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

Annual Report 2019

CONTENTS

CORPORATE INFORMATION

FIRST BOARD OF DIRECTORS

Executive Directors

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

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 SUPERVISORY COMMITTEE

Supervisors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

Mr. Zhang Rungang (Chairman)
Mr. Chen Canrong
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 REPRESENTATIVE

Mr. Jin Wenjie
Ms. Chan Suet Lam

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered PIE Auditor

LEGAL ADVISERS

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

COMPANY NAME IN CHINESE

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,
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

LISTING EXCHANGE OF THE COMPANY'S H SHARES

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

OPERATING DATA

HOTEL OPERATION SEGMENT

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

	Average Occupancy Rate (%)		ADR (RMB/per room)		RevPAR (RMB)	
item	2019	2018	2019	2018	2019	2018
Upscale business hotels	62.4	65.4	465.9	500.5	290.9	327.3
Upscale resort hotels	57.1	52.4	676.1	697.5	385.8	365.2
Mid-scale full service hotels	60.4	64.2	353.1	357.8	213.1	229.9
Mid-scale select service hotels	62.1	64.3	315.5	349.6	196.1	224.8

Upscale resort hotels were benefited from the gradual maturity of newly opened hotels in 2018, which the occupancy rate for the year has improved, driving the overall single rooms revenue of the product line. Other product lines were dragged by the incubation period of newly add hotels opening market in the year concerned and declining prosperity in some cities, which led to the decline in both occupancy rate and resulting in a decline in the RevPAR.

F&B SERVICES

	2019	2018
Average spending per customer (RMB)	129.4	125.7
Utilization rate of seats	72.4%	73.0%
Revenue per sq.m. of banquet rooms (RMB)	10,378.7	13,518.8

For F&B services, the average spending per customer (unit price) increased throughout the year, representing an increase of RMB3.7 per unit as compared with the same period of 2018. Utilization rate of seats was limited by the fact that some newly opened hotels were still in their start-up period, and the demand in some cities was declining, thus utilization rate of seats decreased by 0.6%. Revenue per sq.m. of banquet rooms was affected by the decline in the demand for wedding banquets in southern China, especially in Zhejiang (due to local customs), resulting in a decrease of RMB3,140.1 in the revenue per sq.m. of banquet rooms.

OPERATING DATA

HOTEL MANAGEMENT SEGMENT

During the Reporting Period, the Group recorded revenue of approximately RMB237.9 million from hotel management segment, representing a year-on-year increase of 40.8%, primarily due to the increased number of newly opened entrusted management hotels. Compared with last year, the revenue growth rate of the hotel management segment further increased. The revenue generated from the hotel management segment as a percentage of the total revenue increased steadily to 12.3% from 9.4% in 2018, which became a major driving force for the Group's profit growth.

The following table sets forth the number of hotels and hotel rooms in operation as at 31 December 2018 and 2019.

	As at 31 December 2019		As at 31 December 2018	
	No. of hotels	No. of hotel rooms	No. of hotels	No. of hotel rooms
Operated hotels	38	9,160	31	7,501
Managed hotels	178	35,625	119	26,785
Total	216	44,785	150	34,286

The following table sets forth the breakdown of hotels by hotel categories as at 31 December 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) under pipeline	No. of managed hotels (No. of hotel rooms) under pipeline	Total no. of hotels (No. of hotel rooms) in operation and under pipeline
Upscale business hotels	8(3,287)	42(14,153)	–	27(8,035)	77(25,475)
Upscale resort hotels	4(830)	17(4,270)	–	34(6,717)	55(11,817)
Mid-scale full service hotels	11(2,901)	33(7,607)	–	71(17,486)	115(27,994)
Mid-scale select service hotels	15(2,142)	86(9,595)	3(408)	104(12,100)	208(24,245)
Total	38(9,160)	178(35,625)	3(408)	236(44,338)	455(89,531)

OPERATING DATA

The following table sets forth a breakdown of our hotels by first-, new first-, second-, third-tier and other cities as at 31 December 2019.

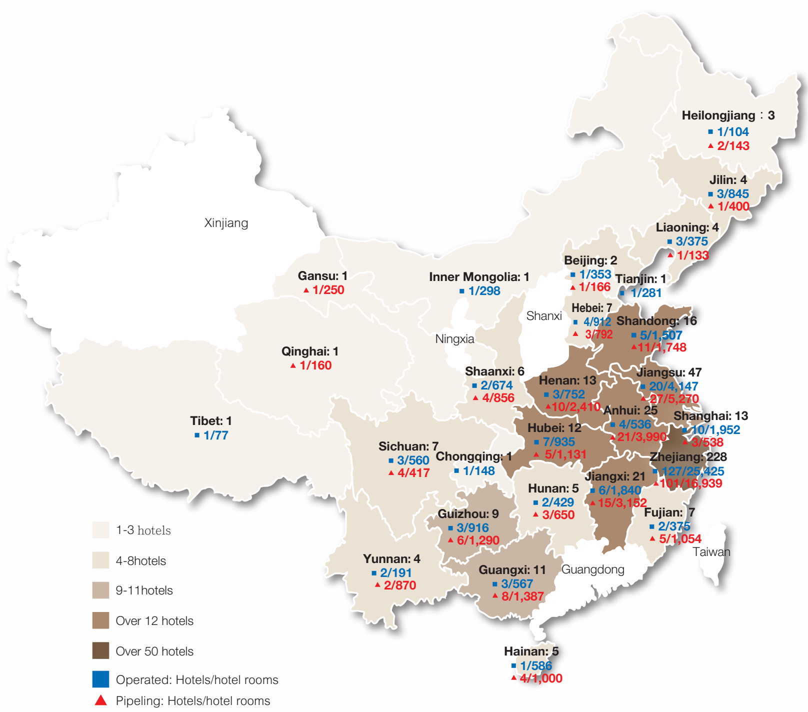
	No. of operated hotels (No. of hotel rooms) in operation	No. of managed hotels (No. of hotel rooms) in operation	No. of operated hotels (No. of hotel rooms) under pipeline	No. of managed hotels (No. of hotel rooms) under pipeline	Total no. of hotels (No. of hotel rooms) in operation and under pipeline
First-tier cities	4(555)	7(1,750)	–	4(704)	15(3,009)
New first-tier cities	18(4,972)	59(9,883)	2(240)	56(9,679)	135(24,774)
Second-tier cities	10(2,210)	47(9,797)	1(168)	63(12,196)	121(24,371)
Third-tier cities	6(1,423)	43(8,941)	–	59(10,952)	108(21,316)
Others	–	22(5,254)	–	54(10,807)	76(16,061)
Total	38(9,160)	178(35,625)	3(408)	236(44,338)	455(89,531)

Note: Others include Anshun, Beihai, Bozhou, Changjiang Li Autonomous County, Chizhou, Chongzuo City, Chuzhou, Dazhou, Dali, Danzhou, Enshi, Fangchenggang, Fuzhou, Fuyang, Heze, Huainan, Huangshan, Huangshi, Jingdezhen, Kaifeng, Leshan, Lu'an, Nyingchi, Pu'er, Qiandongnanzhou, Shangqiu, Shaoyang, Shiyan, Weinan, Wencang, Xishuangbanna, Xinxiang, Xinyu, Suqian, Suzhou, Xuancheng, Ya'an, Yingtan, Zaozhuang, Zhangjiajie, Zhumadian and Zunyi.

OPERATING DATA

The following table sets forth a breakdown of our hotels by geographic locations as at 31 December 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) under pipeline	No. of managed hotels (No. of hotel rooms) under pipeline	Total no. of hotels (No. of hotel rooms) in operation and under pipeline
Zhejiang Province	25(6,511)	102(18,914)	2(240)	99(16,699)	228(42,364)
Jiangsu Province	4(966)	16(3,181)	–	27(5,270)	47(9,417)
Anhui Province	–	4(536)	–	21(3,990)	25(4,526)
Jiangxi Province	–	6(1,840)	1(168)	14(2,984)	21(4,992)
Shandong Province	–	5(1,507)	–	11(1,748)	16(3,255)
Henan Province	–	3(752)	–	10(2,410)	13(3,162)
Shanghai Municipality	4(555)	6(1,397)	–	3(538)	13(2,490)
Hubei Province	–	7(935)	–	5(1,131)	12(2,066)
Guangxi Province	–	3(567)	–	8(1,387)	11(1,954)
Guizhou Province	–	3(916)	–	6(1,290)	9(2,206)
Hebei Province	–	4(912)	–	3(792)	7(1,704)
Fujian Province	–	2(375)	–	5(1,054)	7(1,429)
Sichuan Province	1(202)	2(358)	–	4(417)	7(977)
Others	4(926)	15(3,435)	–	20(4,628)	39(8,989)
Total	38(9,160)	178(35,625)	3(408)	236(44,338)	455(89,531)



MAJOR AWARDS

In 2019, New Century Hotel Group ranked 25th in terms of scale among global hotel groups, maintaining the industry leading position of the global top 30 hotel groups for four consecutive years. The "New Century Hotel" brand was widely recognized by the market and the industry. During the Reporting Period, it has won numerous awards as follows:

- Ranking 25th among Global Hotel Groups
  – selected by the Hotels magazine of America

- Top 60 Hotel Groups in China
  – selected by China Tourist Hotel Association

- China Accommodation Awards for Chain Hotels Award
  – selected by www.pinchain.com

- City Hotel Brand Marketing Award of the Year
  – selected by Toutiao

- Most Influential Hotel Group in China
  – selected by China (Shanghai) International Hotel Franchise Expo

- 2019 Most Influential Design Hotel Group
  – selected by Top 100 China Hotels Deisgn Competition Organizing Committee

DEFINITIONS AND GLOSSARY

"Articles of Association"	Articles of Association of Zhejiang New Century Hotel Management Co., Ltd. (H shares)
"Birot by New Century"	Birot by New Century, a company incorporated in France on 11 December 2014, and is indirectly owned as to 83.9% by Mr. Chen Miaolin
"the 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 Annual Report, means New Century Tourism, Mr. Chen Canrong, Mr. Chen Miaolin and Mr. Zhang Guanming
"Deed of Non-Competition"	a deed of non-competition dated 12 February 2019 executed by our Controlling Shareholders in favor of our Company (for itself and as trustee for the benefit of its subsidiaries)
"first-tier cities"	Beijing and Shanghai
"Group" or "the Group" or "New Century Hotel Group"	our Company and its subsidiaries or, in respect of the period before our 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
"Hotel Lease and Management Agreement(s)"	separate hotel lease and management agreement(s) in respect of each of the New Century REIT Hotel Properties entered into pursuant to the Master Hotel Lease and Management Agreement
"Independent Auditor's Report"	the report of our independent auditors, the text of which is set out on page 83 of this Annual 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 to take place on the Stock Exchange

