”, “Company”, “we” or “us”	Zhejiang New Century Hotel Management Co., Ltd. (浙江開元酒店管理股份有限公司), a joint stock company with limited liability incorporated in the PRC on 28 June 2017, and except where the context indicates otherwise, includes (i) our predecessors and (ii) with respect to the period before our Company became the holding company of its present subsidiaries, the businesses operated by it and its present subsidiaries or (as the case may be) their predecessors
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and for the purposes of this report, means New Century Tourism, Mr. Chen Canrong, Mr. Chen Miaolin and Mr. Zhang Guanming
“EBITDA”	means earnings before interest, tax, depreciation and amortisation
“First-tier cities”	Beijing and Shanghai
“Group” or “our Group” or “New Century Hotel Group”	the Company and its subsidiaries or, in respect of the period before the Company became the holding company of such subsidiaries, the entities which carried on the business of the present Group at the relevant time
“H Share(s)”	overseas listed foreign shares in our ordinary share capital with a nominal value of RMB1.00 each, which were subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Auditor’s Report”	the interim review report of our independent auditor, on page 29 of this Interim Report
“Listing”	the listing of the H Shares on the Main Board of the Stock Exchange
“Listing Date”	11 March 2019, the date on which the H Shares were listed and from which dealings therein were permitted on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Mid-scale Hotel”	mainly refers to three-and four-star hotels rated by the China Tourism Hotel Association’s China National Star Rating System, as well as hotels with similar product positioning and quality whose service quality and facilities are relatively comparable to those evaluated as three-and four-star
“New Century Tourism”	New Century Tourism Group Co., Ltd. (開元旅業集團有限公司), a company established in the PRC on 9 January 2001, and is one of our Controlling Shareholders and is indirectly owned as to 85.2% by Mr. Chen Miaolin, 8.5% by Mr. Chen Canrong and 6.3% by Mr. Zhang Guanming, respectively
“New Century Tourism Group”	New Century Tourism and its subsidiaries
“New first-tier cities”	Nanjing, Dalian, Tianjin, Ningbo, Chengdu, Hangzhou, Suzhou, Xi’an, Zhengzhou, Chongqing, Changsha, Qingdao, Wuhan
“Prospectus”	the prospectus of the Company dated 26 February 2019
“Reporting Period”	From 1 January to 30 June 2019
“RMB” or “Renminbi”	the lawful currency of the PRC
“Second-tier cities”	Changzhou, Fuzhou, Guiyang, Harbin, Haikou, Hefei, Jinan, Jiaxing, Jinhua, Lanzhou, Nanchang, Nanning, Nantong, Quanzhou, Shaoxing, Taizhou, Weifang, Wenzhou, Wuxi, Xuzhou, Yantai, Yangzhou, Yixing, Changchun
“Share(s)”	ordinary shares of the Company with a nominal value of RMB1.00 each, including our Domestic Shares, Unlisted Foreign Shares and H Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Third-tier cities”	Baotou, Baoding, Cangzhou, Deqing, Dongying, Guilin, Huzhou, Huai’an, Jilin, Jiujiang, Lishui, Lianyungang, Linyi, Longyan, Ma’anshan, Ningde, Qinhuangdao, Quzhou, Qufu, Sanming, Sanya, Shangrao, Tai’an, Taizhou, Tangshan, Wuhu, Xining, Xiaogan, Yancheng, Yichang, Yichun, Zhangzhou, Zhenjiang, Zhoushan, Zhuzhou
“Upscale Hotel”	mainly refers to hotels considered as five-star by the China Tourism Hotel Association’s China National Star Rating System, as well as hotels with similar product positioning and quality, and service quality and comprehensive facilities comparable to those of five-star hotels

FINANCIAL HIGHLIGHTS

A comparison of results reflecting the adoption of International Financial Reporting Standards 16-Leases:

	Unaudited	
	For the six months ended 30 June	
	2019	2018
	(RMB'000)	(RMB'000)
Key Items from Interim Condensed Consolidated Statement of Comprehensive Income		
Revenue	905,249	835,866
Gross profit	243,578	189,519
Net profit	80,925	79,818
Profit attributable to Company shareholders	81,192	78,653
Earnings per share attributable to Company shareholders (in RMB)	0.32	0.37
	Unaudited	Audited
	As at	As at
	30 June	31 December
	2019	2018
	(RMB'000)	(RMB'000)
Key Items from Interim Condensed Consolidated Balance Sheet		
Total assets	4,475,803	1,546,845
Total liabilities	3,005,637	872,900
Total equity attributable to Company owners	1,458,351	663,848

A comparison of results without taking into account of the adoption of International Financial Reporting Standards 16-Leases:

	Unaudited	
	For the six months ended 30 June	
	2019	2018
	(RMB'000)	(RMB'000)
	(Note)	
Revenue	905,249	835,866
Gross profit	203,491	189,519
Net profit	90,478	79,818
Profit attributable to Company shareholders	89,556	78,653
Earnings per share attributable to Company shareholders (in RMB)	0.35	0.37
	Unaudited	Audited
	As at 30	As at 31
	June 2019	December 2018
	(RMB'000)	(RMB'000)
	(Note)	
Total assets	2,380,053	1,546,845
Total liabilities	778,524	872,900
Total equity attributable to Company owners	1,588,525	663,848

Note: The figures for the six months ended 30 June 2019 were illustrated for comparison purpose, and were prepared by the Company.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the interim results of Zhejiang New Century Hotel Management Co., Ltd. as at 30 June 2019.

Compared to 2018, the overall sentiment in the hotel industry was not as good in the first half of 2019. In a business environment with challenges and opportunities abound, the Group enhanced its operational management and carried out effective cost control of labor, energy consumption and others to increase revenue and reduce expenditures. At the same time, the Group adopted a proactive development strategy which included: further completing our network of hotels in core cities, continuing to focus on industry integration, actively exploring areas of cooperation, gradually speeding up the development of the Company, improving the group sales network, and canvassing the value of customer traffic to achieve the growth of our business during the Reporting Period.

During the Reporting Period, (i) the Group recorded a revenue of approximately RMB905.2 million, representing an increase of approximately 8.3% compared to the same period last year, (ii) the Group's EBITDA was approximately RMB319.3 million, representing an increase of approximately 136.9% compared to the same period last year, and (iii) profit attributable to owners of the Company was approximately RMB81.2 million, representing an increase of approximately 3.2% compared with the same period last year. Further, EBITDA margin of the Group for the six months ended 30 June 2019 increased from approximately 16.1% for the six months ended 30 June 2018 to approximately 35.3%. This was primarily due to the adoption of IFRS 16 and the growth of operating results brought by the expanded scale of our hotels. As IFRS 16 was not adopted for the six months ended 30 June 2018, for comparison purpose only, assuming the changes to the results during the Reporting Period brought by the adoption of IFRS 16 are not being taken into account, the Group's EBITDA would be approximately RMB136.4 million, representing an increase of approximately 1.2% as compared to the same period in 2018, the profit attributable to owners of the Company would be approximately RMB89.6 million, representing an increase of approximately 13.9% as compared to the same period in 2018, and the EBITDA margin would be approximately 15.1%, compared to approximately 16.1% for the six months ended 30 June 2018.

Controlling Costs, Increasing Revenue and Reducing Expenditure

Labor is the hotel industry's largest cost component. To control labor costs, the Group integrated posts in each department through process optimization and efficiency enhancement, while implementing flexible occupation and "undertaking multiple tasks in one specialized position". Cooperation across departments was enhanced and different employment types were adopted to achieve staff reductions and enhanced efficiency. During the Reporting Period, number of employees of the Group was reduced by 520, labor costs reduced by approximately RMB8.0 million, and the average working efficiency of employees was increased by 6.04% relative to 25 other comparable hotels.

To control energy consumption, the Group employed new energy saving technologies, materials and equipment, and updated its knowledge regarding energy saving technologies. New equipment with relatively high comprehensive efficiency was selected based on sustainability considerations, such as renewable and recycled energy. In respect to energy saving in the course of routine hotel management, the Group adopted a profit-sharing cooperation scheme for implementing renovations, especially for those involving high powered equipment and normal operational management. This achieved good results, realising effective control of energy consumption.

Improving the Group Sales Network and Enhancing Customer Traffic

Customers are vital strategic resources for the Company. During the Reporting Period, the Group strove to create an effective group sales network and provided transportation and booking services for its hotels through precise management of its own sales channels and the professional operation of cooperative channels (including Ctrip.com, Fliggy.com, Meituan, etc).

During the first half of the year, improvements to the Group sales network led to continued growth in the number of members, from approximately 6.504 million as at 30 June 2018 to approximately 8.614 million as at 30 June 2019. Members' activities also increased, with the accumulated spending of Century Club loyal members rising approximately 38.1% from approximately RMB373.2 million in 2018 to approximately RMB515.4 million in 2019, enhancing the Group's revenue and customer traffic value.

Expanding the Scope of Strategic Cooperation and Accelerating Comprehensive Development

In the first half of the year, the Company focused on establishing a cooperation management department, collectively organized and managed industry alliances, cross-industry cooperation and product reconstruction, as well as innovation and start-up incubation. It focused on optimizing products, innovations to the Company's management and business models, and transformation from a traditional labor-intensive hotel management company into a capital-, technology- and resources-intensive "hotel asset management and space operating platform". The Company enhanced its income and reduced its costs, pursued the goal of increasing customer satisfaction, and further enhanced the value of its brand.

During the Reporting Period, the Group and Ctrip.com completely utilised their products and services in respect of product sales, brand establishment and market sales, big data enabling and consumer experience to enable a more profitable growth for the Group's business and speeded up its digital transformation. The scope of cooperation includes recommending the Group's high quality hotel to users; including New Century's flagship hotel on Ctrip.com; providing respective interests and privileges to both parties' members of different rank to jointly establish a loyalty scheme; commencing in-depth cooperation in market promotion; and discussing cooperation in terms of integrated tourism business, multi-field information technology and others. Based on the above, the cooperation between the Group and Ctrip.com achieved 391,831 hotel room nights during the Reporting Period, representing a year-on-year increase of 88%.

In the first half of the year, cooperation between the Company, Dothink Holding Group and Greentown Town Group began, strived to speed up the Group's development by their respective professional and brand advantages; proceeded with cross-industry cooperation with Ximalaya, Tuhu, Qingjiang Evening News, Zhejiang Twenty-Four Hours and other brands to extend the Group's influence in other industries, formed a brand promotion effect of "1+1>2", enhanced the reputation of the Company in different industries and expanded the room for strategic cooperation.

Adopting an Active Development Strategy and Progressing Further with Networking Planning in Core Cities

During the first half of the year, the Company adopted an active development strategy, focused on rapid expansion and strengthening of planning at a national level, and continued to consolidate its leading market position. During the Reporting Period, the number of hotels in the pipeline gradually increased to a total of 68 contracted hotels. As at the end of the Period, the number of contracted hotels of the Group reached 203 with 39,863 rooms, representing the growing nationwide influence of the New Century brand. The Group's hotel portfolio comprised 178 hotels in operation throughout the PRC, covering 27 provinces and 115 cities, with approximately 40,383 rooms. The active development strategy was effective, accelerating the process of opening and contracting hotels, and expanding the scale of operation and management of hotels.

Furthermore, the Company placed Group expansion at the core of its development, leading to the gradual establishment of district development centers. During the first half of the year, the Group deployed personnel with the requisite business expansion capabilities to southwestern and central China, gradually established district development centres in southwestern and central China as well as Jiangsu, covering core expansion areas.. In future, the Group will maintain its focus on strategic cities, establish district development centers in northwest and south China and other districts according to plan, further enhance nationwide business expansion, and accelerate planning for its brands.

Acknowledgements

Finally, I sincerely thank all employees and management members for their dedication, hard work, and their valuable contributions to the Company. They have enabled the Company to maintain a gradual growth in its results despite an overall unsatisfactory performance for the industry as a whole. We also thank all shareholders, landlords and business partners for their support. In future, we will continue to work hard and reward investors with excellent performance.

Jin Wenjie
Chairman
Hangzhou, China
20 August 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2019, growth in the supply of hotel rooms in the PRC continued to slow down, influenced by the complicated domestic and international situation. Market demand showed signs of weakening and did not keep pace with the increase in supply. Therefore the hotel industry's overall performance did not continue the gradual recovery trend of the previous two years.