DEFINITIONS AND GLOSSARY

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Master Hotel Lease and Management Agreement"	a framework agreement dated 14 June 2013 entered into between New Century Hotel Investment, New Century Hotel Management, New Century Tourism and New Century Asset Management Limited, which sets out the general guidelines and principles for the lease and management of the New Century REIT Hotel Properties
"Mid-scale Hotel"	the mid-scale hotels mainly refer to the three and four Star-rated hotels by China National Star Rating System which are rated by China Tourism Hotel Association, as well as the hotels which have similar product positioning and quality, service quality, and relatively comprehensive facilities as three and four Star-rated hotels rated by China National Star Rating System
"New Century Holdings"	New Century Holdings Group Ltd (開元控股集團有限公司), a company established in the PRC on 6 April 2004, and is owned as to 85.2% by Mr. Chen Miaolin, 8.5% by Mr. Chen Canrong and 6.3% by Mr. Zhang Guanming
"New Century Holdings Group"	New Century Holdings and its subsidiaries
"New Century Hotel Investment"	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), a company established in the PRC on 30 November 2001 and owned as to 60.05% and 39.95% by Spearhead Investments Ltd and Sky Town Investment Ltd, respectively, both of which are indirectly whollyowned by New Century REIT
"New Century REIT"	New Century Real Estate Investment Trust, a Hong Kong collective investment scheme constituted as a unit trust and authorized under section 104 of the SFO, the units of which are listed on the Stock Exchange (Stock code: 1275), a connected person by virtue of being an associate of Mr. Chen Miaolin
"New Century REIT Group"	New Century REIT and its subsidiaries.
"New Century REIT Hotel Property(ies)"	New Century Grand Hotel Hangzhou (杭州開元名都大酒店), New Century Hotel Xiaoshan Zhejiang (浙江開元蕭山賓館), New Century Resort Qiandao Lake Hangzhou (杭州千島湖開元度假村), New Century Grand Hotel Ningbo (寧波開元名都大酒店) and New Century Grand Hotel Changchun (長春開元名都大酒店)
"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

DEFINITIONS AND GLOSSARY

"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
"Prospectus"	the prospectus for the Company dated February 26, 2019
"Report Period"	from 1 January 2019 to 31 December 2019
"RMB" or "Renminbi"	the lawful currency of the PRC
"second-tier cities"	Lanzhou, Nanchang, Nantong, Taizhou, Hefei, Jiaxing, Changzhou, Xuzhou, Yangzhou, Wuxi, Jinan, Haikou, Wenzhou, Yantai, Shaoxing, Jinhua, Changchun
"Share(s)"	ordinary shares of our 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"	Sanya, Sanming, Shangrao, Linyi, Lishui, Lijiang, Jiujiang, Baoding, Baotou, Jilin, Tangshan, Xiaogan, Zhuzhou, Guilin, Cangzhou, Tai'an, Taizhou, Huai'an, Huzhou, Zhangzhou, Yancheng, Zhoushan, Quzhou, Lianyungang, Zhenjiang, Ma'anshan, Longyan
"Upscale Hotel"	mainly refer to hotels by China National Star Rating System as five Star-rated hotels which are rated by China Tourism Hotel Association, as well as hotels which have similar product positioning and quality, service quality, and comprehensive facilities as the five Star-rated hotels rated by China National Star Rating System

FINANCIAL HIGHLIGHTS

	2019 (RMB'000)	2018 (RMB'000)
Items of Consolidated Statement of Comprehensive income		
Revenue	**1,927,980**	1,797,968
Gross profit	**565,018**	468,150
Net profit and total comprehensive income	**204,974**	189,069
Profit attributable to owners of the Company	**202,405**	186,787
Earnings per share attributable to owners of the Company (in RMB)	**0.76**	0.89
Items of Consolidated Balance Sheet		
Total assets	**4,492,126**	1,546,845
Total liabilities	**2,902,083**	872,900
Total equity attributable to owners of the Company	**1,578,471**	663,848

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual results of Zhejiang New Century Hotel Management Co., Ltd. for the financial year ended 31 December 2019.

In 2019, the overall prosperity of the hotel industry was still affected by cyclical economic fluctuation and the Sino-US trade war, which continued the downward trend in the first half of the year. In order to cope with the complex and changing market environment and actively face the opportunities and challenges of the economic market, the Group adheres to the aggressive development strategy of the Company, continuously carries out internal organization and system innovation, and strengthens operation management, which obtained remarkable improvement in project development, network layout, marketing and external cooperation, and realized the adverse growth of the Group's annual operation performance under the economic countercycle.

In 2019, revenue of the Company reached approximately RMB1,928.0 million, representing a year-on-year increase of approximately 7.2%. Operating profit amounted to approximately RMB333.6 million, representing a year-on-year increase of approximately 41.3%. Earnings before interest, tax, depreciation and amortization ("EBITDA") was approximately RMB741.9 million, representing a year-on-year increase of 144.1%, which was mainly due to the adoption of IFRS 16. Profit attributable to owners increased to approximately RMB202.4 million, representing a year-on-year increase of approximately 8.4%. It was mainly attributable to the increase in management segment revenue and profit brought by the expansion of hotel scale. The Board recommended a final dividend of RMB0.40 per share (tax inclusive).

To facilitate comparison with 2018, assuming that IFRS 16 was not adopted during the year of 2019, the Group's EBITDA would be approximately RMB355.1 million, representing an increase of approximately 16.8% as compared with the same period of last year, and the EBITDA rate would be approximately 18.4%. Profit attributable to owners of the Company would be approximately RMB230.9 million, representing an increase of approximately 23.6% as compared with the same period of last year.

FOCUSING ON DIVERSIFIED DEVELOPMENT IDEA, AND EXCEEDING NEW HEIGHTS ON PROJECT DEVELOPMENT

The Company adheres to the cooperation concept of "openness and mutual benefits" and practices the diversified development idea of "multi-channel, multi-brand, multi-path and multi-cooperation model". With asset-light leasing and entrusted management as the main development model, the Company continuously expands the sources and numbers of internal and external channels, promotes the hotel business of the Company to advance and develop nationally, and further expands the network layout of key cities.

During the Reporting Period, under the guidance of the aggressive development strategy, the Group has accumulatively entered into 150 contracted hotels, representing a year-on-year increase of 56.3%. Among these projects, the breakthrough in the key projects has been achieved, a total of 42 key hotel projects entered into and 75 hotels opened, presenting a year-on-year increase of 97.4%. The progress of opening and signing hotels have accelerated, and project development has exceeded new heights.

CHAIRMAN'S STATEMENT

NEW LEVEL OF GROUP MARKETING AND ENHANCEMENT OF OPERATIONAL CAPABILITIES

The Group is committed to building a powerful group marketing network to increase customer traffic and enhance the Group's operating income and traffic value. In 2019, the membership scale of Century Club (開元商祺會) exceeded 10 million, which is an important milestone in the Group's membership development, symbolizing the construction of a higher-value user system.

During the Reporting Period, the Group's marketing transaction volume exceeded RMB1.1 billion. Active online and offline marketing campaigns were carried out, and cooperation with third-party conference service platforms was promoted to build a customer platform for the hotels under the Group and boost the Group's operation capabilities.

DIGITAL TRANSFORMATION AND ACHIEVING INITIAL RESULTS ON THE PLATFORM-BASED R&D AND CONSTRUCTION

In order to manage and operate in a standardized and efficient manner, the Group has begun its digital transformation, and the platform-based R&D and construction in 2019 have achieved initial results.

2019 was the year for the launch and promotion of the human resources sharing service system and the financial sharing service center system. The Group successively launched the human resources sharing service system and the financial sharing service center system and promoted them in the hotels. Zhejiang Jinshanzi Network Technology Co., Ltd., a subsidiary of the Company, officially established a R&D center, which improves product design and technical capabilities, strengthens professional and technical team, and professionalizes products and projects management. Hangzhou New Century Hotel Supplies Co., Ltd., a subsidiary of the Company, integrated Hetai Hotel Management System (合泰酒店管理系統) and procurement system to strengthened the function of the procurement platform, achieving comprehensive coverage.

The Company will continue to excel in digital transformation, promote the R&D and construction of digital platform, adapt to changes in the market and customers, fully dig the value of data traffic, empower the Company in all aspects of development, and improve the Company's core competitiveness.

ACTIVELY EXPANDING EXTERNAL COOPERATION AND SHOWING BUSINESS INNOVATIVE RESULTS

In 2019, the Company focused on the establishment of external cooperation management department to unify the organization and coordination of the Group's external cooperation projects such as inter-industry alliances, inter-industry cooperation and smart hotel, and broaden the scope of strategic cooperation. At present, strategic cooperation has been entered into with over ten enterprises, including Ctrip (攜程), Zheqin (浙勤), Hebei Port Group (河港集團), Ningbo Tourism Investment & Development (寧波旅投), Dev & Keep (邸客科技), Meicai (美菜網) and Bajiuling (巴九靈), to build a high efficiency New Century accommodation complex and expand value-added extension business of the hotel in future.

In addition, the Company also cooperates with leading innovative companies such as Plug & Play, Chinaccelerator (中國加速) and CHAT to carry out innovative activities such as innovative entrepreneurship competitions, innovative share salon etc., to screen, introduce and incubate high-quality projects, as well as creating resources convergence platforms such as projects, talents and capital and building an innovative image for the Company, which has already begun to show business innovative achievements.

CHAIRMAN'S STATEMENT

CORPORATE STRATEGIES AND FUTURE DEVELOPMENT OUTLOOK

The Company believes the following competitive strengths continue to provide a solid foundation for the Company's rapid development in the future: (i) being one of the leading upscale hotel groups in China with strong brand recognition and rich experience; (ii) innovative and flexible operation and management mechanism with distinct synergy in executing the business model of combining hotel operation and hotel management businesses; (iii) broad cooperative basis, in particular cross-sector cooperation, for deepening customer traffic value and transforms them into commercial value; (iv) the diverse and effective hotel reservation channels and loyalty program provide the Group with a wide hotel guest exposure; and (v) experienced and professional management team and a dedicated workforce.

At the beginning of 2020, affected by the COVID-19 pneumonia epidemic (the "Epidemic"), the hotel industry has undergone severe tests. At present, the Company has sufficient financial resources and will actively take various measures to deal with the adverse effects caused by the Epidemic. Looking forward to the future of China's hotel industry, although affected by the Sino-US trade ward and the overall economic downward pressure, as the mid and long-term policy goals of "comprehensive well-off" policy and the 13th Five-Year Plan are about to end, the basic trend of steady improvement and long-term improvement of the state remains unchanged, and economic growth will remain generally stable. In terms of market demand of the hotel industry, the improvement of living standards of urban and rural residents, especially the rapid rise of the Chinese middle class. expansion of residents' culture and tourism consumption, and the rise of the new generation consumer classes will greatly increase the demand for the diverse tourism cultural products and high-quality tourism service experiences. On the supply side, we expect the industry concentration will be further enhanced through mergers and acquisitions or cooperation and alliances.