Compared to 2018, the overall sentiment in the hotel industry was not as good in the first half of 2019. In a business environment with challenges and opportunities abound, the Group enhanced its operational management and carried out effective cost control of labor, energy consumption and others to increase revenue and reduce expenditures. At the same time, the Group adopted a proactive development strategy which included: further completing our network of hotels in core cities, continuing to focus on industry integration, actively exploring areas of cooperation, gradually speeding up the development of the Company, improving the group sales network, and canvassing the value of customer traffic to achieve the growth of our business during the Reporting Period.

During the Reporting Period, (i) the Group recorded a revenue of approximately RMB905.2 million, representing an increase of approximately 8.3% compared to the same period last year, (ii) the Group's EBITDA was approximately RMB319.3 million, representing an increase of approximately 136.9% compared to the same period last year, and (iii) profit attributable to owners of the Company was approximately RMB81.2 million, representing an increase of approximately 3.2% compared with the same period last year. Further, EBITDA margin of the Group for the six months ended 30 June 2019 increased from approximately 16.1% for the six months ended 30 June 2018 to approximately 35.3%. This was primarily due to the adoption of IFRS 16 and the growth of operating results brought by the expanded scale of our hotels. As IFRS 16 was not adopted for the six months ended 30 June 2018, for comparison purpose only, assuming the changes to the results during the Reporting Period brought by the adoption of IFRS 16 are not being taken into account, the Group's EBITDA would be approximately RMB136.4 million, representing an increase of approximately 1.2% as compared to the same period in 2018, and the profit attributable to owners of the Company would be approximately RMB89.6 million, representing an increase of approximately 13.9% as compared to the same period in 2018, and the EBITDA margin would be approximately 15.1%, compared to approximately 16.1% for the six months ended 30 June 2018.

During the Reporting Period, the Group had 68 newly contracted hotels in total (January to June in 2018: 34). The gradual increase in the number of hotels in the pipeline reflected the growing influence of New Century brand nationwide. As at 30 June 2019, the Group's hotel portfolio consisted of 178 hotels in operation (as at 31 December 2018: 150), with approximately 40,383 rooms (as at 31 December 2018: 34,286) throughout the PRC, representing an increase of approximately 18.7% and approximately 17.8% as compared to 31 December 2018. Among the 178 hotels in operation, 126 were under full service management agreements, 15 were under franchise agreements, two were owned hotels, and 35 were under lease agreements. As at 30 June 2019, the Group had 203 hotels in the pipeline with 39,863 rooms, representing an increase of approximately 20.1% and 9.6% respectively as compared to 31 December 2018.

The following table shows the number of hotels and rooms in operation as 31 December 2018 and 30 June 2019.

	As at 31 December 2018		As at 30 June 2019	
	No. of Hotels	No. of Hotel Rooms	No. of Hotels	No. of Hotel Rooms
In operation				
Operated hotels	31	7,501	37	8,782
Managed hotels	119	26,785	141	31,601
Total	150	34,286	178	40,383

The following table shows the number of hotels and rooms of the Group by category as at 30 June 2019.

	No. of operated hotels (No. of hotel rooms) in operation	No. of managed hotels (No. of hotel rooms) in operation	No. of operated hotels (No. of hotel rooms) in pipeline	No. of managed hotels (No. of hotel rooms) in pipeline	Total no. of hotels (No. of hotel rooms) in operation and in pipeline
Upscale business hotels	8 (3,287)	41 (14,300)	-	26 (7,580)	75 (25,167)
Upscale resort hotels	4 (830)	16 (3,868)	-	32 (7,230)	52 (11,928)
Mid-scale full service hotels	10 (2,523)	30 (7,288)	-	60 (15,292)	100 (25,103)
Mid-scale select service	15 (2,142)	54 (6,145)	2 (318)	83 (9,443)	154 (18,048)
Total	37 (8,782)	141 (31,601)	2 (318)	201 (39,545)	381 (80,246)

Hotel Operation Segment

During the Reporting Period, the Group's revenue generated from the hotel operation segment amounted to approximately RMB806.3 million, representing an increase of approximately 6.0% as compared to approximately RMB760.6 million for the six months ended 30 June 2018. This was primarily due to the opening of new hotels. The Group created a new driver for revenue growth by focusing on developing new hotel projects in upscale and mid-scale markets. During the Reporting Period, Changxing Grand New Century Hotel (長興開元名都大酒店), an upscale full-service hotel leased and operated by the Group, was opened in February 2019, while the two mid-scale full service hotels, Ningbo Holiyacht Kylie Hotel (寧波漢雅凱利大酒店) and Ningbo Hanya Crystal Hotel (寧波漢雅新晶都酒店), were opened in May 2019. With respect to mid-scale select service hotel chains, three hotels which we leased and operated (located in Changxing, Chengdu and Shanghai) successively commenced operation during the Reporting Period, increasing the number of our operated hotels from 31 as at 31 December 2018 to 37 as at 30 June 2019. These new hotels were operating a fledging business, and due to the prudence of the Group's accounting policies, the low-cost consumables required for hotel operations were included as one-time expenses at the beginning of operations. This resulted in a general loss for these hotels during the Reporting Period, amounting to approximately RMB21.0 million.

Owned hotels

As at 30 June 2019, our "New Century Wonderland Resort" owned two hotels with 382 rooms, accounting for approximately 0.9% of the total hotel rooms in operation.

Leased hotels

During the first half of 2019, the Group sought opportunities for leasing hotel properties at reasonable rents to create a new driver for revenue and profit growth. This would also enhance brand value by rapidly expanding the national hotel network using a proven management model. Six new leased hotels therefore commenced operation during the Reporting Period. As at 30 June 2019, we had 35 leased hotels with 8,400 rooms, accounting for approximately 20.8% of the total number of hotel rooms in operation.

Operating Data

During the Reporting Period, key performance indicators for our operated hotels (including owned and leased hotels) were:

Item	For the six months ended 30 June					
	Average Occupancy Rate (%)		Average Daily Rate (RMB)		RevPAR (RMB)	
	2019	2018	2019	2018	2019	2018
Upscale business hotels	60.6	62.5	475.4	508.4	288.0	317.6
Upscale resort hotels	55.4	52.0	635.1	627.1	351.8	326.4
Mid-scale full service hotels	57.0	60.3	350.7	357.6	199.9	215.4
Mid-scale select service hotels	57.9	65.4	314.1	350.4	181.9	229.0

No new upscale resort hotels were introduced during the Reporting Period, and as the operation of such hotels matured, both the occupancy and average rates recorded growth. New hotels in other categories were opened during the second half of 2018 and during the Reporting Period. In this case, the average occupancy rates decreased as the new hotels were in the early stages of their business.

Hotel Management Segment

During the Reporting Period, the Group recorded revenue of approximately RMB99.0 million from the hotel management segment, representing an increase of approximately 31.6% as compared to approximately RMB75.2 million for the six months ended 30 June 2018, primarily due to an increased number of managed hotels from new openings. As a percentage of total revenue, revenue generated from the hotel management segment increased steadily to 10.9% for the Reporting Period from 9.0% for the six months ended 30 June 2018, respectively.

Financial Review

Revenue

Comparison between the Group's financial information during the Reporting Period and that of the corresponding period in 2018:

	For the six months ended 30 June			
	2019		2018	
	Revenue (Unaudited) RMB'000	% of total revenue	Revenue (Unaudited) RMB'000	% of total revenue
Hotel operation				
Room	367,356	40.6%	336,507	40.3%
Food and beverage	309,054	34.1%	326,014	39.0%
Ancillary services	110,225	12.2%	80,161	9.6%
Rental income	19,615	2.2%	17,955	2.1%
Subtotal of hotel operation	806,250	89.1%	760,637	91.0%
Hotel management	98,999	10.9%	75,229	9.0%
Total	905,249	100%	835,866	100%

Hotel Operation

For the six months ended 30 June 2019, revenue for the hotel operation segment increased by approximately 6.0%, from approximately RMB760.6 million to approximately RMB806.3 million for the six months ended 30 June 2018 and 2019, respectively. This was primarily due to (i) an approximate 9.2% increase in revenue from hotel room services, from approximately RMB336.5 million to approximately RMB367.4 million; (ii) an approximate 37.5% increase in revenue from ancillary services, from approximately RMB80.2 million to approximately RMB110.2 million; and (iii) an approximate 9.2% increase in rental income, from approximately RMB18.0 million to approximately RMB19.6 million. These increases were offset by an approximate 5.2% decrease in revenue from food and beverage (“F&B”) services, from approximately RMB326.0 million to approximately RMB309.1 million for the respective periods.

Revenue from ancillary services increased by approximately 37.5% and was mainly due to (i) the increase in sales of goods and products by approximately 91.4%, from approximately RMB22.0 million to approximately RMB42.1 million during the Reporting Period; and (ii) an approximate 57.7% increase in revenue from services, from approximately RMB18.2 million to approximately RMB28.7 million for the six months ended 30 June 2018 and 2019, respectively.

Revenue from F&B services decreased by approximately 5.2%, mainly due to a drop in market demand for banquet services in Zhejiang province.

Hotel Management

For the six months ended 30 June 2019, revenue for the hotel management segment increased by approximately 31.6%, from approximately RMB75.2 million in the same period of 2018 to approximately RMB99.0 million for the Reporting Period. This was mainly due to (i) an approximate 18.5% increase in the number of managed hotels; and (ii) a greater number of contracts for providing pre-opening technical services for contracted hotels in the Reporting Period, and in particular with revenue from such services increased by 103.1%, increasing from approximately RMB9.7 million to approximately RMB19.7 million for the six months ended 30 June 2018 and 2019, respectively.

Cost of Sales

During the Reporting Period, the cost of sales increased by approximately 2.4%, from approximately RMB646.3 million for 2018 to approximately RMB661.7 million for the Reporting Period, primarily due to the adoption of IFRS 16 and the new hotels' relative high initial expenditures and their operations' early stage of cultivating business.

Gross Profit and Gross Profit Margin

Based on the foregoing, during the Reporting Period, the Group's gross profit amounted to approximately RMB243.6 million, representing an increase of approximately 28.5% over the same period of last year. The gross profit margin was approximately 26.9%, representing a 4.2% increase as compared to the gross profit margin of approximately 22.7% for the same period in 2018. This was mainly due to the adoption of IFRS 16 and the new hotels' relative high initial expenditures and their operations' early stage of cultivating business. As IFRS 16 was not adopted for 2018, for comparison purpose only, assuming the changes to the results during the Reporting Period brought by the adoption of IFRS 16 are not being taken into account, the Group's gross profit would be approximately RMB203.5 million, representing an increase of approximately 7.4% as compared to the same period last year, and our gross profit margin would be 22.5%, representing a 0.2% decrease as compared to the same period in 2018.

Other Income and Other Gains

During the Reporting Period, other income and other gains were approximately RMB18.3 million, representing a decrease of approximately RMB6.6 million as compared to approximately RMB24.9 million for the six months ended 30 June 2018. This was primarily due to a compensation income of approximately RMB8.4 million received in the same period of 2018 from a third party lessor (who has opted for an early termination of the Shanghai Puxi New Century Hotel lease agreement).

Sales and Marketing Expenses

Sales and marketing expenses increased by approximately 18.1%, from approximately RMB37.3 million for the six months ended 2018 to approximately RMB44.1 million for the Reporting Period. This was primarily due to an increase in the number of marketing personnel and the salary level as a result of the increased number of new hotels.

Administrative Expenses

Administrative expenses increased by approximately 11.8%, from approximately RMB73.9 million for the six months ended 2018 to approximately RMB82.5 million for the Reporting Period, primarily due to the expansion of our business.

Taxation

The effective tax rate during the Reporting Period was approximately 16.8%, compared to approximately 23.5% over the same period of last year. The decreased effective tax rate was primarily due to the change in the scope of tax deductible expenses applicable to the Reporting Period.