The Company will maintain and enhance its competitive advantages, further shifting its high-end hotel portfolio to a "network model", establishing a strong development capability to ensure effective output and expansion, and increasing the rebranding intensity, especially the development of high-end hotel rebranding rental business continue to expand leadership in the upscale hotel market in order to ensure the growth of business and revenue scale, improving the regional construction and management of midscale hotel teams, and comprehensively promoting the constant rapid development of mid-scale hotels.

We intend to seize market opportunities by implementing the following strategies: (i) adhere to and improve talent training strategies, especially the three-tier talent training plan; (ii) complete the coverage of key cities and improve the nationwide hotel network; (iii) rapidly expand mid-scale hotel business and targeted launch of mid-scale hotels with unique designs and experience offers so as to increase midscale market share; (iv) increase marketing activities and crossover marketing initiatives to maintain our strong brand recognition and expand our guests base; (v) further investment and development in innovative digital strategies and improving operational efficiency; and (vi) further enhance space utilization efficiency and space management capabilities by building extension capabilities and expanding cross-industry cooperation. We will continuously innovate our products and services, improve operational and management efficiency, serving hotel guests to their satisfaction while creating value for hotel owners.

Finally, I sincerely thank all employees for their dedication and hard work, and their valuable contributions to the Company. We also thank all shareholders, landlords and business partners for their support of the Company. Since the beginning of 2020, the tourism industry in China has been seriously affected by the COVID-19 epidemic and faced huge challenges. Looking forward to the whole year of 2020, although there are still many uncertainties in the hotel operating environment, there are also opportunities for development in extraordinary times. We believe that with the strong support of Shareholders, owners, business partners and management, the Company will definitely overcome pressures and challenges, achieve healthy growth, and further stabilize the upscale hotel market leadership in China.

Jin Wenjie
Chairman
Hangzhou, China
20 March 2020

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTOR

Name	Age	Date of joining our group	Date of appointment as director	Present position in our Company	Roles and responsibilities in our group	Relationship with other Directors, Supervisors or members of the senior management
Executive directors						
Mr. Jin Wenjie (金文杰)	51	10 August 2008	9 January 2017	Executive Director, and Chairman of the Board	Overall general management and strategic planning and development of our Group	None
Mr. Chen Miaoqiang (陳妙強)	57	17 December 2008	17 December 2008	Executive Director, and President	Overall management and operation of the hotels of our Group	Younger brother of Mr. Chen Miaolin, non-executive Director of our Company
Non-executive directors						
Mr. Chen Miaolin (陳妙林)	68	17 December 2008	17 December 2008	Non-executive Director	Formulation of development strategies and provision of guidance for the overall development of our Group	Elder brother of Mr. Chen Miaoqiang, executive Director and President of our Company
Mr. Chen Canrong (陳燦榮)	56	17 December 2008	17 December 2008	Non-executive Director	Provision of guidance for the overall development of our Group	None
Mr. Jiang Tianyi (江天一)	38	23 November 2016	23 November 2016	Non-executive Director	Provision of guidance for the overall development of our Group	None
Mr. Zhang Chi (張弛)	45	23 November 2016	23 November 2016	Non-executive Director	Provision of guidance for the overall development of our Group	None
Independent non-executive directors						
Mr. Zhang Rungang (張潤鋼)	61	28 June 2017	28 June 2017	Independent non-executive Director	Provision of independent advice to our Board	None
Mr. Khoo Wun Fat William (丘煥法)	40	13 August 2018	13 August 2018	Independent non-executive Director	Provision of independent advice to our Board	None
Ms. Qiu Yun (邱妘)	57	28 June 2017	28 June 2017	Independent non-executive Director	Provision of independent advice to our Board	None

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Jin Wenjie (金文杰), aged 51, joined the Group since August 2008, currently acts as an executive director and chairman of the Board of Directors of the Company, and is also the chairman of the Board of Zhejiang New Century Manju Hotel Management Co., Ltd. (浙江開元曼居酒店管理有限公司). Mr. Jin has over 10 years of corporate finance experience and over 11 years of hotel operation and management experience. From October 2003 to October 2007, Mr. Jin served as the general manager of Goldbond Venture Management Limited; from November 2007 to June 2008, he served as a director of Piper Jaffray & Co.'s Shanghai office and the head of China corporate finance; since February 2016, he has served as the vice president of New Century Tourism. Since May 2017, he has served as the chairman of the Board of Directors and non-executive director of New Century Asset Management Limited (the manager of New Century REIT). Mr. Jin obtained a bachelor's degree in energy engineering from Shanghai Jiao Tong University, a master's degree in law from Tongji University, and has his lawyer's qualification certificate of China. Interests in shares owned by Mr. Jin Wenjie are set out in the section headed "The interests or short positions of our Directors, Supervisors and chief executive in the Shares, underlying Shares or debentures of our Company or its associated corporation" in this Annual Report.

Mr. Chen Miaoqiang (陳妙強), aged 57, currently acts as an executive director and president of our Company and joined the Group since December 2008. Mr. Chen is also the director of a number of subsidiaries of the Company. Mr. Chen was appointed as a director of Ningbo Mansion New Century Hotel Management Company Limited on 17 April 2019, the person-in-charge of New Century Ningbo Hotel of Zhejiang New Century Hotel Management Holdings Co., Ltd. on 9 August 2019, an executive director of New Century Ningbo Hotel Co., Ltd on 20 September 2019, a director of Zhejiang Zheqin New Century Hotel Management Co., Ltd., a company in which the Company is a shareholder on 15 November 2019, and resigned as a director of Ningbo New Century Manju Hotel Management Company Limited and a director of Changxing New Century Mayart Hotel Company Limited on 20 May 2019 and 23 May 2019, respectively. Mr. Chen has approximately 27 years of experience in hotel operation and management. Mr. Chen was the manager of the facilities department at our Hangzhou Zhijiang Holiday Resort, the predecessor of Zhijiang New Century Resort, from January 1994 to February 1998. He served as the property investment supervision manager at New Century Tourism from May 1998 to March 1999. He was the general manager of our New Century Grand Hotel Ningbo from January 2000 to January 2004. Mr. Chen obtained a bachelor's degree in physics from Hangzhou Normal University and a master's degree in Executive Master of Business Administration from Zhejiang University. Mr. Chen is the brother of Mr, Chen Miaolin, the founder of the Group, one of the controlling Shareholders and a non-executive director. Interests in shares owned by Mr. Chen Miaoqiang are set out in the section headed "The interests or short positions of our Directors, Supervisors and chief executive in the Shares, underlying Shares or debentures of our Company or its associated corporation" in this Annual Report.

NON-EXECUTIVE DIRECTORS

Mr. Chen Miaolin (陳妙林), aged 68, is the founder and one of the Controlling Shareholders of our Group and a non-executive director and a member of the Remuneration Committee of the Company. He is also the vice president of China Tourism Association, the president of Zhejiang Provincial Tourism Association and the deputy chairman of Hangzhou Federation of Industry & Commerce. Mr. Chen has over 33 years of experience in hotel operation and management. From January 1987 to March 1998, Mr. Chen served as the general manager of Xiaoshan Guesthouse; from February 1994 to March 1998, he was the general manager of Xiaoshan New Century Tourism Co., Ltd.; from January 1998 to January 2001, he served as Chairman of the Board of Directors of Hangzhou New Century Real Estate Group Co., Ltd.; from January 2001 to July 2010, he served as Chairman and President of New Century Tourism; since January 2001, Mr. Chen has also served as a director of New Century Tourism; from July 2013 to May 2017, he served as Chairman of the Board of Directors of New Century Asset Management Limited. Mr. Chen obtained a master's degree in business administration from the Macau University of Science and Technology and is a senior economist certified by the Zhejiang Personnel Department. Interests in shares owned by Mr. Chen Miaolin are set out in the sections headed "The interests or short positions of our Directors, Supervisors and chief executive in the Shares, underlying Shares or debentures of our Company or its associated corporation" and "Interests or short positions of substantial shareholders in the Shares or underlying Shares of the Company" in this Annual Report.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Chen Canrong (陳燦榮), aged 56, is a non-executive director and a member of the Nomination Committee of the Company, and is one of the Controlling Shareholders, and joined the Group since December 2008. He is also the deputy chairman of the China Tourist Hotels Association and the deputy chairman of the Zhejiang Hotel Association. Mr. Chen has over 33 years of experience in hotel operation and management. From September 1987 to December 2000, Mr. Chen worked at Xiaoshan Guesthouse and held various positions including deputy general manager, executive deputy general manager and general manager. Since January 2000, he has successively served as Vice President, President and Director of New Century Tourism. In July 2014. Mr. Chen served as Director and Chairman of the Board of Directors of Zhejiang New Century Property Management Co., Ltd., a company listed on the National Equities Exchange and Quotations (stock code: 831971). Mr. Chen obtained a master's degree in Business Administration from the Macau University of Science and Technology.

Mr. Jiang Tianyi (江天一), aged 38, is a non-executive director and a member of the Audit Committee of the Company and was appointed as a director of the Company since November 2016. Mr. Jiang has over 14 years of experience in private equity investment. Mr. Jiang was an analyst at Deutsche Bank in Hong Kong from May 2004 to August 2006; he served as a director of The Carlyle Group from August 2006 to March 2016; since April 2016, he has been a co-founder and partner of Ocean Link Partners Limited ("Ocean Link", a private equity investment firm focusing on travel related sectors in China) and a director of Beijing Century Mind Education Technology Co., Ltd. (北京世紀明德教育科技股份有限公司), a company listed on the National Equities Exchange and Quotations (stock code: 839264), and a director of several portfolios of Ocean Link. Mr. Jiang obtained a bachelor's degree in science from Columbia University.

Mr. Zhang Chi (張弛), aged 45, is a non-executive director of our Company. Mr. Zhang served as Vice President in the investment banking division at China International Capital Corporation Limited from December 1999 to May 2005; he served as Vice President of the M&A Department of Credit Suisse (Hong Kong) Limited from August 2005 to June 2006; he served as former global partner and managing director of The Carlyle Group from July 2006 to May 2016; since May 2016, he has been serving as managing director and supervisor of Greater China Region of General Atlantic LLC (an American global growth equity firm). Mr. Zhang received a bachelor's degree in economics from Hefei University of Technology and a master's degree in economics from Shanghai University of Finance and Economics. Mr. Zhang hold/held directorships in the following listed companies at present and in the past three years: served as the non-executive director of New Century Asset Management Limited (開元資產管理有限公司), the manager of New Century REIT (開元產業投資信託基金) from July 2013 to May 2016; served as the independent director of the 58.com Inc., a company listed on The New York Stock Exchange (stock code: WUBA) from December 2015 to present; served as the non-executive director of the Xiabuxiabu Catering Management (China) Holdings Co., Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 00520) from August 2017 to present; served as a director of Futu Holdings Limited, a company listed on Nasdaq Stock Market (stock code: FHL) from August 2019 to present

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Zhang Rungang (張潤鋼), aged 61, is an independent non-executive director and the chairman of the Remuneration Committee and the Nomination Committee of the Company and acted as a director of the Company since June 2017. He is also a vice president of China Tourism Association. He has over 35 years of experience in the hospitality and tourism industry. From February 1985 to March 1995, Dr. Zhang served as the deputy general manager of Kunlun Hotel Beijing; from November 1996 to November 2000, he served as deputy general manager of the investment management department of Bank of China; from November 2000 to September 2004, he served as deputy director of the Quality Specification and Management Department of the China National Tourism Administration; from January 2005 to February 2016, he served as a director of BTG-Jianguo Hotel Management Co., Ltd.; from March 2014 to December 2015, he served as a director of Beijing Capital Tourism Group Co., Ltd.; since May 2017, he served as an independent director of Zhejiang Zhoushan Tourism Co., Ltd. (浙江舟山旅遊股份有限公司), formerly known as Putuoshan Tourism Development Co., Ltd. (普陀山旅遊發展股份有限公司). Dr. Zhang received a bachelor's degree from the International Institute of Politics and a doctoral degree in systems engineering from South China University of Technology in China. Dr. Zhang hold/held directorships in the following listed companies at present and in the past three years: served as the director of BTG Hotels Group Co., Ltd, a company listed on the main board of the Shanghai Stock Exchange (stock code: 600258) from May 2012 to present; served as the independent director of the China International Travel Service Corporation Limited, a company listed on the main board of the Shanghai Stock Exchange (stock code: 601888) from March 2017 to present.

Mr. Khoo Wun Fat William (丘煥法), aged 40, is an independent non-executive director and a member of the Audit Committee and the Nomination Committee of our Company and acted as a director of the Company since August 2018. Mr. Khoo has over 12 years of experience in the legal industry. Mr. Khoo worked at P.C. Woo & Co.; he served as a trainee solicitor, a paralegal and an assistant solicitor of the firm, respectively, from July 2007 to April 2010; he was an assistant solicitor of Charltons from May 2010 to April 2011; he was an associate at DLA Piper Hong Kong from April 2011 to March 2014. In December 2014, Mr. Khoo founded Khoo & Co and served as a partner. From December 2017 to 1 March 2020, Mr. Khoo was an independent non-executive director of Alpha Professional Holdings Limited (formerly known as Z-Obee Holdings Ltd.), a company listed on the Main Board of the Stock Exchange (Stock code: 948), and has been an independent non-executive director of Fameglow Holdings Limited (Stock code: 8603), a company listed on GEM operated by the Stock Exchange since September 2018. Mr. Khoo received a bachelor's degree in chemistry from the Chinese University of Hong Kong, a bachelor's degree in law from the City University of Hong Kong and a postgraduate certificate in law from the City University of Hong Kong and was admitted as a solicitor of the High Court of Hong Kong.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Qiu Yun (邱妘), aged 57, is an independent non-executive director and the chairman of the Audit Committee and a member of the Remuneration Committee of the Company and acted as a director of the Company since June 2017. She is also a professor in the principles of accounting and financial management at the Business School of Ningbo University. She served as a teaching assistant at the Business School of Ningbo University in July 1986, and became an associate professor in December 1999. Ms. Qiu worked as an associate professor in the principles of accounting and financial management and was the vice dean of the International College of Ningbo University (寧波大學國際交流學院) from January 2001 to March 2005, where she was then promoted to professor and then the dean of the college from April 2005 to June 2015. Ms. Qiu obtained her bachelor's degree in economic management from Fudan University (復旦大學) and a master's degree in business administration from the McGill University. Ms. Qiu was qualified as a professor in accounting by Provincial Normal High School Teacher Senior Technical Expert Qualifications Board (省普通高校教師高級專業技術資格評審委員會). Ms. Qiu has the relevant experience with internal controls and reviewing and analysing audited financial statements of listed companies; and possesses the appropriate accounting and related financial management expertise knowledge required under Rule 3.10(2) and Rule 3.21 of the Listing Rules. Ms. Qiu hold/held directorships in the following listed companies at present and in the past three years: served as the independent director of the Yinyi Co., Ltd., a company listed on the main board of Shenzhen Stock Exchange (stock code: 000981) from July 2011 to October 2017; served as the independent non-executive director and the chairman of Audit Committee of the Youngor Group Co., Ltd., a company listed on the main board of the Shanghai Stock Exchange (stock code: 600177) from May 2014 to present; served as the independent non-executive director and the chairman of Audit Committee of the Rongan Property Co., Ltd., a company listed on the main board of the Shenzhen Stock Exchange (stock code: 000517) from June 2014 to present; served as the independent non-executive director and the chairman of Audit Committee of the Ningbo Powerway Alloy Material Company Incorporated, a company listed on the main board of the Shanghai Stock Exchange (stock code: 601137) from July 2015 to present.

SUPERVISORS

Name	Age	Date of joining our group	Date of appointment as Supervisor	Present position in our Company	Roles and responsibilities in our group	Relationship with other directors, Supervisors or members of the senior management
Ms. Zha Xianghong (查向宏)	48	23 November 2016	23 November 2016	Supervisor	Presiding the work of the supervisory committee of our Company, supervision of the Board and the senior management of our Company	None
Mr. Guo Mingchuan (郭名川)	41	23 November 2016	23 November 2016	Supervisor	Supervision of the Board and the senior management of our Company	None
Ms. Liu Hong (劉虹)	50	1 October 2014	28 June 2017	Employee representative Supervisor	Supervision of the Board and the senior management of our Company	None

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Zha Xianghong (查向宏), aged 48, obtained MBA, is a certified public accountant in the PRC and senior accountant, and has been the chairman of the Board of Supervisors of our Company since 23 November 2016, being responsible for presiding the work of the Board of Supervisors and supervising the Board and the senior management of our Company. She has more than 21 years of experience in financial management. Ms. Zha has served as a supervising auditor, an audit manager, an audit director, an assistant to general manager of finance department and deputy general manager of finance department of New Century Tourism. She is currently responsible for overseeing the financial and auditing operations of New Century Tourism Group.

Mr. Guo Mingchuan (郭名川), aged 41, has been a Supervisor of our Company since 23 November 2016, being responsible for overseeing the Board of Directors and senior management of our Company. He has more than 11 years of experience in private equity investment. Mr. Guo has served as an analyst at Morgan Stanley Private Equity, Deputy Director at American International Group Investment Corporation, Senior Investment Manager of The Carlyle Group, and Investment Director of AGIC Capital (漢德資本). He currently serves as a supervisor and an investment director at Shanghai Ocean Link Investment Management Co., Ltd. (上海鷗翎投資管理有限公司). Mr. Guo obtained his bachelor's degree in computer science and technology and a master's degree in computer science from Shanghai Jiao Tong University (上海交通大學) in June 2002 and in March 2005, respectively.

Ms. Liu Hong (劉虹), aged 50, has been the employee representative supervisor of our Company since 28 June 2017, being responsible for overseeing the Board of Directors and senior management of our Company and has served as the director of human resources of our Company since October 2014. She has more than 32 years of experience in the hotel industry. Ms. Liu has served as the director of housekeeping of Xiaoshan Guesthouse, New Century City Hotel (開元城市酒店) and New Century Grand Hotel Hangzhou (杭州開元名都大酒店), the human resources director of New Century Grand Hotel Hangzhou, and the deputy director of general office of the labor union of New Century Tourism and was appointed a director of New Century Manju (Hubei) Hotel Management Co., Ltd., a subsidiary of New Century Manju Hotel Management Holdings Co., Ltd. on 28 May 2019. Ms. Liu obtained her bachelor's degree in law from Zhejiang University in July 2000 and her qualification as a human resources manager of a first-class enterprise in December 2012.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Present position in our Company	Date of appointment to present position	Roles and responsibilities in our group	Relationship with other Directors, Supervisors or members of the senior management
Mr. Hou Frank Feng (侯峰)	57	1 July 2010	Executive President	25 March 2019	Overseeing the development and operation of mid-scale select hotels of our Group	None
Mr. Li Donglin (李東林)	45	17 December 2008	Vice President and secretary to the Board	26 June 2017	Overseeing our Group's financial and accounting operations and secretarial matters of our Company	None
Ms. Ye Lv (葉綠)	48	17 December 2008	Vice President	26 June 2017	Overseeing the human resources of our Group	None
Ms. Zhao Huajuan (趙華娟)	47	17 December 2008	Chief Financial Officer	1 January 2014	Overseeing our Group's financial and accounting operations	None
Mr. Dai Jianping (戴建平)	48	17 December 2008	Vice president and general manager of the upscale business hotel development and management business division	26 October 2017	Overseeing the business development and management of our upscale business hotels	None
Mr. Chen Wenfang (陳文放)	42	1 January 2011	Vice president	26 October 2017	Overseeing the development of the Company's projects	None
Mr. Zhu Mingsheng (朱明生)	50	25 September 2018	Vice president	25 March 2019	Overseeing the information construction, external cooperation and standardization work of our Company	None

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Hou Frank Feng (侯峰), aged 57, has been an executive president of the Company and a president of Zhejiang New Century Manju Hotel Management Co., Ltd. (浙江開元曼居酒店管理有限公司) ("New Century Manju Management") since 25 March 2019, being responsible for the operation management work of mid-scale select hotels of the Company and the management of the daily operations of our Group. Mr. Hou served as a vice president of our Company from July 2010 to March 2019. Mr. Hou has over 28 years of experience in the hotel industry. Mr. Hou has served as a trainee hotel manager, hotel audit manager, hotel finance deputy manager and director of the investment department at Wyndham Hotel Group LLC. Mr. Hou worked as deputy director of finance department of the Central America region in the headquarters of the Hilton Hotel Group in the United States of America. He was a director of finance department in AON Plc. in the United States, a finance analyst of the investment division of Morgan Stanley, and a president at Nanjing Jinling Hotel Management Company (南京金陵飯店酒店管理公司). Mr. Hou obtained his diploma in hotel management and tourism in Shanghai Institute of Tourism (上海旅遊高等專科學校) in July 1983 and obtained his master's degree in hospitality management in Houston University in May 1993.