Net Profit and Total Comprehensive Income

As a result of the foregoing, our net profit and total comprehensive income increased by approximately 1.4% from approximately RMB79.8 million for the same period of last year to approximately RMB80.9 million for the Reporting Period. The profit attributable to Company owners increased by approximately 3.2% from approximately RMB78.7 million for the same period of last year to approximately RMB81.2 million for the Reporting Period. As IFRS 16 was not adopted for 2018, for comparison purpose only, assuming the changes to the results during the Reporting Period brought by the adoption of IFRS 16 are not being taken into account, the Group's net profit and total comprehensive income would be approximately RMB90.5 million, representing an increase of approximately 13.4% as compared to the same period last year, and the Group's profit attributable to Company owners would be approximately RMB89.6 million, representing a 13.9% increase as compared to the same period in 2018.

Total Cash and Cash Equivalents Balance

As at 30 June 2019, the Group's total cash and cash equivalents balance was approximately RMB253.2 million, representing a decrease of approximately RMB114.5 million from approximately RMB367.7 million as at 31 December 2018, which was mainly due to the repayment of approximately RMB190.5 million of bank loan by the Group during the Reporting Period. There were also term deposits of approximately RMB930.0 million (as at 31 December 2018: RMB68.0 million).

Property, Plant and Equipment

The property, plant and equipment of the Group mainly include leasehold improvements, construction in progress, building and facilities, machinery and equipment, office and electronic equipment and vehicles. As at 30 June 2019, the property, plant and equipment of the Group was approximately RMB656.6 million, representing an increase of approximately RMB68.8 million as compared to approximately RMB587.8 million as at 31 December 2018, primarily attributable to the renovation for the Group's new lease operating hotels as well as the addition of related assets.

Contract Liabilities

The Group's contract liabilities substantially comprised the advances from customers and reward points under the customer loyalty program. Advances from customers primarily represented prepayment received from prepaid card holders, advances from banquet customers and prepayment received from leasing agreements. Customer loyalty program primarily represented a promotion program under which customers accumulate points for hotel service purchases made, which entitle them to discounts on future hotel service purchases.

Liquidity and financial resources

The Group generally funds its growth from cash generated from operations and debt financings. For details related to the Group's cash and cash equivalents, please refer to the sub-section "Total Cash and Cash Equivalents Balance" above and note 18 to the interim condensed consolidated balance sheet. As at 30 June 2019, the Group had no bank borrowings (31 December 2018: approximately RMB190.5 million), and had no charges over its assets. Please refer to note 22 to the consolidated financial statements for the details of borrowings. As at 30 June 2019, the Group's gearing ratio, calculated by dividing total borrowings (including current and non-current borrowings) by total assets, was approximately 0% (31 December 2018: approximately 12%). The Group constantly monitors its cash flow position, maturity profile of borrowings, availability of banking facilities, gearing ratio and interest rate exposure.

Foreign exchange risk

The Group's exposure to foreign exchange risk relates principally to its cash and cash equivalents denominated primarily in United States dollar and Hong Kong dollar. For further details on the Group's exposure to foreign exchange risk, please refer to note 6 to the condensed consolidated interim financial information.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

During the Reporting Period, there has been no material acquisition and disposal of subsidiaries, associates, or joint ventures.

Details on future plans for material investments or acquisition of capital assets

Save as the plans for use of proceeds as disclosed in the sub-section headed "Use of the proceeds from the initial public offering of the Company" in this report, the Group currently does not have plans for material investments or acquisition of capital assets.

Use of the proceeds from the initial public offering of the Company

H Shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) on 11 March 2019 (“**Listing**”). Calculated based on the offer price of HK\$16.5 per Share, the Company’s proceeds from the Listing amount to approximately HK\$1,155.0 million. According to the plan as stated in the prospectus for the Company dated 26 February 2019 (“**Prospectus**”), the net proceeds utilized by the Group from Listing Date up to 30 June 2019 are as follows:

Use of net proceeds	Amount of net proceeds earmarked		Use of proceeds from the Listing Date up to 30 June 2019	Unutilized amount	Unutilized proportion
	(HKD million)	(RMB million)*	(RMB million)	(RMB million)	
Development of our upscale business and resort hotels	280.0	239.7	7.3	232.4	97.0%
Development of our mid-scale hotels	392.0	335.6	0.9	334.7	99.7%
Brand building and promotion including but not limited to, engaging in marketing and promotional activities, sponsorship of industry events and advertising	112.0	95.9	0.0	95.9	100.0%
Recruitment of more talent and strengthening our implementation of training to our staff and recruitment programs for supporting our business expansion	56.0	47.9	0.2	47.7	99.6%
Development of our information technology system by upgrading existing operational and IT system infrastructure	168.0	143.8	0.3	143.5	99.8%
General corporate purposes and working capital	112.0	95.9	92.4	3.5	3.7%
Total	1,120.0	958.9	101.0	857.9	

* The amounts stated in RMB in this column are converted into Hong Kong dollars at a rate of RMB1 to HK\$1.1681. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

The Directors are not aware of any material change to the proposed use of proceeds as at the date of his announcement. The remaining net proceeds is currently held in bank deposits and it is intended that it will be applied in the manner consistent with the proposed allocations in the Prospectus.

Interests or Short Positions of Directors, Supervisors and Chief Executive in the Shares, Underlying Shares or Debentures of the Company or its Associated Corporation

As at 30 June 2019, the interests or short positions of our Directors, Supervisors and chief executive in the Shares, underlying Shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules, are set out as follows:

Interest in Company Shares

Name of Director	Nature of Interest	Class of Shares	Number of Shares	% in the relevant class of issued shares of the Company	% in the total issued shares of the Company
Chen Miaolin	Interest of a controlled corporation ⁽²⁾	Unlisted Shares ⁽⁶⁾	135,331,770	64.44	48.33
Jin Wenjie	Interest of a controlled corporation ⁽³⁾	Unlisted Shares ⁽⁶⁾	13,437,900	6.40	4.80
Chen Miaoqiang	Interest of a controlled corporation ⁽⁴⁾	Unlisted Shares ⁽⁶⁾	7,223,580	3.44	2.58
	Interest of spouse ⁽⁵⁾	Unlisted Shares ⁽⁶⁾	7,223,580	3.44	2.58

Notes:

- All interests stated are long positions.
- Mr. Chen Miaolin indirectly owns 85.2% of the equity interests in New Century Tourism and is deemed under the SFO to be interested in the shares held by New Century Tourism.
- Mr. Jin Wenjie is a general partner of and has full control over Ningbo Meishan Bonded Area Kaihui Taiheng Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區開匯泰亨投資管理合夥企業(有限合夥)) ("Kaihui Taiheng"). Mr. Jin Wenjie is deemed under the SFO to be interested in the shares held by Kaihui Taiheng.
- Mr. Chen Miaoqiang is a general partner of and has full control over Ningbo Meishan Bonded Area Kairui Shiqi Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區開瑞世祺投資管理合夥企業(有限合夥)) ("Kairui Shiqi"). Mr. Chen Miaoqiang is deemed under the SFO to be interested in the shares held by Kairui Shiqi.
- Ms. Lu Jun, the spouse of Mr. Chen Miaoqiang, owns 20.0% limited partnership interests in Kairui Shiqi, and as such, Mr. Chen Miaoqiang is deemed under the SFO to be interested in the shares held by Kairui Shiqi.
- Unlisted shares include domestic shares and unlisted foreign shares. On the advice of our PRC Legal Adviser, holders of unlisted foreign shares and domestic shares are entitled to the same rights and will be treated as if they are in the same class of shares under the SFO upon Listing.

Save as disclosed above, as at 30 June 2019, neither any of the Directors, Supervisors nor Chief Executive had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests or Short Positions of Substantial Shareholders in the Shares or Underlying Shares of the Company

As at 30 June 2019, the interests or short positions of the following persons (other than Directors (except Mr. Chen Miaolin), Supervisors and chief executive of the Company) or corporations in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO are as follows:

Name of Shareholder	Nature of Interest	Class of Shares	Number of Shares	% in the relevant class of issued shares of the Company	% in total issued shares of the Company
New Century Tourism	Beneficial owner Interest of a controlled corporation ⁽⁸⁾	Unlisted Shares ⁽⁸⁾ Unlisted Shares ⁽⁸⁾	125,676,180	64.44	48.33
			9,655,590		
			135,331,770		
Chen Miaolin	Interest of a controlled corporation ⁽⁹⁾⁽¹⁰⁾	Unlisted Shares ⁽⁸⁾	135,331,770	64.44	48.33
NC Hotels Investment Holding Pte. Ltd.	Beneficial owner ⁽¹¹⁾	Unlisted Shares ⁽⁸⁾	40,482,540	19.28	14.46
Ctrip.com (Hong Kong) Limited	Beneficial owner ⁽¹²⁾	H Shares	14,830,000	21.19	5.30
Rong Tong Fund Management Co., Ltd. represents: Rongtong Ronghai QDII No. 29 SMA (融通融海29號(QDII)單一資產管理計畫)	Investment Manager ⁽¹³⁾	H Shares	9,169,000	13.10	3.27
Rex Top Global Investments Limited	Beneficial owner ⁽¹⁴⁾	H Shares	6,230,000	8.90	2.23
Huatai Securities Co., Ltd.	Interest of a controlled corporation ⁽¹⁵⁾	H Shares	4,750,000	6.79	1.70

Notes:

7. All interests stated are long positions.
8. Unlisted shares include domestic shares and unlisted foreign shares. On the advice of our PRC Legal Adviser, holders of unlisted foreign shares and domestic shares are entitled to the same rights and will be treated as if they are in the same class of shares under the SFO upon Listing.
9. New Century Tourism is a general partner of and has full control over Hangzhou Qianhe Qiju Investment Management Partnership (Limited Partnership) (杭州謙和祺聚投資管理合夥企業(有限合夥)) (“Qianhe Qiju”). New Century Tourism is deemed under the SFO to be interested in the Shares held by Qianhe Qiju.
10. Mr. Chen Miaolin indirectly owns 85.2% of the equity interests in New Century Tourism and Mr. Chen Miaolin is deemed under the SFO to be interested in the shares held by New Century Tourism.
11. NC Hotels Investment Holding Pte. Ltd. is ultimately controlled by GAP (BERMUDA) LIMITED. GAP (BERMUDA) LIMITED is deemed under the SFO to be interested in the shares held by NC Hotels Investment Holding Pte. Ltd.
12. Ctrip.com (Hong Kong) Limited is a wholly-owned subsidiary of Ctrip.com International. Ltd. Ctrip.com International. Ltd. is deemed under the SFO to be interested in the shares held by Ctrip.com (Hong Kong) Limited.
13. Rong Tong Fund Management Co., Ltd. represents Rongtong Ronghai QDII No. 29 SMA (Rongtong Ronghai No. 29 (QDII)) (融通融海29號(QDII)單一資產管理計劃) (“Rongtong”) is ultimately controlled by Sumitomo Mitsui Trust Holdings, Inc. Sumitomo Mitsui Trust Holdings, Inc. is deemed under the SFO to be interested in the shares held by Rongtong.
14. Yeung Lik David is the controller and director of Rex Top Global Investments Limited.
15. These shares are directly held by Huatai Capital Investment Limited, an indirect wholly-owned subsidiary.

Save as disclosed above, as at 30 June 2019, Directors, Supervisors and Chief Executives of the Company were not aware of any other person or corporation having an interest or short position in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Changes in Directors and Supervisors’ Biographical Details

Changes in directors and supervisors’ biographical details subsequent to the date of the 2018 Annual Report, which are required to be disclosed pursuant to Rules 13.51(2) and 13.51B of the Listing Rules, are set out below:

- (1) Mr. Chen Miaoqiang, an executive director of the Company was appointed as a director of Ningbo Mansion New Century Hotel Management Company Limited (寧波開元名庭酒店管理有限公司) on 17 April 2019 and was resigned from his office as a director of Ningbo New Century Manju Hotel Management Company Limited (寧波開元曼居酒店管理有限公司) and resigned from his office as a director of Changxing New Century Mayart Hotel Company Limited (長興開元美途酒店有限公司) on 20 May 2019 and 23 May 2019, respectively.

- (2) Mr. Zhang Chi, a non-executive director of the Company was appointed as a director of Futu Holdings Limited (富途控股有限公司) (NASDAQ: FHL) on 8 August 2019.

Human Resources and Training

As at 30 June 2019, the Group had 5,209 employees. For the six months ended 30 June 2019, the total remuneration of employee, including the remuneration of the Directors (but excluding those who are independent non-executive directors), was approximately RMB265.6 million (for the six months ended 30 June 2018: RMB227.1 million). Employees' compensations of the Company include basic wages, allowance and performance bonus. The company established a scientific and reasonable compensation distribution system where the income of the employees is directly proportional to the value created by them for the Company and meanwhile, we will maintain a certain growth of the employees' income based on the market development and the overall benefit growth of the Company.

The Group strongly emphasises the development of human resources, focusing on the long-term cultivation and training of management talent at all levels, including both specialised talents and junior employees. The Group strives to develop talent in line with Company strategy. During the Reporting Period, the Company organised training aligned to every talent development plan of the Group. These yielded an increased incidence of innovation as compared to the previous year and were received positively by employees.

Currently, the Company has no established share option schemes.

Corporate Governance

From the Listing Date to the end of the Reporting Period, the Company has adopted the principles and code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules to implement good corporate governance practices of the Company and has met and complied with the relevant code provisions.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, to regulate securities transactions by Directors and Supervisors of the Company.

The Company has made specific enquiries of all the Directors and Supervisors of the Company, and all of them have confirmed that they have been in compliance with the Model Code from the Listing Date to the end of the Reporting Period.

The Company is not aware of any non-compliance with the Model Code by any employee who may possess inside information in relation to the Company or its securities.

Audit Committee

The Company has established an audit committee whose major responsibilities include reviewing and monitoring the Company's financial reporting, risk management and internal control systems of the Company. The Committee also assists the Board to fulfill its responsibility over the audit of the Group. The Audit Committee has three members, consisting of two independent non-executive Directors (Ms. Qiu Yun and Mr. Khoo Wun Fat William) and one non-executive Director, Mr. Jiang Tianyi. Ms. Qiu Yun is the Committee's chairperson.

The Audit Committee has reviewed the Group's interim results for the six months ended 30 June 2019 and recommended approval by the Board. The interim results of the Group for the six months ended 30 June 2019 were also reviewed by the Company's external auditor, PricewaterhouseCoopers. With the Group's management, the audit committee also reviewed the Group's accounting principles and practices and discussed matters of internal control, risk management and financial reporting for the six months ended 30 June 2019.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to the end of the Reporting Period.

Corporate Strategy and Development Outlook

Judging from the current status of the hotel industry in China, it is anticipated that the overall demand trend brought by consumption upgrade will remain unchanged, generally maintaining an upward momentum despite being influenced by the global economy and other factors. In terms of supply, the slow market growth of upscale hotels and rapid development in the mid-scale hotel market means that the future demand and supply will be beneficial to the continued development of hotel operators. The Group will implement a proactive development strategy, focusing on planning its network in key cities of China. Attention will be paid to the Group's existing top 12 brands to further enhance their value. By closely monitoring the demands of property owners and consumers and leveraging cost competitiveness to optimize the profit structure and expand its scope for cooperation, the Group will continue to strengthen its leading market position.

We believe the following competitive strengths have provided a solid foundation for our rapid future development: (i) status as a leading upscale hotel groups in the PRC, with strong brand recognition and in-depth experience; (ii) an innovative and flexible corporate operational and management mechanism which creates a synergistic business model combining hotel operation and management businesses; (iii) an extensive cooperative basis, especially for cross-industry collaboration, which explores the value of customer traffic and turns it into commercial value; (iv) diverse and effective hotel reservation channels and loyalty program which enrich our sources of hotel patronage; and (v) an experienced and professional management team and dedicated workforce.

We plan to seize market opportunities by (i) maintaining and improving our talent cultivation strategy, especially the three-level talent cultivation scheme; (ii) strategically completing business planning for key cities to improve our national hotel network; (iii) rapidly expanding our mid-scale hotel business, launching mid-scale hotels of unique design in targeted cities to increase our share of the mid-scale hotel market; (iv) increasing marketing activities and cross-sectoral marketing initiatives to maintain strong brand recognition and expand our guest base; and (v) further invest and develop innovative digital strategies to improve operational efficiency. We will introduce more innovative products and services, improve operational and management efficiencies, and meet the expectations of hotel guests while creating value for hotel owners.

Events after the Reporting Period

The Group does not have any significant event requiring disclosure under the Listing Rules that has taken place subsequent to 30 June 2019 and up to the date of this report.

Interim Dividend

The Board does not recommend the distribution of an interim dividend for the Reporting Period.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Shareholders of Zhejiang New Century Hotel Management Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 30 to 90, which comprises the interim condensed consolidated balance sheet of Zhejiang New Century Hotel Management Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2019 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 August 2019

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

(All amounts in Renminbi thousands unless otherwise stated)

	Notes	Unaudited Six months ended 30 June	
		2019 RMB'000	2018 RMB'000
Revenue	7	905,249	835,866
Cost of sales	8	(661,671)	(646,347)
Gross profit		243,578	189,519
Selling and marketing expenses	8	(44,114)	(37,349)
Administrative expenses	8	(82,548)	(73,850)
Net impairment losses on financial assets	8	(3,026)	(773)
Other income	9	17,723	5,087
Other gains – net	10	618	19,797
Operating profit		132,231	102,431
Finance income		18,847	4,616
Finance costs		(56,135)	(4,800)
Finance costs – net	11	(37,288)	(184)
Share of net profits of associates and joint venture accounted for using the equity method	16	2,366	2,124
Profit before income tax		97,309	104,371
Income tax expense	12	(16,384)	(24,553)
Profit and total comprehensive income for the half-year		80,925	79,818
Profit and total comprehensive income attributable to:			
– Owners of the Company		81,192	78,653
– Non-controlling interests		(267)	1,165
		80,925	79,818
Earnings per share for profit attributable to the owners of the Company – Basic/Diluted (in RMB per share)	13	0.32	0.37

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2019

(All amounts in Renminbi thousands unless otherwise stated)

	Notes	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	15	656,593	587,756
Right-of-use assets	4	2,204,432	–
Investment properties	15	903	910
Land use rights	15	–	44,954
Intangible assets	15	7,187	14,904
Investments accounted for using the equity method	16	123,930	121,564
Other non-current assets		–	3,170
Deferred tax assets		71,993	27,338
Total non-current assets		3,065,038	800,596
Current assets			
Inventories		26,365	28,322
Trade and other receivables and prepayments	17	201,163	282,239
Cash and cash equivalents	18	253,246	367,688
Restricted cash	18	929,991	68,000
Total current assets		1,410,765	746,249
Total assets		4,475,803	1,546,845
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	19	280,000	210,000
Share premium	19	865,375	–
Other reserves	20	276,986	276,440
Retained earnings		35,990	177,408
Total equity attributable to owners of the Company		1,458,351	663,848
Non-controlling interests		11,815	10,097
Total equity		1,470,166	673,945
Liabilities			
Non-current liabilities			
Borrowings	22	–	185,000
Lease liabilities	4	2,007,842	–
Deferred income	23	19,455	20,048
Deferred tax liabilities		205	442
Total non-current liabilities		2,027,502	205,490

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(continued)

As at 30 June 2019

(All amounts in Renminbi thousands unless otherwise stated)

	Notes	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Current liabilities			
Contract liabilities		209,350	194,194
Borrowings	22	–	5,500
Trade and other payables	21	424,537	443,081
Lease liabilities	4	330,780	–
Current income tax liabilities		12,282	23,449
Current portion of long-term liabilities	23	1,186	1,186
Total current liabilities		978,135	667,410
Total liabilities		3,005,637	872,900
Total equity and liabilities		4,475,803	1,546,845

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

The interim condensed consolidated financial information on page 30 to 90 was approved by the Board of Directors on 20 August 2019 and was signed on its behalf.

Jin Wenjie
Chairman

Chen Miaoqiang
Executive Director

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2019

(All amounts in Renminbi thousands unless otherwise stated)

Notes	Unaudited					
	Attributable to owners of the Company			Attributable to		
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
As at 1 January 2018	210,000	267,355	36,441	513,796	15,297	529,093
Comprehensive income						
Profit for the half-year	-	-	78,653	78,653	1,165	79,818
Total comprehensive income for the half-year	-	-	78,653	78,653	1,165	79,818
Transactions with owners in their capacity as owners						
Capital injections from non-controlling shareholders	-	-	-	-	1,200	1,200
Dividends provided for or paid	-	-	(41,238)	(41,238)	(1,659)	(42,897)
As at 30 June 2018	210,000	267,355	73,856	551,211	16,003	567,214

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2019

(All amounts in Renminbi thousands unless otherwise stated)

	Notes	Unaudited						
		Attributable to owners of the Company				Attributable to		
		Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
As at 1 January 2019		210,000	-	276,440	177,408	663,848	10,097	673,945
Changes in accounting policy – IFRS 16	4	-	-	-	(121,810)	(121,810)	-	(121,810)
Restated total equity at 1 January 2019		210,000	-	276,440	55,598	542,038	10,097	552,135
Comprehensive income								
Profit for the half-year		-	-	-	81,192	81,192	(267)	80,925
Total comprehensive income for the half-year		-	-	-	81,192	81,192	(267)	80,925
Transactions with owners in their capacity as owners								
Capital injections from non-controlling shareholders		-	-	-	-	-	1,673	1,673
Dividends provided for or paid	14	-	-	-	(100,800)	(100,800)	(2,097)	(102,897)
Transactions with non-controlling interests	20	-	-	546	-	546	(2,491)	(1,945)
Acquisition of a subsidiary	25	-	-	-	-	-	4,900	4,900
Others								
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	19	70,000	865,375	-	-	935,375	-	935,375
As at 30 June 2019		280,000	865,375	276,986	35,990	1,458,351	11,815	1,470,166

The above interim condensed consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

(All amounts in Renminbi thousands unless otherwise stated)

	Notes	Unaudited Six months ended 30 June	
		2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations		302,361	65,317
Interest paid		(3,320)	(4,485)
Income tax paid		(29,227)	(36,093)
Net cash generated from operating activities		269,814	24,739
Cash flows from investing activities			
Payments for the transaction with non-controlling interests	20(b)	(1,945)	–
Payments for financial assets at fair value through profit or loss		–	(216,249)
Payments for property, plant and equipment and intangible assets		(108,072)	(89,907)
Increase in restricted cash as term deposits		(861,991)	(500)
Proceeds from acquisition of a subsidiary, net of cash acquired	25	1,630	–
Proceeds from sale of financial assets at fair value through profit or loss		–	45,000
Proceeds from sale of property, plant and equipment		113	396
Dividends received from associates and joint ventures		–	136
Proceeds from disposal of subsidiaries, net of cash disposed	24	–	9,461
Net cash used in investing activities		(970,265)	(251,663)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the six months ended 30 June 2019

(All amounts in Renminbi thousands unless otherwise stated)

	Notes	Unaudited Six months ended 30 June	
		2019 RMB'000	2018 RMB'000
Cash flows from financing activities			
Proceeds/(payment) from issuance of ordinary shares relating to the initial public offering, netting of listing expenses payment		951,764	(4,371)
Payments of lease liabilities		(179,664)	–
Proceeds from borrowings	22	–	35,000
Repayment of borrowings	22	(190,500)	(5,000)
Dividends paid to non-controlling interests in subsidiaries		(2,097)	(1,659)
Proceeds from capital injection of non-controlling interests		1,673	1,200
Net cash generated from financing activities		581,176	25,170
Net decrease in cash and cash equivalents		(119,275)	(201,754)
Cash and cash equivalents at beginning of the half-year	18	367,688	424,109
Exchange differences		4,833	–
Cash and cash equivalents at end of the half-year	18	253,246	222,355

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

(All amounts in Renminbi thousands unless otherwise stated)

1 General information

The Company, initially known as Zhejiang New Century Hotel Management Limited (浙江開元酒店管理有限公司, the “Company”) was incorporated in People’s Republic of China (the “PRC”) on 17 December 2008 as a limited liability company. On 28 June 2017, the Company was converted into a joint stock company with limited liabilities under the Company law of the PRC and changed its name to Zhejiang New Century Hotel Management Co., Ltd. (浙江開元酒店管理股份有限公司). The Company and its subsidiaries (together, the “Group”) are principally engaged in hotel operation and management business in the PRC. The parent company of the Group is New Century Tourism Group Co., Ltd. (開元旅業集團有限公司), a company incorporated in the PRC and Mr. Chen Miaolin (陳妙林) is the founder and one of the controlling shareholders of the Group.