Mr. Li Donglin (李東林), aged 45, has been a vice general manager of our Company from January 2014 to June 2017, the secretary to the Board since January 2017 and a vice president since June 2017, being responsible for oversight of our Group's financial and accounting operations and overall secretarial matters of our Company. Mr. Li has been one of the joint company secretaries of our Company in July 2018. Mr. Li served as an assistant to the Chief Financial Officer, Assistant to General Manager, Deputy General Manager, and Vice President of our Group. Mr. Li has over 25 years of experience in financial management. He was an accounting officer and a chief accountant at Hangzhou Xingyuan Filter Technology Co., Ltd. (杭州興源過濾機有限公司), and an accounting manager, audit manager and capital resources manager of Zhejiang Huafu Huafang Group (浙江華孚華紡集團); he has worked as the assistant to the financial general manager and the audit director of New Century Tourism and an assistant to the chief financial officer at New Century Hotel Investment. Mr. Li has been an international certified financial engineer of the American Certification Institute and also accredited as a qualified company secretary by the Shanghai Stock Exchange and the Shenzhen Stock Exchange. Mr. Li obtained a diploma of accounting from Jiangxi University of Finance and Economics (江西財經學院) in June 1995. He studied at the graduate school of Shanghai University of Finance and Economics (上海財經大學) from March 2001 to January 2003 and obtained a postgraduate diploma in corporate management. Mr. Li has been awarded the postgraduate diploma in corporate finance and investment management by The University of Hong Kong in February 2018.

Ms. Ye Lv (葉綠), aged 48, has been a vice president of our Company since June 2017, and is in charge of human resources department since July 2018, being responsible for overseeing the human resources of our Group. Ms. Ye has over 23 years of experience in the hotel industry. Ms. Ye was a housekeeping director at the New Century Resort Hangzhou (杭州開元之江度假村) and a housekeeping director, an assistant to general manager, and a vice general manager of the Group. Ms. Ye obtained a diploma in economic management from Zhejiang University (浙江大學) in July 1999.

Ms. Zhao Huajuan (趙華娟), aged 47, has been the chief financial officer of our Company since January 2014, being responsible for overseeing our Group's financial and accounting operations. Ms. Zhao has over 27 years of experience in financial management. Ms. Zhao served as an accountant in Xiaoshan Grocery Company of Sugar, Cigarette and Alcohol (蕭山糖業煙酒副食品公司), an audit officer at New Century Hotel Investment, and audit officer, assistant of financial officer, vice financial officer and chief financial officer at our Group. Ms. Zhao obtained a diploma in accounting from the Open University of China (中央廣播電視大學) in January 2007. She has been certified by the Institute of Internal Auditors as a Certified Internal Auditor since November 2008 and has been a senior accountant as awarded by the senior accountant qualification approval committee of Zhejiang Province since December 2017. Ms. Zhao obtained her qualification as a certified management accountant of the Institute of Certified Management Accountants of the United States of America in September 2017.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Dai Jianping (戴建平), aged 48, has been the vice president and the general manager of upscale business hotel development and management business division of our Company since October 2017, being mainly responsible for the management and business development of our upscale business hotels. Mr. Dai has over 25 years of experience in hotel operation and management. Mr. Dai served as an assistant to general manager of Zhejiang Golden Horse Hotel (浙江金馬飯店), assistant to general manager of New Century Resort Hangzhou Zhijiang (杭州開元之江度假村), a deputy general manager of New Century Xiaoshan Guesthouse, the general manager of New Century Resort Hangzhou Zhijiang (杭州開元之江度假村), the general manager of Shaoxing Grand New Century Hotel (紹興開元名都大酒店) and the general manager of Shaoxing district of our Company. Mr. Dai obtained a professional certificate in tourism management in Zhejiang University (浙江大學) in January 2001 and a master's degree in hotel and tourism management in the Hong Kong Polytechnic University in October 2013.

Mr. Chen Wenfang (陳文放), aged 42, has been the vice president of our Company since October 2017, being responsible for project development business and in charge of the technology development department of our Company. Mr. Chen served as sales director, marketing director of the Group, the general manager of Ningbo Shiqifang New Century Resort (寧波十七房開元度假村), and the general manager of New Century Resort Hangzhou Qiandao Lake (杭州千島湖開元度假村). Mr. Chen obtained an associate degree in tourism management from Shanghai Normal University (上海師範大學) in December 2002.

Mr. Zhu Mingsheng (朱明生), aged 50, has been the vice president of our Company since March 2019, being responsible for the information construction, external cooperation and standardization work of our Company. He served as the general manager of Information Department of Wanda Hotel Management, Vice President of Interstate China of Jinjiang Group and COO of WeHotel, Senior Vice President of Huazhu Hotels Group and COO of Hanting Business Department. Since September 2018, he has joined our Company as an assistant to the chairman. Mr. Zhu received his undergraduate degree in computer software from Beijing Institute of Technology in 1993. He obtained a master's degree in business administration from Nanjing University in 2005. He studied at the Purdue University in the United States of America from September to October 2006 as a Jinling Visiting Scholar.

JOINT COMPANY SECRETARIES

Mr. Li Donglin (李東林) is one of our joint company secretaries. Please refer to "Senior Management" in this section for his biography.

Ms. Chan Suet Lam (陳雪霖) was appointed as one of the joint company secretaries of our Company in July 2018, with effect from the Listing Date. Ms. Chan is a manager of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. She is a Chartered Secretary, a Corporate Governance Professional and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly "The Institute of Chartered Secretaries and Administrators"). Ms. Chan has over 15 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2019, in the face of complicated domestic and foreign environment, China's economic growth slowed down, and difficult trading conditions continued for the hotel industry. The growth in demand of the industry declined significantly year-on-year, yet the growth in supply remained basically unchanged as compared to the corresponding period in last year. This imbalance between supply and demand has become increasingly prominent, which contributes to the deterioration of the hotel industry. Facing unoptimistic business conditions, on the one hand, the Company adhered to the mission of "Create good experience for its guests, create value for its owners, and lead the progress of the industry", and actively responding to the complex and changing market environment, focusing on customer needs, and creating strong product brand matrix which covers the needs of customers, promoting the development of asset-light entrusted management business across the country, continuously innovating the internal organization and systems of the Company, stimulating vigor and enhancing core competitiveness. On the other hand, the Company focused on "three adherences" – adherence to innovation to empower the value of "New Century" brand, adherence to openness to promote the sharing and optimization of the Group's platform and adherence to standardization to accelerate the Group's replication capabilities and improve profitability.

During the Reporting Period, the Group recorded a revenue of approximately RMB1,928.0 million, representing an increase of approximately 7.2% as compared to the same period of last year, the operating profit of the Group was approximately RMB333.6 million, representing an increase of approximately 41.3% as compared to the same period of last year, the earnings before interest, tax, depreciation and amortization ("EBITDA") of the Group was approximately RMB741.9 million, representing an increase of approximately 144.1% as compared to the same period of last year, which was mainly attributable to the adoption of IFRS 16, and the profit attributable to the owners of the Company was approximately RMB202.4 million, representing an increase of approximately 8.4% as compared with the same period of last year, primarily due to the revenue and profit of management segment brought by the scale expansion of our hotels. To facilitate comparison with 2018, assuming that IFRS 16 was not adopted during the year of 2019, the EBITDA of the Group would be approximately RMB355.1 million, representing an increase of approximately 16.8% as compared with the same period of last year, and the EBITDA rate would be approximately 18.4%. Profit attributable to owners of the Company was approximately RMB230.9 million, representing an increase of approximately 23.6% as compared with the same period of last year.

In 2019, the Group's rapid development strategy achieved significant impact, resulting in rapid business development, rapid growth in the number of openings and contracts as well as the continued increased in the influence of the New Century brand throughout the country. At the same time, the management fee for the Reporting Period has increased, and the growth rate of revenue without the adoption of IFRS 16 exceeded more than 20%. During the Reporting Period, the Group had 150 newly contracted hotels in total (2018: 96) in 2019, with 75 newly opened hotels in total (2018: 38). As at 31 December 2019, our hotel portfolio consisted of 216 hotels in operation (2018: 150) with approximately 44,785 hotel rooms (2018: approximately 34,286) throughout the PRC, representing an increase of approximately 44.0% and approximately 30.6% respectively. Amongst the 216 hotels in operation, 160 were under full service management agreements, 17 were under franchise agreements, two were owned hotels, one was operated under license by a third party, and 36 were under hotel lease agreements. As at 31 December 2019, we had 239 hotels under pipeline, with over 44,000 hotel rooms, representing an increase of 41.4% and 23.0% respectively as compared to as at 31 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the number of hotels and hotel rooms in operation as at 31 December 2018 and 2019.

	As at 31 December 2019		As at 31 December 2018	
	No. of Hotels	**No. Hotel Rooms**	No. of Hotels	No. Hotel Rooms
Operated hotels	**38**	**9,160**	31	7,501
Managed hotels	**178**	**35,625**	119	26,785
Total	**216**	**44,785**	150	34,286

The following table sets forth the breakdown of hotels by hotel categories as at 31 December 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) under pipeline**	**No. of managed hotels (No. of hotel rooms) under pipeline**	**Total no. of hotels (No. of hotel rooms) in operation and under pipeline**
Upscale business hotels	8(3,287)	42(14,153)	–	27(8,035)	77(25,475)
Upscale resort hotels	4(830)	17(4,270)	–	34(6,717)	55(11,817)
Mid-scale full service hotels	11(2,901)	33(7,607)	–	71(17,486)	115(27,994)
Mid-scale select service hotels	15(2,142)	86(9,595)	3(408)	104(12,100)	208(24,245)
Total	38(9,160)	178(35,625)	3(408)	236(44,338)	455(89,531)

In 2019, New Century hotel group ranked 25th in terms of scale among global hotel groups, maintaining the industry leading position of the global top 30 hotel groups for four consecutive years; ranking in the top 20 of China hotel groups, and being included in top 60 of China hotel groups for five consecutive years. In 2019, "New Century Hotel" brand received high social evaluation and market recognition, the Group was awarded "China Hotel Awards for the Chain Hotel Award", "Top 10 Influencing Brands of Domestic High-end Hotels", "Most Influential Hotel Group in China" and other accolades.

HOTEL OPERATION SEGMENT

During the Reporting Period, the Group recorded revenue of approximately RMB1,690.1 million from hotel operation segment, representing a year-on-year increase of approximately 3.8%, primarily due to the opening of new hotels. In order to create a new driver for revenue growth, the Group focused on the development of new operated hotel projects in upscale and mid-scale markets. During the year, one upscale full service hotel (located in Changxing, Zhejiang) and three mid-scale full service hotels (all located in Ningbo, including one converted from entrusted management hotel to leased hotel) were added. As for the mid-scale limited service sector, the three hotels we leased and operated (located in cities such as Changxing, Zhejiang, Shanghai and Chengdu) commenced operation successively, increase the number of operated hotels from 31 as at the end of 2018 to 38 in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Owned hotels

As at 31 December 2019, we owned two hotels with 382 hotel rooms, accounted for approximately 0.9% of the hotel rooms in operation.

Leased hotels

In 2019, while enhancing the brand value by continuously expanding the national hotel network rapidly with the entrusted management model, we actively sought for opportunities of leasing hotels at reasonable rents to create a new driver for revenue and profit growth. Seven new leased hotels commenced operation during the Reporting Period. As at 31 December 2019, we had 36 leased hotels with 8,778 hotel rooms, accounted for approximately 19.6% of the hotel rooms in operation.