The address of the Company’s registered office is 18/F, 818 Shixin Middle Road, Beigan Subdistrict, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC.

The Company completed its global initial public offering and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 11 March 2019 (the “Listing”).

The condensed consolidated interim financial information are presented in Renminbi thousands (“RMB’000”), unless otherwise stated. This condensed consolidated interim financial information was reviewed by the Audit Committee and approved for issue by the Board of Directors (the “Board”) of the Company on 20 August 2019.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six-months ended 30 June 2019 has been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. The condensed consolidated interim financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this condensed consolidated interim financial information is to be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), except for the adoption of new and amended standards as disclosed in Note 3 and Note 4.

3 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2018, except for the estimation of income tax and the adoption of new and amended standards as set out below.

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

(a) New and amendments of IFRS adopted by the Group

The following new and amended accounting standards and interpretations become applicable for annual reporting periods commencing on or after 1 January 2019, and have been adopted by the Group for the first time for its 2019 interim reports:

IFRS 16	Leases
IFRIC 23	Uncertainty over income tax treatments
Amendments to IAS 19	Plan amendment, curtailment or settlement
Amendments to IFRS 9	Prepayment features with negative compensation
Amendments to IAS 28	Long-term interests in associates and joint ventures
Annual improvements IFRS Standards 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note 4 below. The other amendments and interpretations did not have any significant financial impact on the Group's condensed consolidated interim financial information and did not require retrospective adjustment.

3 Accounting policies *(continued)*

(b) New standards and amendments of IFRS issued but are not yet effective for the financial year beginning on 1 January 2019 and have not been early adopted by the Group

		Effective for annual periods beginning on or after
IFRS 17	Insurance contracts	1 January 2021 (likely to be extended to 1 January 2022)
Amendments to IAS 1 and IAS 8	Definition of Material	1 January 2020
Amendments to IFRS 3	Definition of Business	1 January 2020
Revised conceptual framework	Revised conceptual framework for financial reporting	1 January 2020
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is assessing the full impact of these new standards, amendments and interpretations. According to the preliminary assessment, these standards, amendments and interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

4 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 “Leases” on the Group’s condensed consolidated interim financial statements.

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

4 Changes in accounting policies *(continued)*

(a) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019.

	Unaudited 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	2,557,271
Less: short-term leases recognised on a straight-line basis as expense	(5,587)
Less: low-value leases recognised on a straight-line basis as expense	(102)
	2,551,582
Discounted using the lessee's incremental borrowing rate of at the date of initial application, lease liability recognised as at 1 January 2019	2,132,268
Right-of use assets, including land use rights and favorable operating lease reclassification recognised as at 1 January 2019	2,014,378

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

4 Changes in accounting policies *(continued)*

(a) Adjustments recognised on adoption of IFRS 16 *(continued)*

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

	Unaudited RMB'000 Debit/(Credit)
Right-of-use assets – increase by	2,014,378
Land use rights – decrease by	(44,954)
Favorable operating lease – decrease by	(6,372)
Prepayments – decrease by	(16,832)
Other non-current assets – decrease by	(3,170)
Other receivables – decrease by	(70,554)
Trade and other payables – decrease by	94,737
Lease liabilities (current portion) – increase by	(307,970)
Lease liabilities (non-current portion) – increase by	(1,824,298)
Deferred tax assets – increase by	43,225
The net impact on retained earnings on 1 January 2019 decrease by	121,810

(i) Impact on segment disclosures and earnings per share

Adjusted segment profit for the six-months ended 30 June 2019 as a result of the change in accounting policy was disclosed below:

	Unaudited adjusted segment profit RMB'000
Hotel Management	(10)
Hotel Operation	(40,077)
	(40,087)

Earnings per share decreased by RMB0.03 per share for the six-months to 30 June 2019 as a result of the adoption of IFRS 16.

4 Changes in accounting policies *(continued)*

(a) Adjustments recognised on adoption of IFRS 16 *(continued)*

(ii) Amounts recognised in the balance sheets

	Unaudited	
	30 June	1 January
	2019	2019
	RMB'000	RMB'000
<i>Right-of-use assets</i>		
Properties	1,702,507	1,466,151
Equipment and others	451,860	496,901
Land use rights	44,359	44,954
Favorable operating lease	5,706	6,372
	2,204,432	2,014,378
<i>Lease liabilities</i>		
Current	330,780	307,970
Non-current	2,007,842	1,824,298
	2,338,622	2,132,268

Additions to the right-of-use assets during the six months ended 30 June 2019 were RMB334,187,000.

4 Changes in accounting policies *(continued)*

(a) Adjustments recognised on adoption of IFRS 16 *(continued)*

(iii) Amounts recognised in the statement of comprehensive income

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Amortisation/depreciation charge of right-of-use assets	144,133	–
Interest expense (included in finance cost)	52,962	–
Expense relating to short-term leases and low-value assets	8,333	–
Expense relating to variable lease payments not included in lease liabilities	1,698	–
Total	207,126	–

The total cash outflow for leases, including short-term and low-value assets leases and variable lease payments for the six months ended 30 June 2019 was RMB184,346,000.

(iv) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

4 Changes in accounting policies *(continued)*

(a) Adjustments recognised on adoption of IFRS 16 *(continued)*

(iv) Practical expedients applied *(continued)*

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 “Determining whether an Arrangement contains a Lease”.

(b) The Group’s leasing activities and how these are accounted for

The Group leases various land, buildings, equipment and vehicles. Rental contracts of are typically made for fixed periods but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of land use rights, property, plant and equipment were all classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

4 Changes in accounting policies *(continued)*

(b) The Group's leasing activities and how these are accounted for *(continued)*

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

The lease payments are discounted using incremental borrowing rate of the Group, which the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date;

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Variable lease payment of land, properties, equipment and others, initially measured using the minimum fixed lease payment at the commencement date, will be revised based on the valuation result and actual performance result every year. The Group reassesses the right-of-use assets and lease liabilities when the lease payment are revised.

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

5 Estimates

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied, as disclosed in Note 4, to the consolidated financial statements for the year ended 31 December 2018, except for the accounting policies and the key sources of estimation uncertainty related to IFRS 16.

6 Financial risk management and financial instruments

6.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, and cash flow interest rate risk), credit risk, liquidity risk and cash flow and fair value interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group, who manages and monitors these risk exposures to ensure appropriate measures are implemented in a timely and effective manner.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2018.

There have been no changes in the risk management department since year end or in any risk management policies.

6 Financial risk management and financial instruments

(continued)

6.2 Foreign exchange risk

The Group's exposure to foreign exchange risk relates principally to its cash and cash equivalents denominated primarily in United States dollar ("USD"), Hong Kong dollar ("HKD").

As at 30 June 2019, if RMB had weakened/strengthened by 1% against USD with all other variables held constant, post-tax profit for the six months ended 30 June 2019 would have been approximately RMB304,600 higher/lower (six months ended 30 June 2018: Nil) respectively, mainly as a result of foreign exchange gains/losses on translation of USD denominated cash and cash equivalents and restricted cash.

As at 30 June 2019, if RMB had weakened/strengthened by 1% against HKD with all other variables held constant, post-tax profit for the six months ended 30 June 2019 would have been approximately RMB11,700 higher/lower (six months ended 30 June 2018: Nil) respectively, mainly as a result of foreign exchange gains/losses on translation of HKD denominated cash and cash equivalents.

6 Financial risk management and financial instruments

(continued)

6.3 Liquidity risk

The Group's objective is to maintain sufficient cash and sources of funding through committed credit facility. To manage the liquidity risk, management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn banking facilities) and cash and cash equivalents on the basis of expected cash flow. The Group expected to fund the future cash flow needs through internally generated cash flows from operations.

As at 30 June 2019 and 31 December 2018, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

	Less than 1 year RMB'000	Between 1-2 years RMB'000	Between 2-3 years RMB'000	Over 3 years RMB'000	Total RMB'000
As at 30 June 2019 (unaudited)					
Trade and other payables	325,680	-	-	-	325,680
Lease liabilities	336,930	867,806	252,177	881,709	2,338,622
	662,610	867,806	252,177	881,709	2,664,302
As at 31 December 2018 (audited)					
Bank borrowings	5,500	115,000	15,000	55,000	190,500
Interest payables on Borrowings	9,373	7,188	3,228	5,356	25,145
Trade and other payables	322,712	-	-	-	322,712
	337,585	122,188	18,228	60,356	538,357

The interest payables on borrowings are calculated based on borrowings held as at 31 December 2018 without taking into account future borrowings. Floating-rate interests are estimated using the relevant interest rates as at 31 December 2018.

6 Financial risk management and financial instruments

(continued)

6.4 Fair value estimation

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

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1;
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2; and
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

As at 30 June 2019 and 31 December 2018, the Group did not have any financial assets or liabilities that were measured at fair value.

7 Segment information and revenue

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

As a result of this evaluation, the Group determined that it has the following operating segments:

- Hotel operation; and
- Hotel management.

Revenue from hotel operations primarily comprises revenues from providing room, food and beverage, sales of goods and products, providing room reservation services and other ancillary services.

Revenue from hotel management is derived from providing hotel management services.

The executive directors of the Company consider the business from a business perspective, and assesses the performance of the operating segments based on segment revenue and profit before income tax without allocation of finance income/(costs), share of gains/losses of investments accounted for using equity method, other income and other gains.

There was no information on separate segment assets and segment liabilities provided to the executive directors of the Company, as they do not use such information to allocate resources to or evaluate the performance of the operating segments.

7 Segment information and revenue *(continued)*

(a) Segment revenue

The revenue of the Group for the six months ended 30 June 2019 and 2018 is set out as follows:

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Hotel operation		
Rooms	367,356	336,507
Food and beverage	309,054	326,014
Ancillary services	110,225	80,161
Rental income	19,615	17,955
Subtotal of hotel operation	806,250	760,637
Hotel Management	98,999	75,229
Total revenue	905,249	835,866
Revenue from contracts with customers:		
– Recognised at a point of time	352,907	349,765
– Recognised over time	532,727	468,146
	885,634	817,911
Revenue from other resources:		
– Rental income	19,615	17,955

7 Segment information and revenue *(continued)*

(b) Segment information

The segment information provided to senior executive management for the business segments for the six-months ended 30 June 2019 and 2018 are as follows:

Business segments	Unaudited Six months ended 30 June 2019		Total RMB'000
	Hotel operation RMB'000	Hotel management RMB'000	
Revenue			
Segment revenue	812,901	106,270	919,171
Inter-segment revenue	(6,651)	(7,271)	(13,922)
Segment revenue from external customers	806,250	98,999	905,249
Cost of sales	(642,185)	(19,486)	(661,671)
Selling and marketing expenses	(32,101)	(12,013)	(44,114)
Administrative expenses	(51,565)	(30,983)	(82,548)
Net impairment (losses)/ reversal on financial assets	(4,646)	1,620	(3,026)
Segment profit	75,753	38,137	113,890

7 Segment information and revenue *(continued)*

(b) Segment information *(continued)*

Business segments	Unaudited Six months ended 30 June 2018		Total RMB'000
	Hotel operation RMB'000	Hotel management RMB'000	
Revenue			
Segment revenue	767,761	80,050	847,811
Inter-segment revenue	(7,124)	(4,821)	(11,945)
Segment revenue from external Customers	760,637	75,229	835,866
Cost of sales	(641,881)	(4,466)	(646,347)
Selling and marketing expenses	(30,726)	(6,623)	(37,349)
Administrative expenses	(47,495)	(26,355)	(73,850)
Net impairment (losses)/ reversal on financial assets	(2,844)	2,071	(773)
Segment profit	37,691	39,856	77,547

Sales between segments are carried out at arm's length and are eliminated on consolidation. The amounts provided to the executive directors of the Company with respect to segment revenue are measured in a manner consistent with that of the financial statements.