Operating data

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

	Average Occupancy Rate (%)		ADR (RMB/per room) *Note 1*		RevPAR (RMB) *Note 2*	
Item	**2019**	2018	**2019**	2018	**2019**	2018
Upscale business hotels	**62.4**	65.4	**465.9**	500.5	**290.9**	327.3
Upscale resort hotels	**57.1**	52.4	**676.1**	697.5	**385.8**	365.2
Mid-scale full service hotels	**60.4**	64.2	**353.1**	357.8	**213.1**	229.9
Mid-scale select service hotels	**62.1**	64.3	**315.5**	349.6	**196.1**	224.8

Upscale resort hotels were benefited from the gradual maturity of newly opened hotels in 2018, which the occupancy rate for the year has improved, driving the overall single rooms revenue of the product line. Other product lines were dragged by the incubation period of newly add hotels opening market in the year concerned and declining prosperity in some cities, which led to the decline in both occupancy rate and ADR.

F&B services

	2019	2018
Average spending per customer (RMB)	**129.4**	125.7
Utilization rate of seats	**72.4%**	73.0%
Revenue per sq.m. of banquet rooms (RMB)	**1,0378.7**	1,3518.8

For F&B services, the average spending per customer (unit price) increased throughout the year, representing an increase of RMB3.7 per unit as compared with the same period of 2018. Utilization rate of seats was limited by the fact that some newly opened hotels were still in their start-up period, and the demand in some cities was declining, thus utilization rate of seats decreased by 0.6%. Revenue per sq.m. of banquet rooms was affected by the decline in the demand for wedding banquets in southern China, especially in Zhejiang (due to local customs), resulting in a decrease of RMB3,140.1 in the revenue per sq.m. of banquet rooms.

Note 1: Average daily rate, which means room revenue divided by rooms in use.

Note 2: Revenue per available room, calculated by room revenue during a period divided by the available room of such hotel during the same period.

MANAGEMENT DISCUSSION AND ANALYSIS

Hotel Management Segment

During the Reporting Period, the Group recorded revenue of approximately RMB237.9 million from hotel management segment, representing a year-on-year increase of 40.8%, primarily due to the increased number of newly opened entrusted management hotels in this year. Compared with last year, the revenue growth rate of the hotel management segment further increased. The revenue generated from the hotel management segment as a percentage of the total revenue increased steadily to 12.3% from 9.4% in 2018, which became a major driving force for the Group's profit growth.

Information Technology

During the Reporting Period, the Group continued to create leading digital application capabilities based on strategic development requirements, and further increased technical investment and personnel reserves to enhance the Company's competitiveness. For this year, the Group mainly focused on strengthening and upgrading five aspects, namely channel development, operational empowerment, smart hotels, data platform and information security.

I. Channel development: (1) Developing a flexible and configurable marketing management backstage for the official website to immediately respond to market changes and customer needs, and increase transaction scale; (2) launching the online platform, 開元悦選線上商城, in response to the group purchase needs of users; (3) in order to meet the demands of highly concurrent user access and large-scale promotional activities, a super cache mechanism was established to solve the needs of inventory query and reservation response during high concurrent; (4) launching mini programs for WeChat and Alipay to undertaking the traffic resources of the two super applications; (5) Direct docking with the online travel agencies (OTA) technology was completed so far to enable the quick access of external orders to the Group's business systems, including Ctrip, Meituan (美國), Fliggy (飛豬), Qunar (去哪兒) and booking.com; (6) Continuous innovation and development, achieving cooperation with membership systems such as Alipay, JD PLUS (京東PLUS), VariFlight (非常准), Huawei Waller (華為錢包), ICBC, Bank of China and other partners, thus the users of the partners can quickly obtain the membership of New Century Hotel Century Club.

II. Operational empowerment: (1) Upgrading and optimizing the central booking and hotel management system of the cloud platform multiple times; (2) developed and launched a brand new Project Lifecycle Management 1.0 based on business requirements, which realizes the whole process management from clue to operation of projects and enables the traditional operation mode realize electronic management; (3) the new custom-developed quality management platform completely changed the original scattered manual operation mode and accumulated corresponding data resources to further improve the hotel operation quality and operation efficiency; (4) continue to apply the financial and human resources sharing platform in depth, gradually realize mobile office and improve management efficiency and operation level.

III. Smart hotels: (1) Carrying out technical cooperation with a number of hardware companies that provide self-service machines at the front desk, realizing data docking with the hotel management system, and starting to apply in multiple hotels; (2) the Group begins to try to apply AI intelligent voice steward, thus certain guests' voice requests are processed by the AI voice robot, which reduces labor costs without affecting service; (3) some hotels of the Group also introduced material delivery robots, of which Gehua New Century Hotel Beijing has realized the combination with AI intelligent voice management to realize the closed-loop service.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Data platform: The design and development of New Century tongbao 1.0 (開元通寶1.0) was completed during the Reporting Period. New Century Tongbao will serve as a unified entrance management platform for all business systems of the Company in the future. At the same time, the data platform New Century Shu Shuo 1.0 (開元數説1.0) was also released in synchronization, which already includes some data such as operating income, market analysis, membership development and e-commerce. The platform will be put into construction in the future to gradually realize digitization of business and further realize intelligent decision-making.

V. Information security: During the Reporting Period, the Group was continuously optimizing aspects such as data backup, network security and application redundancy, as well as network links and firewall configurations, checked hidden vulnerabilities in data security, improved operation management systems, and commenced level protection authentication to strengthen the Group's information security.

OVERVIEW OF FINANCIAL INFORMATION

Revenue

Comparison between the financial information of the Group during the Reporting Period and that of the corresponding period in 2018 is as follow:

	Year ended 31 December			
	2019		2018	
	RMB'000	**% of total revenue**	RMB'000	% of total revenue
Hotel operation				
Room	**805,862**	**41.8%**	743,744	41.4%
F&B	**600,198**	**31.2%**	641,389	35.7%
Ancillary services	**243,096**	**12.6%**	207,082	11.5%
Rental income	**40,925**	**2.1%**	36,766	2.0%
Subtotal of hotel operation	**1,690,081**	**87.7%**	1,628,981	90.6%
Hotel Management	**237,899**	**12.3%**	168,987	9.4%
Total	**1,927,980**	**100.0%**	1,797,968	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS

HOTEL OPERATION

During the Reporting Period, revenue for the hotel operation segment increased by approximately 3.8% from approximately RMB1,629.0 million in 2018 to approximately RMB1,690.1 million in 2019, primarily due to (i) an approximately 8.4% increase in revenue from accommodation services from approximately RMB743.7 million in 2018 to approximately RMB805.9 million in 2019; (ii) an approximately 17.4% increase in the revenue from our ancillary services from approximately RMB207.1 million in 2018 to approximately RMB243.1 million in 2019; and (iii) an approximately 11.1% increase in rental income from approximately RMB36.8 million in 2018 to approximately RMB40.9 million in 2019. Such increases were partially offset by an approximately 6.4% decrease in the revenue from F&B services from approximately RMB641.4 million in 2018 to RMB600.2 million in 2019.

The approximately 6.4% decrease in the revenue from our F&B services was largely due to the decrease in market demand for wedding banquet services in Zhejiang Province, which further led to an approximately 23.2% decrease in revenue per sq.m. of banquet rooms from approximately RMB13,518.8 in 2018 to approximately RMB10,378.7 in 2019.

The approximately 17.4% increase in the revenue from our ancillary services was primarily due to (i) an approximately 57.8% increase in hotel-related value-added services from approximately RMB29.6 million in 2018 to approximately RMB46.7 million in 2019; and (ii) an approximately 39.3% increase in sales of goods and products from approximately RMB76.0 million in 2018 to approximately RMB105.9 million in 2019.

HOTEL MANAGEMENT

During the Reporting Period, revenue for the hotel management segment increased by approximately 40.8% from approximately RMB169.0 million in 2018 to approximately RMB237.9 million in 2019, mainly due to an approximately 49.6% increase in the number of managed hotels from 119 to 178 (among which, the growth rate of managed mid-scale select service hotels was approximately 95.5% from 44 to 86).

COST OF SALES

During the Reporting Period, the cost of sales increased by approximately 2.5% from approximately RMB1,329.8 million in 2018 to approximately RMB1,363.0 million in 2019, primarily due to the additional hotels.

GROSS PROFIT AND GROSS PROFIT MARGIN

Based on the foregoing, during the Reporting Period, the gross profit of the Group was approximately RMB565.0 million, representing an increase of approximately 20.7% over the same period of 2018, and the gross profit margin was approximately 29.3%, representing an increase of 3.3% as compared to the gross profit margin for the same period in 2018 of approximately 26.0%, primarily due to the adoption of the IFRS 16 Leases by the Group from 1 January 2019. As IFRS 16 was not adopted during the year ended 31 December 2018, disregarding the impact of the adoption of IFRS 16 on our results during the Reporting Period for comparison purposes, the Group's gross profit would be approximately RMB495.2 million, representing an increase of 5.8% over the same period of last year and the gross profit margin would be approximately 25.7%, which remained basically the same as compared to 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER INCOME AND OTHER GAINS

During the Reporting Period, other income and other gains were approximately RMB45.3 million, representing an increase of approximately RMB10.3 million over the same period of last year, primarily due to (i) a one-time award of RMB25.0 million given by the local government in 2019 received for the opening of Changxing Grand New Century Hotel on schedule; (ii) a local government listing award of RMB 4.7 million received for the Company's listing in 2019; (iii) the compensation income of approximately RMB8.4 million in 2018 received from a third party lessor who has early terminated the hotel lease agreement of Shanghai Puxi New Century Hotel.

SELLING AND MARKETING EXPENSES

Selling and marketing expenses increased by approximately 6.2% from approximately RMB99.8 million in 2018 to approximately RMB106.0 million in 2019. The increase was primarily due to the increased expenses caused by the accelerated expansion of hotel management business.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately 0.6% from approximately RMB166.6 million in 2018 to approximately RMB168.1 million in 2019, primarily due to the addition of newly opened hotels.

TAXATION

During the Reporting Period, the effective tax rate was approximately 23.7%, as compared to approximately 22.2% over the same period of 2018. The increase in effective tax rate was primarily due to our recognition of the deferred income tax assets related to tax losses that were not recognised in previous years during the Reporting Period based on the hotel operation results in 2018.

NET PROFIT AND TOTAL COMPREHENSIVE INCOME

During the Reporting Period, the net profit and total comprehensive income increased by approximately 8.4% from approximately RMB189.1 million in 2018 to approximately RMB205.0 million in 2019. The profit attributable to the owners of the Company increased by approximately 8.4% from approximately RMB186.8 million in 2018 to approximately RMB202.4 million in 2019. As IFRS 16 was not adopted during the year ended 31 December 2018, disregarding the impact of the adoption of IFRS 16 on our annual results for comparison purposes, the Group's net profit and total comprehensive income would be approximately RMB233.4 million, representing an increase of 23.5% over the same period of last year and the profit attributable to the owners of the Company would be approximately RMB230.9 million, representing an increase of 23.6% as compared to the same period of 2018.