8 Expenses by nature

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Employee benefit expenses	265,614	227,094
Costs of materials consumption	208,777	183,338
Depreciation of right-of-use assets (Note 4)	144,133	–
Utility cost	46,499	44,443
Amortisation/depreciation of property, plant and equipment (Note 15)	33,195	26,741
Marketing and promotion expenses	17,774	23,026
Travelling and communication expenses	13,316	13,647
Operating lease expenses	10,031	190,755
Repairs and maintenance	9,859	12,740
Laundry costs	9,181	7,935
Out-sourcing service	4,817	3,796
Taxes and levies	4,035	3,284
Amortisation of intangible assets (Note 15)	2,552	2,875
Net impairment losses on financial assets (Note 17)	3,026	773
Professional fees	2,584	1,795
Bank charges	1,968	2,237
Transportation expenses	1,413	1,746
Uniform expenses	1,396	1,556
Amortisation of land use rights (Note 15)	–	595
Depreciation of investment properties (Note 15)	7	7
Miscellaneous	11,182	9,936
Total cost of sales, selling and marketing, administrative expenses and net impairment losses on financial assets	791,359	758,319

9 Other income

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Government grants	17,723	1,630
Income from financial assets at fair value through profit or loss	–	3,457
	17,723	5,087

10 Other gains – net

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Net (losses)/gains on disposal of property, plant and equipment	(31)	226
Net gains on disposal of subsidiaries (Note 24)	–	10,794
Compensation income (a)	–	8,400
Others	649	377
	618	19,797

- (a) It represented the compensation payment received from a third party lessor who had early terminated the lease agreement of the Group.

11 Finance costs – net

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Finance income		
– Interest income derived from bank deposits	14,014	4,616
– Foreign exchange gains	4,833	–
	18,847	4,616
Finance costs		
– Interest expenses on bank borrowings	(3,173)	(4,800)
– Finance expense of leasing liabilities	(52,962)	–
	(56,135)	(4,800)
Finance costs – net	(37,288)	(184)

12 Income tax expense

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Current income tax expense	18,051	27,423
Deferred income tax expense	(1,667)	(2,870)
Income tax expenses	16,384	24,553

(a) PRC corporate income tax

Enterprises incorporated in the PRC are subject to income tax rates of 25%. The income tax provision of the Group has been calculated at the applicable tax rate on the estimated assessable profits for the six-months ended 30 June 2019 and 2018 based on existing legislations, interpretations and practices.

Income tax expense is recognised based on management's best estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 30 June 2019 is 17% (for the six months ended 30 June 2018 is 24%).

13 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of shares in issue or deemed to be in issue during the period. Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. The diluted earnings per share for the six-months ended 30 June 2018 and 2019 are the same as the basic earnings per share as there is no dilutive potential share during the half-year.

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Profit attributable to owners of the Company (in RMB '000)	81,192	78,653
Weighted average number of ordinary shares in issue or deemed to be in issue (in '000 shares)	253,315	210,000
Basic earnings per share (in RMB per share)	0.32	0.37

14 Dividends

On 15 June 2018, a final dividend of RMB41,238,000 was declared to all shareholders of the Company, which was fully paid out in July and August.

On 25 March 2019, the Board recommended a final dividend of RMB0.36 each share (before tax) for the year ended 31 December 2018, amounting to a total amount of RMB100.8 million calculated based on the total number of shares in issue of 280,000,000. On 20 June 2019, the final dividend had been approved by the shareholders at the annual general meeting and had been paid in July 2019.

The Board has not recommended the payment of any interim dividend for the six months ended 30 June 2019.

15 Property, plant and equipment, investment properties, land use rights and intangible assets

	Property, plant and equipment RMB'000	Investment properties RMB'000	Land use rights RMB'000	Intangible assets RMB'000
As at 1 January 2018 (audited)				
Cost	705,312	1,000	48,768	49,346
Accumulated depreciation/amortisation	(297,259)	(75)	(2,626)	(34,309)
Net book amount	408,053	925	46,142	15,037
For the six-months ended 30 June 2018 (unaudited)				
Opening net book amount	408,053	925	46,142	15,037
Additions	120,315	-	-	1,666
Disposals	(170)	-	-	-
Depreciation/amortisation charge (Note 8)	(26,741)	(7)	(595)	(2,875)
Disposal of subsidiaries	(32,813)	-	-	(200)
Closing net book amount	468,644	918	45,547	13,628
As at 30 June 2018 (unaudited)				
Cost	775,406	1,000	48,768	50,742
Accumulated depreciation/amortisation	(306,762)	(82)	(3,221)	(37,114)
Net book amount	468,644	918	45,547	13,628
As at 1 January 2019 (audited)				
Cost	918,222	1,000	48,768	54,634
Accumulated depreciation/amortisation	(330,466)	(90)	(3,814)	(39,730)
Net book amount	587,756	910	44,954	14,904
For the six-months ended 30 June 2019 (unaudited)				
Opening net book amount	587,756	910	44,954	14,904
Transfer to right of use asset (Note 4)	-	-	(44,954)	(6,372)
Additions	102,174	-	-	1,207
Acquisition of a subsidiary (Note 25)	2	-	-	-
Disposals	(144)	-	-	-
Depreciation/amortisation charge (Note 8)	(33,195)	(7)	-	(2,552)
Closing net book amount	656,593	903	-	7,187
As at 30 June 2019 (unaudited)				
Cost	1,008,348	1,000	-	37,078
Accumulated depreciation/amortisation	(351,755)	(97)	-	(29,891)
Net book amount	656,593	903	-	7,187

16 Investments accounted for using the equity method

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Investment in a joint venture (a)	120,781	118,440
Investments in associates (b)	3,149	3,124
	123,930	121,564

(a) Investment in a joint venture

	Unaudited Six months ended 30 June 2019 RMB'000	2018 RMB'000
Beginning of the period	118,440	112,297
Share of net profit	2,341	1,960
End of the period	120,781	114,257

Particulars of the joint venture of the Group as at 30 June 2019 and 31 December 2018, which is unlisted, are set out below:

Company Name	Place of establishment	Date of establishment	Principal activities	Equity interest held by the Company as at	
				30 June 2019	31 December 2018
Beijing Gehua New Century Hotel Co., Ltd. (北京歌華開元大酒店有限公司)	Beijing, China	19 September 2005	Hotel operation and management	49%	49%

16 Investments accounted for using the equity method

(continued)

(b) Investments in associates

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Beginning of the period	3,124	6,091
Share of net profit	25	164
Declaration of dividends	—	(136)
End of the period	3,149	6,119

Particulars of the associates of the Group as at 30 June 2019 and 31 December 2018, which is unlisted, are set out below:

Company Name	Registered capital RMB	Date of establishment	Principal activities	Equity interest held by the Company as at	
				30 June 2019	31 December 2018
Zhejiang Haogu Internet Technology Co., Ltd. (浙江皓谷網絡科技有限公司)	15,000,000	20 May 2016	Internet technology development	20%	20%

17 Trade, other receivables and prepayments

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Trade receivables due from third parties	100,982	70,762
Trade receivables due from related parties (Note 27)	8,076	5,831
	109,058	76,593
Less: provision for impairment	(5,189)	(3,849)
Trade receivables-net	103,869	72,744
Deposits to suppliers	7,684	63,362
Other receivables due from related parties (Note 27)	1,472	21,376
VAT recoverable	45,619	39,947
Interest receivable	8,943	590
Others	16,150	16,609
	79,868	141,884
Less: provision for other receivables	(5,302)	(3,604)
Other receivables – net	74,566	138,280
Prepayments	22,728	71,215
Total trade, other receivables and prepayments	201,163	282,239

17 Trade, other receivables and prepayments *(continued)*

(a) Trade receivables

As at 30 June 2019 and 31 December 2018, the fair values of the trade receivables of the Group approximate to their carrying amount and the carrying amounts of all the Group's trade receivables are denominated in RMB.

The Group allows a credit period of within 30-90 days to its customers. Aging analysis of trade receivables based on invoice date, before provision for impairment, were as follows:

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
– Up to 3 months	94,310	66,153
– 3 months to 1 year	12,629	8,032
– 1 year to 2 years	994	697
– 2 years to 3 years	440	1,320
– Over 3 years	685	391
	109,058	76,593

Movements of the loss allowance of trade receivables that are assessed for impairment collectively are as follows:

	Unaudited Six months ended 30 June 2019 RMB'000	2018 RMB'000
Beginning of the period	(3,849)	(5,223)
(Additions)/reversal	(1,340)	2,011
End of the period	(5,189)	(3,212)

17 Trade, other receivables and prepayments *(continued)*

(b) Other receivables

Other receivables are measured at amortized costs. The receivables are mainly composed of the deposits to suppliers, VAT recoverable, interest receivables and receivables due from related parties which were considered to be low credit risk, and thus the impairment provision recognised for the six months ended 30 June 2019 and 2018 was limited to 12 months expected losses.

Movements of the loss allowance of other receivables are as follows:

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Beginning of the period	(3,604)	(4,501)
Additions	(1,686)	(2,784)
Write-off	–	37
Acquisition of a subsidiary	(12)	–
End of the period	(5,302)	(7,248)

18 Cash and cash equivalents and restricted cash

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Cash at bank and in hand	1,183,237	435,688
Less: restricted cash (a)	(929,991)	(68,000)
Cash and cash equivalents	253,246	367,688

18 Cash and cash equivalents and restricted cash *(continued)*

As at 30 June 2019 and 31 December 2018, all the cash at bank and in hand are denominated in the following currencies:

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Unaudited		
Cash at bank and in hand:		
– RMB	972,805	435,688
– HKD	1,029	–
– USD	209,403	–
	1,183,237	435,688

- (a) All cash at bank, except restricted cash, are deposits with original maturity within 3 months. The Group earns interest on cash at bank, including restricted cash, at floating bank deposit rates.
- (b) Restricted cash represents term deposits over 3 months and guaranteed deposits held in separate reserve accounts pledged as security deposits under certain lease agreements.

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Deposits pledged for issued letter of guarantee	66,000	66,000
Term deposit	863,991	2,000
	929,991	68,000

19 Share capital and share premium

	Share capital RMB'000	Share premium RMB'000	Total RMB'000
As at 1 January 2018 and 30 June 2018 (unaudited)	210,000	–	210,000
As at 1 January 2019 (audited)	210,000	–	210,000
Changes in the half-year (unaudited)	70,000	865,375	935,375
As at 30 June 2019 (unaudited)	280,000	865,375	1,145,375

Upon the completion of the global initial public offering, the Company issued 70,000,000 H shares of RMB1.00 each at HK\$16.50 per share, and raised gross proceeds of approximately HK\$1,155,000,000 (equivalent to RMB988,783,950). The net proceeds received, netting off the share issuance cost was HK\$1,092,613,000 (equivalent to RMB935,374,978). The respective share capital amount was RMB70,000,000 and share premium arising from the issuance was approximately RMB865,375,000.

The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs, which incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB53,408,972 (including prepaid listing expenses of RMB16,389,435, which was recorded as prepayments as at 31 December 2018) were treated as a deduction against the share premium arising from the issuance.

As at 30 June 2019, the total authorized and issued number of ordinary shares is 280,000,000 shares with a par value of RMB 1.00 per share. All issued shares are fully paid.

20 Other reserves

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Statutory reserve (a)	20,355	20,355
Capital reserve (b)	233,171	232,625
Share-based compensation reserve	23,460	23,460
Total	276,986	276,440

(a) Statutory reserve

In accordance with the Articles of Association and board resolutions of the Company and its PRC subsidiaries, certain percentage of the annual statutory net profits is appropriated after offsetting accumulated losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing any dividends. The statutory surplus reserve can be used to offset accumulated losses, if any, and may be converted into share capital.