TOTAL BALANCES OF CASH AND CASH EQUIVALENTS

As at 31 December 2019, our Group's total balance of cash and cash equivalents amounted to approximately RMB345.7 million (as at 31 December 2018: approximately RMB367.7 million). There was also fixed deposit of approximately RMB909.2 million (as at 31 December 2018: approximately RMB68.0 million). The liabilities of the Company are in Renminbi and do not have any foreign currency liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

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 equipments and vehicles. As of 31 December 2019, the property, plant and equipment of the Group was approximately RMB661.2 million, representing an increase of approximately RMB73.4 million or 12.5% as compared to approximately RMB587.8 million as of 31 December 2018, primarily attributable to the Group's renovation of the newly leased hotels and the acquisition of related assets during the Reporting Period.

TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group's trade receivables primarily consist of management fees receivable and receivables from our corporate customers for room and meetings, incentives, conferences and exhibitions ("**MICE**") services. Other receivables are mainly composed of (i) VAT recoverable deposits to suppliers, and (ii) receivables from related parties and other receivables.

As at 31 December 2019, the Group's total trade receivables were approximately RMB94.3 million, representing an increase of approximately RMB21.6 million or 29.7% as compared to approximately RMB72.7 million as at 31 December 2018, primarily attributable to the newly increased hotels and the increase in the Group's revenue.

As at 31 December 2019, the Group's other receivables and prepayments were approximately RMB100.2 million in total, representing a decrease of approximately RMB109.3 million as compared to approximately RMB209.5 million as of 31 December 2018, primarily attributable to (i) RMB5.0 million of project tendering deposits recovered during the year; (ii) the Group adopted IFRS 16 at the beginning of this year which led to rental deposits and prepaid rent originally recorded in other receivables and prepayments being transferred to the lease liabilities account; and (iii) the prepaid listing fee of RMB16.0 million for 2018.

TRADE AND OTHER PAYABLES

Trade payables mainly consist of payables due to third parties and related parties in respect of purchase of goods and services. Other payables mainly consist of (i) payables for the purchase of property, plant and equipment; (ii) staff salaries and welfare payables; and (iii) customers' deposits.

As at 31 December 2019, the total trade payables of the Group amounted to approximately RMB136.8 million, representing a decrease of approximately RMB64.6 million as compared with that of approximately RMB201.4 million as of 31 December 2018, mainly attributable to the adoption of IFRS 16 from the beginning of this year, which resulted in the outstanding rent payable, which was originally included in other payables, being transferred to the lease liabilities account.

CONTRACT LIABILITIES

The Group's contract liabilities are substantially comprised of 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. Our customer loyalty program primarily involves a promotion program under which customers may accumulate points for hotel service purchases made, which entitle them to discounts on future hotel service purchases.

The Group's contract liabilities increased from approximately RMB194.2 million as at 31 December 2018 to approximately RMB216.5 million as at 31 December 2019, primarily due to the advance receipts from general customer base of the newly increased hotels.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally funds its growth from cash generated from operations and debt financings. For total details of the Group's cash and cash equivalent balances, please refer to the above sub-section headed "Total Balances of Cash and Cash Equivalents" and note 24 to the consolidated financial statements. As at 31 December 2019, the Group has no bank borrowings (31 December 2018: approximately RMB190.5 million. For details of borrowings, please refer to note 28 in the consolidated financial statements. As at 31 December 2019, the Group's gearing ratio (calculated as total interest-bearing debt (including total borrowings and lease liabilities) divided by total assets) was approximately 50% (31 December 2018: approximately 12%), which was primarily due to the Group's adoption of IFRS 16 in the current year. The underlying lease assets and lease liabilities were included in the balance sheet. The Group monitors its cash flow position, maturity profile of borrowings, availability of banking facilities, leverage ratio and interest rate exposure on an ongoing basis.

FOREIGN EXCHANGE RISKS MANAGEMENT

The Group's foreign exchange risk is mainly related to its cash and cash equivalents (mainly denominated in US dollars). For further details of the Group's foreign exchange risk, please refer to note 3 to the consolidated financial statements.

DETAILS ON MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

In December 2019, the Company and Zhejiang Zheqin Xixi Hotel Co., Ltd., a wholly-owned subsidiary of Zhejiang Zheqin Group Co., Ltd., established a hotel management company, namely Zhejiang Zheqin New Century Hotel Management Co., Ltd. ("Zheqin New Century"). The Company contributed RMB24.5 million (which will be funded by internal resources) and held 49% equity interest in Zheqin New Century.

In December 2019, the Company has established Hangzhou Kaibakaiba Commercial Management Co., Ltd. ("Kaibakaiba"), being a joint venture management company with Hangzhou Yuanzhen Cultural Creativity Co., Ltd. and Shanghai Yuanka Shiye Co.,Ltd. The Company contributed RMB 2.55 million (which will be funded by internal resources), holding 51% equity interest in Kaiba Kaiba. Details of the establishment of the above two joint venture companies were published on the website of the Stock Exchange on 30 December 2019 by the Company on a voluntary basis. The transactions above constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

DETAILS ON FUTURE PLANS FOR MATERIAL INVESTMENTS OR ACQUISITION OF CAPITAL ASSETS

Saved as the use for the raised proceeds disclosed in the section titled "Use of Proceeds from Initial Public Offering" in this report, the Group currently has the following material investment or acquisition of capital asset plans. On 21 January 2020, the Company an asset purchase agreement to acquire all operating assets of the Hilton Hangzhou Xiaoshan property "Zhongying Business Center" Building 1 decoration, equipment, furniture, etc. from Mogen Real Estate owned by Mogen Real Estate Hotel Branch. The Company will operate Hiliton Hangzhou Xiaoshan under the New Century brand, to achieve the expansion of the Company's hotel operation business, in line with the Company's business and development strategy. The announcement regarding the above asset acquisition was disclosed by the Company on the website of the Stock Exchange on 21 January 2020.

The above transactions constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules.

Save as disclosed above, the Group currently does not have other plans for material investments or acquisition of capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no contingent liabilities.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The H shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 11 March 2019. Based on the offer price of HK$16.5 per share, the proceeds raised by the Company from the listing amounted to approximately HK$1,155.0 million. Withe reference to the plan mentioned in the prospectus of the Company dated 26 February 2019, the net proceeds used by the Group from the Listing Date up to 31 December 2019 are as follows:

Use of proceeds	Amount reserved for net proceeds		Use of Proceeds from the Listing Date to 31 December 2019	Unutilized amount	Unutilized percentage
	HK$ million	RMB million*	RMB million	RMB million	
Developing our upscale business and resort hotels	280.0	239.7	9.9	229.8	95.9%
Developing our mid-scale resort hotels	392.0	335.6	7.4	328.2	97.8%
Brand building and promotion, including but not limited to marketing and promotional activities, sponsorship of industry events and advertisements	112.0	95.9	0.0	95.9	100.0%
Recruiting more talents and strengthening our training and recruitment programs for employees to support our business expansion	56.0	47.9	1.0	46.9	97.9%
Developing information technology systems by upgrading existing operating and IT system infrastructures	168.0	143.8	1.2	142.6	99.2%
General corporate purposes and working capital	112.0	95.9	92.7	3.2	3.3%
Total	1,120.0	958.9	112.2	846.7	

* The amount of RMB stated in this indication is converted into Hong Kong dollars at the exchange rate of RMB1 to HK$1.1681. There is no indication that the RMB amounts have been, may or may have been converted to Hong Kong dollars at that exchange rate, and vice versa.

MANAGEMENT DISCUSSION AND ANALYSIS

Taking into account of the on-going impact of the novel coronavirus pneumonia (the "Epidemic") on the hotel industry due to the decrease in demand from business travellers or tourists and the uncertainty in the recovery of the domestic business and tourism consumer market, the Board considers that it would not be commercially sensible to utilise the proceeds to invest in the development if our hotels which are in seriously affected areas at this stage, and also considering that the Epidemic has adversely affected the business operation and financial performance of the Group as disclosed in the voluntary announcement of the Company dated 16 February 2020, in order to utilise the proceeds more effectively and meet the financial needs of our Group, the Board resolved to reallocate portion of the unutilised net proceeds of the Company amounted to approximately HK$984.3 million to "general corporate purposes and working capital" and to a new business initiate for "strategical development of the Group's business through business acquisition and business collaboration".

Details of the reallocation are as follows:

Use of proceeds	Original approximate percentage of Net Proceeds as stated in the Prospectus	Utilised amount of Net Proceeds from the Listing Date to 20 March 2020 (HK$ million)	Unutilised amount of Net Proceeds as at 20 March 2020 (HK$ million)	Revised allocation of Unutilised Net Proceeds Notes (HK$ million)
Development of our upscale business and resort hotels	25%	13.1	266.9	158.4
Development of our mid-scale hotels	35%	11.6	380.4	100.0
Brand building and promotion including but not limited to, engaging in marketing and promotional activities, sponsorship of industry events and advertising	10%	0.0	112.0	0.0
Recruitment of more talent and strengthening our implementation of training to our staff and recruitment programs for supporting our business expansion	5%	1.3	54.7	54.7
Development of our information technology system by upgrading existing operational and IT system infrastructure	15%	1.4	166.6	66.6
General corporate purposes and working capital	10%	108.3	3.7	305.7
Strategical development of the Group's business through business acquisition and business collaboration	–	–	–	298.9
Total	100%	135.7	984.3	984.3

Please refer to the announcement of the Company dated 20 March 2020 in relation to the change of use of proceeds for further details, which is subject to the approval of the ordinary resolution at the forthcoming annual general meeting. A circular containing (among other things) the changes in the use of the proceeds will be dispatched to the holders of the Company's H shares in due course.

MANAGEMENT DISCUSSION AND ANALYSIS

MAJOR RISKS AND UNCERTAINTIES

There are certain risks and uncertainties involved in our Company's business and operations. Our Company believes that the following are some of the major risks that our Company faces:

We operate in a highly competitive industry, thus our revenues, profits or market share could be harmed if we are unable to compete successfully.

The segments of the hotel industry in which we operate are subject to intense competition. Our principal competitors are other hotel groups, including other major hospitality chains with well-established and recognized brands. If we are unable to compete successfully, our revenues or profits may decline or our ability to maintain or increase our market share may be diminished.

We compete for hotel guests based primarily on brand recognition and reputation, location, guest satisfaction, room rates, quality of service, amenities and quality of accommodations. Some of our competitors are larger than we are based on the number of properties they manage, franchise, lease or own, or based on the number of hotel rooms or geographic locations where they operate. Our competitors may also have greater financial and marketing resources than we do, which could allow them to improve their properties and expand and improve their marketing efforts in ways that could affect our ability to compete for guests effectively.