(b) Capital reserves

	RMB'000
As at 1 January 2018 and 30 June 2018 (unaudited)	228,122
As at 1 January 2019 (audited)	232,625
Transactions with non-controlling interests (i)	546
As at 30 June 2019 (unaudited)	233,171

20 Other reserves (continued)

(b) Capital reserves (continued)

- (i) On 31 March 2019, the Group disposed a 4% of the shares of Hangzhou Kaiyuan Life Hotel Management Co., Ltd. ("Kaiyuan Life") with a total consideration of RMB193,002 (the "Disposal"). Immediately prior to the Disposal, the carrying amount of the existing 4% interest in the Kaiyuan Life was RMB196,167. The Group recognised a decrease in non-controlling interests of RMB196,167. The effect on the equity attributable to the owners of the Group during the period is summarized as follows:

	Unaudited 30 June 2019 RMB'000
Carrying amount of interests disposed	(196)
Consideration received from non-controlling interests	193
Amount recognised in the transactions with non-controlling interests reserve within capital reserve	(3)

On 31 May 2019, the Group acquired 10% of the shares of Zhejiang Jinshanzi Network Technology Co., Ltd. ("Jinshanzi") with a total consideration of RMB2,137,500 from an existing non-controlling equity holder of Jinshanzi (the "Acquisition"). Immediately prior to the Acquisition, the carrying amount of the acquired 10% non-controlling interest in the Jinshanzi was RMB2,686,594. The Group recognised an increase in non-controlling interests of RMB2,686,594. The effect on the equity attributable to the owners of the Group during the period is summarized as follows:

	Unaudited 30 June 2019 RMB'000
Carrying amount of non-controlling interests acquired	2,687
Consideration paid to non-controlling interests	(2,138)
Amount recognised in the transactions with non-controlling interests reserve within capital reserve	549

21 Trade and other payables

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Trade payables:		
– Due to third parties	108,778	178,715
– Due to related parties (Note 27)	2,376	22,709
	111,154	201,424
Other payables due to related parties (Note 27)	10,333	10,945
Payables for purchase of property, plant and equipment	68,627	73,318
Customers' deposits	34,766	37,025
Accrued expenses	32,282	33,506
Staff salaries and welfare payables	62,672	82,972
Dividend payables	100,800	–
Accrued taxes other than income tax	3,903	3,744
Interest payables	–	147
	424,537	443,081

As at 30 June 2019 and 31 December 2018, all trade and other payables of the Group were non-interest bearing. Their fair values approximate to their carrying amounts.

21 Trade and other payables *(continued)*

As at 30 June 2019 and 31 December 2018, trade and other payables were all denominated in RMB.

As at 30 June 2019 and 31 December 2018, the aging analysis of the trade payables of the Group based on invoice date were as follows:

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
– Within 1 year	107,420	195,887
– 1 year to 2 years	1,755	3,446
– 2 years to 3 years	1,107	1,396
– Over 3 years	872	695
	111,154	201,424

22 Borrowings

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Non-current		
Bank borrowings – unsecured	–	100,000
Bank borrowings – secured and guaranteed	–	85,000
	–	185,000
Current		
Bank borrowings – secured	–	500
Current portion of long-term borrowings – secured	–	5,000
	–	5,500

The carrying amounts of the Group's borrowings are all denominated in RMB.

22 Borrowings (continued)

Movements in borrowings are analysed as follows:

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Beginning of the period	190,500	165,000
Addition of bank borrowings	–	35,000
Repayment of borrowings	(190,500)	(5,000)
End of the period	–	195,000

The maturity of borrowings is as follows:

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
On demand or within 1 year	–	5,500
Between 1 and 2 years	–	115,000
Between 2 and 5 years	–	30,000
Over 5 years	–	40,000
	–	190,500

The Group has complied with the financial covenants of its borrowing facilities during the six-months ended 30 June 2019 and 2018.

22 Borrowings (continued)

The weighted average effective interest rates for the six months ended 30 June 2019 and 2018:

	Unaudited Six months ended 30 June 2019	2018
Borrowings – current – RMB	4.78%	4.79%
Borrowings – non-current – RMB	4.88%	4.87%

The Group had the following undrawn bank borrowing facilities:

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
RMB Facilities	100,000	120,000

The details of bank borrowings that were secured and guaranteed are as follows:

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Secured by property, plant and equipment and land use rights	–	90,500

23 Deferred income

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Non-current deferred income		
Assets related government grants (a)	19,455	20,048
Current portion of long-term liabilities		
Assets related government grants (a)	1,186	1,186
Total deferred income	20,641	21,234

(a) Asset related government grants

It represents government grants relating to certain assets, which is deferred and recognised in profit or loss on a straight-line basis over the expected useful lives of the related assets. The movements of deferred income are as below:

	Unaudited Six months ended 30 June 2019 RMB'000	2018 RMB'000
Beginning of the period	21,234	22,420
Credited to profit or loss	(593)	(593)
End of the period	20,641	21,827

24 Disposal of subsidiaries

During the six-months ended 30 June 2018, the Group disposed the interests in a number of subsidiaries to certain third parties. Details of the disposals are as follows:

On 31 March and 30 June 2018, the Group disposed all its equity interest in Shanghai Ruiya Hotel Management Co., Ltd. (“Shanghai Ruiya”) and Chongqing Dazu District New Century Grand House Hotel Co., Ltd. (“Chongqing Dazu”) to third parties respectively.

The following table summarized the consideration received and the carrying value of net assets disposed at the disposal date, as well as the net cash flow arising from the disposals. The difference between the carrying value of net assets disposed and the total consideration in relation to the disposals has been included in “other gains-net” (Note 10) of the interim condensed consolidated statements of the comprehensive income for the six-months ended 30 June 2018.

	Shanghai Ruiya RMB'000	Carrying value Chongqing Dazu RMB'000	Unaudited Total RMB'000
Disposal consideration – cash received	1	10,000	10,001
Less:			
– Current assets	2,012	6,829	8,841
– Non-current assets	–	33,013	33,013
– Current liabilities	(2,684)	(39,963)	(42,647)
Total net assets disposed	(672)	(121)	(793)
Gains on disposal of subsidiaries (Note 10)	673	10,121	10,794
Cash proceeds from disposal:	1	10,000	10,001
Less: Cash and cash equivalents in subsidiaries	–	(540)	(540)
Net cash inflow on the disposal	1	9,460	9,461

There had no disposal of subsidiaries during the six months ended 30 June 2019.

25 Business combination

On 10 April 2019 (“Acquisition Date”), the Company completed its acquisition of a 51% equity interest of Ningbo New Century Mingting Hotel Management Co., Ltd. (“Ningbo Mingting”), a company engaged in hotel management and operation. The purchase consideration of the acquisition is RMB5,100,000, which was all settled by cash. The acquisition has been accounted for using the acquisition method.

The following table summarizes the consideration paid, the net assets acquired, also the net cash outflow arising on the acquisition:

	Unaudited Fair value RMB'000
Property, plant and equipment (Note 15)	2
Deferred tax assets	1
Trade and other receivables and prepayments	3,392
Cash and cash equivalents	6,730
Current income tax liabilities	(9)
Trade and other payables	(116)
Net identifiable assets acquired of Ningbo Mingting	10,000
Less: non-controlling interest	(4,900)
Net assets acquired	5,100
Net cash inflow arising on acquisition:	
Cash consideration	5,100
Cash and cash equivalent in the subsidiary acquired	(6,730)
	(1,630)

25 Business combination *(continued)*

(a) Acquisition-related costs

No acquisition-related cost is included in the interim condensed consolidated statement of comprehensive income.

(b) Acquired receivables

The fair value of acquired trade receivable is RMB182,163. The gross contractual amount for trade receivables due is RMB182,163 recognised on acquisition.

(c) Non-controlling interest

The Group had chosen to recognise the non-controlling interest at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. The decision is made on an acquisition-by-acquisition basis.

(d) Revenue and profit contribution

The acquired business contributed approximately revenue of RMB17,169,000 and net profit of RMB377,000 to the Group for the period from 10 April 2019 to 30 June 2019. If the acquisition had occurred on 1 January 2019, the consolidated revenue and profit after tax for the half-year would have been RMB25,162,000 and approximately RMB363,000, respectively.

There was no acquisition for the six-months ended 30 June 2018.

26 Commitments and contingent liabilities

(a) Capital commitments

Capital expenditure contracted, but not yet incurred was as follows:

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Property, plant and equipment	8,705	–

(b) Operating lease commitments

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Within one year	8,320	363,731
Later than one year but not later than five years	–	1,367,152
Later than five years	–	826,388
	8,320	2,557,271

(c) Contingent liabilities

As at 30 June 2019 and 31 December 2018, the Group did not have any significant contingent liabilities.

27 Related party transactions

(a) Name and relationship with related parties

Controlling Shareholders

Mr. Chen Miaolin, Mr. Chen Canrong and Mr. Zhang Guanming

Controlled by the Controlling Shareholders	Chinese name
Xuzhou New Century Grand Hotel Co., Ltd.	徐州開元名都大酒店有限公司
Hangzhou Xianghu Senbo Tourism Investment Co., Ltd.	杭州湘湖開元森泊文化旅遊開發有限公司
Taizhou New Century Hotel Co., Ltd.	台州開元大酒店有限公司
Shaoxing Yuzhuang New Century Hotel Management Co., Ltd.	紹興禹莊開元酒店管理有限公司
New Century Grand Hotel Kaifeng Business Company Co., Ltd.	開封開元名都商務酒店有限公司
Haining New Century Grand Real Estate Co., Ltd.	海寧開元名都置業有限公司 開元名都大酒店
Ningbo Jiulong Lake New Century Resort Co., Ltd.	寧波九龍湖開元酒店有限公司
Hangzhou New Century Tourism Development Co., Ltd.	杭州開元旅遊開發有限公司
Ningbo Seventeen House New Century Resort Co., Ltd.	寧波十七房開元觀堂有限公司
Ningbo New Century Hotel Co., Ltd.	寧波開元大酒店有限公司
Hangzhou New Century Yuege Restaurant Management Co., Ltd.	杭州開元悅閣餐飲管理有限公司
Hainan Hengshengyuan International Tourism Development	海南恒盛元國際旅遊發展有限公司
Changjiang Hengshengyuan Qiziwan Tourism Real Estate	昌江恒盛元棋子灣旅遊置業有限公司

27 Related party transactions *(continued)*

(a) Name and relationship with related parties *(continued)*

Controlled by the Controlling Shareholders	Chinese name
Haining New Century Grand Real Estate Co., Ltd.	海寧開元名都置業有限公司
Haining New Century Grand Hotel Co., Ltd.	海寧開元名都大酒店有限公司
Hangzhou New Century Xixifan Hotel Co., Ltd.	杭州開元西溪飯店有限責任公司
New Century Tourism Group Co., Ltd.	開元旅業集團有限公司
Hangzhou New Century Real Estate Group Co., Ltd.	杭州開元物產集團有限公司
Zhejiang New Century Property Management Co., Ltd.	浙江開元物業管理股份有限公司
Shanghai New Century Enterprise Operation Management Co., Ltd.	上海開元企業經營管理有限公司
Hangzhou New Century Senbo Tourism Investment Co., Ltd.	杭州開元森泊旅遊投資有限公司
New Century Birotby Winery	開元碧蘿酒莊
New Century Holdings Group Co., Ltd.	開元控股集團有限公司
Zhejiang New Century Hotel Investment and Management Group Co., Ltd.	浙江開元酒店投資管理集團有限公司
Zhejiang Spearhead Investment Co., Ltd.	浙江銳至投資股份有限公司
Ningbo New Century Spearhead Investment Co., Ltd.	寧波開元銳至投資有限公司
Changchun New Century Spearhead Investment and Management Co., Ltd.	長春開元銳至投資管理有限公司
Chun'an Qiandao Lake New Century Spearhead Investment Co., Ltd.	淳安千島湖開元銳至投資有限公司
Hangzhou New Century Zhijiang Cleaning Chain Co., Ltd.	杭州開元之江清洗連鎖有限公司
Hangzhou New Century Decorating Co., Ltd.	杭州開元裝飾工程有限公司
Hangzhou Jinjian Intelligent Technology Co., Ltd.	杭州金鍵智慧科技有限公司
Hangzhou Ledu Property Services Co., Ltd.	杭州樂都物業服務有限公司
Hangzhou New Century Yiyang Management Services Ltd.	杭州開元頤養管理服務有限公司
Wenzhou Wanxiang Real Estate Co., Ltd.	溫州萬享置業有限公司
Deqing Yixin Investment and Management Co., Ltd.	德清益新投資管理有限公司

27 Related party transactions *(continued)*

(a) Name and relationship with related parties *(continued)*

Controlled by close family member of the Controlling Shareholders	Chinese name
Hangzhou Xiaoshan Chaoyi Carpet Co., Ltd.	杭州蕭山超藝地毯有限公司
Hangzhou Huang Chaoyi Printing Co., Ltd. (Till 30 July 2018)	杭州黃氏超藝印刷有限公司
Joint ventures of the Group	Chinese name
Beijing Gehua	北京歌華開元大酒店有限公司
Zhejiang Haogu Internet Technology Co., Ltd.	浙江皓谷網絡科技有限公司
Associates of the Group	Chinese name
Yuyao Manju (Till 31 August 2018)	余姚開元曼居酒店管理有限公司

27 Related party transactions *(continued)*

(b) Transactions with related parties

Hotel management revenue

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Beijing Gehua	3,283	4,365
Xuzhou New Century Grand Hotel Co., Ltd.	2,064	2,731
Hangzhou Xiangshu Senbo Tourism Investment Co., Ltd.	1,851	–
Taizhou New Century Hotel Co., Ltd.	1,688	1,874
Shaoxing Yuzhuang New Century Hotel Management Co., Ltd.	1,524	1,173
New Century Grand Hotel Kaifeng Business Company Co., Ltd.	1,429	1,561
Haining New Century Grand Hotel Co., Ltd.	1,102	–
Ningbo Jiulong Lake New Century Resort Co., Ltd.	1,020	1,502
Hainan Hengshengyuan International Tourism Development	781	734
Hangzhou New Century Tourism Development Co., Ltd.	571	670
Ningbo Seventeen House New Century Resort Co., Ltd.	489	428
Ningbo New Century Hotel Co., Ltd.	320	347
Deqing Yixin Investment and Management Co., Ltd.	185	224
Hangzhou New Century Yuege Restaurant Management Co., Ltd.	59	68
Yuyao Manju (Till 31 August 2018)	–	323
	16,366	16,000

27 Related party transactions *(continued)*

(b) Transactions with related parties *(continued)*

Hotel operation revenue

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Zhejiang New Century Property Management Co., Ltd.	717	477
New Century Tourism Group Co., Ltd.	479	467
Hangzhou New Century Real Estate Group Co., Ltd.	351	389
Others	658	–
	2,205	1,333

Sales of goods

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Shaoxing Yuzhuang New Century Hotel Management Co., Ltd.	1,398	1,215
Taizhou New Century Hotel Co., Ltd.	1,290	1,406
Beijing Gehua	1,210	862
Haining New Century Grand Real Estate Co., Ltd.	891	–
Zhejiang New Century Property Management Co., Ltd.	864	955
Ningbo New Century Hotel Co., Ltd.	718	595
Haining New Century Grand Real Estate Co., Ltd.	489	20
Ningbo Jiulong Lake New Century Resort Co., Ltd.	404	483
Xuzhou New Century Grand Hotel Co., Ltd.	250	1,297
Hangzhou Xiangshu Senbo Tourism Investment Co., Ltd.	209	58
Hangzhou New Century Tourism Development Co., Ltd.	200	151
New Century Grand Hotel Kaifeng Business Company Co., Ltd.	200	180
Ningbo Seventeen House New Century Resort Co., Ltd.	191	121
New Century Tourism Group Co., Ltd.	51	133
Hangzhou New Century Yuege Restaurant Management Co., Ltd.	49	81
Others	439	685
	8,853	8,242

27 Related party transactions *(continued)*

(b) Transactions with related parties *(continued)*

Other service income

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Hangzhou Xianghu Senbo Tourism Investment Co., Ltd.	876	8
Beijing Gehua	470	478
Zhejiang New Century Property Management Co., Ltd.	418	246
Shaoxing Yuzhuang New Century Hotel Management Co., Ltd.	375	551
Xuzhou New Century Grand Hotel Co., Ltd.	304	309
Ningbo New Century Hotel Co., Ltd.	291	397
Haining New Century Grand Real Estate Grand Hotel Co., Ltd.	250	–
Ningbo Jiulong Lake New Century Resort Co., Ltd.	234	264
Hangzhou New Century Tourism Development Co., Ltd.	230	286
Taizhou New Century Hotel Co., Ltd.	206	163
Changjiang Hengshengyuan Qizivan Tourism Real Estate Co., Ltd.	182	–
Hangzhou New Century Senbo Tourism Investment Co., Ltd.	158	18
Ningbo Seventeen House New Century Resort Co., Ltd.	147	184
Haining New Century Grand Real Estate Co., Ltd.	136	136
New Century Grand Hotel Kaifeng Business Company Co., Ltd.	120	117
Shanghai New Century Enterprise Operation Management Co., Ltd.	119	136
Others	336	490
	4,852	3,783

27 Related party transactions *(continued)*

(b) Transactions with related parties *(continued)*

Purchase of goods

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
New Century Birotby Winery	1,613	1,957
Zhejiang Haogu Internet Technology Co., Ltd.	286	121
New Century Tourism Group Co., Ltd.	42	–
Hangzhou Huang Chaoyi Printing Co., Ltd. (Till 30 July 2018)	–	37
	1,941	2,115

Purchase of Services

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Hangzhou New Century Zhijiang Cleaning Chain Co., Ltd.	4,911	2,432
Hangzhou Xianghu Senbo Tourism Investment Co., Ltd.	439	–
Hangzhou New Century Tourism Development Co., Ltd.	29	–
Beijing Gehua	24	14
Ningbo Seventeen House New Century Resort Co., Ltd.	21	–
Hangzhou Ledu Property Services Co., Ltd.	–	298
Others	28	–
	5,452	2,744

27 Related party transactions *(continued)*

(b) Transactions with related parties *(continued)*

Rental expenses payable/paid to related parties

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
New Century Tourism Group Co., Ltd.	350	391
Zhejiang New Century Hotel Investment and Management Group Co., Ltd. (i)	-	51,413
Ningbo New Century Spearhead Investment Co., Ltd. (i)	-	20,654
Zhejiang Spearhead Investment Co., Ltd. (i)	-	19,541
Chun'an Qiandao Lake New Century Spearhead Investment Co., Ltd. (i)	-	9,296
Changchun New Century Spearhead Investment and Management Co., Ltd. (i)	-	8,140
Zhejiang New Century Property Management Co., Ltd.	-	695
New Century Holdings Group Co., Ltd.	-	8
Hangzhou New Century Senbo Tourism Investment Co., Ltd.	-	14
	350	110,152

27 Related party transactions *(continued)*

(b) Transactions with related parties *(continued)*

Leasing finance expenses

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
New Century REIT	16,161	–

(i) The lease agreements signed by the Group and above related parties, subsidiaries of New Century Real Estate Investment Trust (“New Century REIT”). New Century REIT includes Zhejiang New Century Hotel Investment and Management Group Co., Ltd., Ningbo New Century Spearhead Investment Co., Ltd., Zhejiang Spearhead Investment Co., Ltd., Chun’an Qiandao Lake New Century Spearhead Investment Co., Ltd., and Changchun New Century Spearhead Investment and Management Co., Ltd..

Borrowings guaranteed by related parties

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
New Century Tourism Group Co., Ltd.	–	100,000

The above bank borrowings guaranteed by related parties were all released in July 2018.

The above related party transactions were carried out in accordance with the term of the underlying agreements.

27 Related party transactions *(continued)*

(c) Balances with related parties

Significant related party balances are disclosed as below:

Trade receivables due from – trade in nature

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Ningbo New Century Hotel Co., Ltd.	2,354	–
Hangzhou Xianghu Senbo Tourism Investment Co., Ltd.	1,408	–
Taizhou New Century Hotel Co., Ltd.	638	568
Xuzhou New Century Grand Hotel Co., Ltd.	601	370
Shaoxing Yuzhuang New Century Hotel Management Co., Ltd.	488	486
Beijing Gehua	389	1,282
Ningbo Jiulong Lake New Century Resort Co., Ltd.	386	162
New Century Grand Hotel Kaifeng Business Company Co., Ltd.	299	200
Hainan Hengshengyuan International Tourism Development Co., Ltd.	237	388
Haining New Century Grand Real Estate Co., Ltd.	205	806
Wenzhou Wanxiang Real Estate Co., Ltd.	200	–
Zhejiang New Century Property Management Co., Ltd.	170	106
Hangzhou New Century Tourism Development Co., Ltd.	133	–
Changjiang Hengshengyuan Qizhuan Tourism Real Estate Co., Ltd.	125	125
Ningbo Seventeen House New Century Resort Co., Ltd.	119	–
Others	324	1,338
	8,076	5,831

27 Related party transactions *(continued)*

(c) Balances with related parties *(continued)*

Significant related party balances are disclosed as below:

Other receivables

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Zhejiang New Century Hotel Investment and Management Group Co., Ltd.	423	20,447
Others	1,049	929
	1,472	21,376

Prepayment due from – trade in nature

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Hangzhou Xiaoshan Chaoyi Carpet Co., Ltd.	442	–
Zhejiang New Century Hotel Investment and Management Group Co., Ltd.	159	307
Hangzhou Jinjian Intelligent Technology Co., Ltd.	–	182
Others	–	49
	601	538

27 Related party transactions *(continued)*

(c) Balances with related parties *(continued)*

Trade payables due to – trade in nature

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Hangzhou New Century Zhijiang Cleaning Chain Co., Ltd.	991	792
Shanghai New Century Enterprise Operation Management Co., Ltd.	365	–
Hangzhou New Century Decorating Co., Ltd.	324	324
New Century Tourism Group Co., Ltd.	176	–
Zhejiang Haogu Internet Technology Co., Ltd.	158	–
Hangzhou Huang Chaoyi Printing Co., Ltd. (Till 30 July 2018)	–	86
Zhejiang New Century Hotel Investment and Management Group Co., Ltd.	–	10,769
Ningbo New Century Spearhead Investment Co., Ltd.	–	4,645
Chun'an Qiandao Lake New Century Spearhead Investment Co., Ltd.	–	683
Zhejiang Spearhead Investment Co., Ltd.	–	3,860
Changchun New Century Spearhead Investment and Management Co., Ltd.	–	1,057
Others	362	493
	2,376	22,709

Leasing liabilities

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
New Century REIT	660,903	–

27 Related party transactions *(continued)*

(c) Balances with related parties *(continued)*

Other payables due to – trade in nature

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Hangzhou New Century Decorating Co., Ltd.	5,173	5,173
Hangzhou Xianghu Senbo Tourism Investment Co., Ltd.	1,697	–
Hangzhou Jinjian Intelligent Technology Co., Ltd.	670	867
Ningbo Jiulong Lake New Century Resort Co., Ltd.	463	140
Hangzhou New Century Tourism Development Co., Ltd.	353	183
Shaoxing Yuzhuang New Century Hotel Management Co., Ltd.	340	356
Hangzhou New Century Yiyang Management Services Ltd.	339	–
Beijing Gehua	251	810
Hainan Hengshengyuan International Tourism Development Co., Ltd.	239	542
Taizhou New Century Hotel Co., Ltd.	203	384
Ningbo Seventeen House New Century Resort Co., Ltd.	193	202
Xuzhou New Century Grand Hotel Co., Ltd.	118	293
Ningbo New Century Hotel Co., Ltd.	98	467
New Century Grand Hotel Kaifeng Business Company Co., Ltd.	41	283
Haining New Century Grand Real Estate Co., Ltd.	–	261
Others	155	984
	10,333	10,945

27 Related party transactions *(continued)*

(c) Balances with related parties *(continued)*

Advances due from:

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Hangzhou Jinjian Intelligent Technology Co., Ltd.	246	111
Hainan Hengshengyuan International Tourism Development Co., Ltd.	81	–
Haining New Century Grand Real Estate Co., Ltd.	–	303
New Century Tourism Group Co., Ltd.	–	78
Others	83	89
	410	581

(d) Key management compensation

	Unaudited Six months ended 30 June 2019 RMB'000	2018 RMB'000
Wages, salaries and bonuses	4,502	5,262
Pension fund, Housing fund, medical insurance and other social insurance and other employee benefits	76	69
	4,578	5,331