There is no assurance that we will be able to achieve our current business goals and plans for growth.

Our ability to implement business plans and realize business goals is further subject to a range of uncertainties, including economic conditions, obtaining the requisite financing, the timely delivery of supplies by contractors and other third party suppliers, the receipt of required government and shareholders' approvals, value and quality of our management services, our ability to fulfill the performance standards under the full service management agreements, the recognition and reputation of our brands, the pricing of our management fees and the terms and conditions of our full service management agreements.

If we are unable to implement these plans or we fail to achieve these goals, our expansion may not yield the planned benefits, which could have a material adverse effect on our growth and financial performance and the trading price of our H Shares.

We may not be successful in expanding into the geographic areas that we do not currently serve.

While we had, in the past, primarily focused on building our business and operations in second- and third-tier cities in the Yangtze River Delta and surrounding regions, we have also expanded into Beijing, Shanghai, and other cities, including a number of first-, new first-, second-and third-tier cities in other provinces and areas. We are currently seeking new business opportunities in other tourist destinations and commercial and business zones throughout China. Our expansion, and the need to integrate operations arising from our expansion into other cities and provinces, may place a significant strain on our managerial, operational and financial resources and may further increase our financing requirements. In addition, we may encounter strong competition from other hotel operators who are already well-established in these cities. If our plans to expand into the geographical areas that we do not currently serve are unsuccessful, our growth and financial performance may be materially and adversely affected.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's operations may be affected by emergencies.

Natural disasters such as earthquakes, typhoons, tsunamis, social unrest such as regional conflicts, terrorist attacks, emergencies such as sudden public health problems and other non-traditional security issues will have a negative impact on the domestic hotel industry and disrupt the normal operation of the hotel industry, which in turn adversely affects the Group's operations and financial performance.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Details of the Company's environmental policies and performance are set out in the "Environmental, Social and Governance Report".

COMPLIANCE WITH MAJOR LAWS AND REGULATIONS

During the year ended 31 December 2019, the Company has complied with the laws and regulations that have a significant impact on the Company.

IMPORTANT RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Company adheres to the philosophy of "regarding employees as the most valuable assets, giving respect, caring and sharing success" and focusing on the core values of "humanity quality and sincere care" and the mission vision of "creating Chinese quality and creating happy life" to create an atmosphere of "happy work and happy life" for employees.

The important relationship between the Company and its employees, customers and suppliers is set out in the "Environmental, Social and Governance Report".

NEW PRODUCTS AND SERVICES WHICH HAVE BEEN LAUNCHED OR PUBLISHED

In terms of brand innovation, the Company officially launched the first hotel under the two new midscale hotel brands "Mayart Hotel" (開元美途) and "A.T.K Hotel" (阿緹客) to the market. The public areas of the lobby of the new brands integrate catering, social and leisure, becoming a trendy gathering place and lifestyle of urban people with the provisions of restaurants, cafes, light bars, book bars and co-working space. The upscale brand "New Century Senbo" became an internet sensation once it was launched in 2019. With "nature" as its origin and the combination of "fun amusement" and "upscale vacation", it became a popular check-in point of the year for online influencers.

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of hotel service innovation, resort hotels actively expand culture experience projects, including Chinese traditional handicraft products such as sugar painting, calligraphy, papermaking, tie-dying, tea ceremony, water village opera, self-designed micro-drift and court photography, to create an artistic atmosphere. Cooperating with scenic spots and other places to customize Hanfu festival and study tour products to provide customized and personalized services for teachers and students. Combining the traditional Chinese Hanfu culture to strengthen the mainstream media propaganda craze, selling cultural and creative products and local specialty products through the post office consignment model, to further expand brand influence and the word of mouth effect.

In terms of business innovation, the Company and Bajiuling Limited jointly established the Hangzhou Kaibakaiba Commercial Management Co., Ltd. (杭州開巴開巴商業管理有限公司), which is committed to the value-added business of hotels and the creation and operation of "New Century prosperous city" living space, cooperation on unmanned retail stores with renowned companies to create new retail application scenarios for high-star hotels while solving the problem of product damage and inventory backlog in hotel mini bars, reducing labor costs, improving hotel non-room accommodation revenue, and enhancing guest experience. Entering into strategic cooperation agreement with Zhejian Jinke Talking Tom Internet Technologies Co., Ltd. (浙江金科湯姆貓網絡科技有限公司), granting the Group the IP rights of the "Talking Tom Family" series for cooperation in hotel theme parks and parent-child rooms to increase customer appeal.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2019, the total number of employees of the Group was approximately 5,745. For the year ended 31 December 2019, the total remuneration of employees (including the remuneration of Directors of the Company, but excluding the remuneration of independent non-executive Directors) was approximately RMB530.3 million (2018: RMB477.3 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 growth of the Company.

In order to stimulate employees the Company designed various long-term incentive schemes, such as project recommendation award and middle to senior level managers from external recruitment recommendation award, etc.

The amount of remuneration and incentive method for directors and senior management shall be recommended by Remuneration Committee based on the performance appraisal results and the compensation distribution policy, and be determined after the consideration and approval of the Board of Directors of the Company.

The Company puts great emphasis on human resources development, focuses on the long-term cultivation and training of management talents at all levels and junior employees, and commits to the close integration of our cultivation and training work with the actual development needs of our Company. During the Reporting Period, the scale of our 2019 reserve managerial training program and 2019 middle-level successor training program had expanded significantly as compared with last year, with the aim to develop our middle to senior level managers to be outstanding, creative, skillful and at the same time equip with international vision, the Company provided them with trainings that integrate theory and practice. During the Reporting Period, in order to achieve the objective of platform sharing and resources integration, the Company has established a human resources sharing service center to facilitate the allocation of personnel among hotels and hence improve the efficiency of human resources management of the Group. The "Hundred City & Thousand School into New Century" project was launched to deepen our cooperation with educational institutions, and we have established cooperation with 35 universities and colleges by the end of 2019. In terms of the cultivation of internal professional talents within the Company, we have conducted various trainings during the Reporting Period, including marketing revenue management training camp, vacation partner training camp, training for senior banquet service officers, New Century star chef and New Century quality control officers. Our Company's systematic internal training program has supplied us with a sufficient number of qualified managers and other employees to meet our continuous needs for skilled employ.

Currently, the Company has not established share option schemes.

SOCIAL RESPONSIBILITY

In our constant pursuit of corporate sustainable development and high-standard corporate values, we strive to be a leader among hotels by following well-thought-out codes of conduct in our development and operation.

Striving to create more value for the society through planning, research and cooperation, we keep developing new products to bring fresher and better experience to customers, and contribute to environmental changes through a sustainable production mode and higher energy efficiency; and encourage innovators to make a good impact. In addition, the Company consistently respects our employees and encourage them to practice their social values.

MANAGEMENT DISCUSSION AND ANALYSIS

Enterprises exist for the ultimate value of benefiting the society. We will make continuous progress in sustainable development to achieve our commitments to our customers and employees, the society and the earth. The Company believes that the Company will grow into a well-performing company in the near future and bring more positive influences to the society.

CORPORATE STRATEGY AND FUTURE DEVELOPMENT OUTLOOK

At the beginning of 2020, affected by the Epidemic, the hotel industry has undergone severe tests. At present, the Company has sufficient financial resources and will actively take various measures to deal with the adverse effects caused by the Epidemic.

Looking forward to the future of China's hotel industry, although affected by the Sino-US trade ward and the overall economic downward pressure, as the mid and long-term policy goals of "comprehensive well-off" policy and the 13th Five-Year Plan are about to end, the basic trend of steady improvement and long-term improvement of the state remains unchanged, and economic growth will remain generally stable. In terms of market demand of the hotel industry, the improvement of living standards of urban and rural residents, especially the rapid rise of the Chinese middle class. Expansion of residents' culture and tourism consumption, and the rise of the new generation consumer classes will greatly increase the demand for the supply of diverse tourism cultural products and high-quality tourism service experiences. On the supply side, we expect the industry concentration will be further enhanced through capital mergers and acquisitions or cooperation and alliances.

The Company will maintain and enhance its competitive advantages, further shifting its high-end hotel portfolio to a "network model", establishing a strong development capability to ensure effective output and expansion, and increasing the rebranding intensity, especially the development of high-end hotel rebranding rental business continue to expand leadership in the upscale hotel market in order to ensure the growth of business and revenue scale, improving the regional construction and management of midscale hotel teams, and comprehensively promoting the constant rapid development of mid-scale hotels.

We believe the following competitive strengths will provide a solid foundation for our rapid development in the future: (i) being one of the leading upscale hotel groups in China with strong brand recognition and rich experience; (ii) innovative and flexible operation and management mechanism with distinct synergy in executing the business model of combining hotel operation and hotel management businesses; (iii) broad cooperative basis, in particular cross-sector cooperation, deepens customer traffic value and transforms to commercial value; (iv) the diverse and effective hotel reservation channels and loyalty program provides us with wide hotel guest exposure; and (v) experienced and professional management team and a dedicated workforce.

We intend to seize market opportunities by implementing the following strategies: (i) adhere to and improve talent training strategies, especially the three-tier talent training plan; (ii) complete the coverage of key cities and improve the nationwide hotel network; (iii) rapidly expand mid-scale hotel business and targeted launch of mid-scale hotels with unique designs and experience offers so as to increase midscale market share; (iv) increase marketing activities and crossover marketing initiatives to maintain our strong brand recognition and expand our guests base; (v) further investment and development in innovative digital strategies and improving operational efficiency; and (vi) further enhance space utilization efficiency and space management capabilities by building extension capabilities and expanding cross-industry cooperation. We will continuously innovate our products and services, improve operational and management efficiency, serving hotel guests to their satisfaction while creating value for hotel owners.

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL BUSINESS

The Company is a leading hotel operation and management group in China, mainly engaging in the operation and management of mid-scale to upscale hotel chains in China. Since its inception in 1988, the Company has established the homegrown, widely recognized "New Century (開元)" brand series that principally target the upscale leisure and business travel markets, offering hospitality services of international standards complemented by local Chinese elements.

BUSINESS REVIEW

Details of business review of the Company are set out in:

(1) Business review in the section headed "Management Discussion and Analysis"; and

(2) Review of corporate social responsibilities and environmental policies and performance in "Environmental, Social and Governance Report".

The Company's (i) corporate strategies and future development outlook; (ii) major risks and uncertainties; (iii) compliance with major laws and regulations and (iv) important relationship with employees, customers and suppliers are respectively set out in the section "Management Discussion And Analysis" in this Annual Report, which constitute part of this Report of the Directors.

FINANCIAL REVIEW

The annual results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of comprehensive income on page 88 of this Annual Report. The management discussion and analysis regarding financial review is set out on pages 24 to 39 of this Annual Report. The financial summary of the Group for the years ended 31 December 2018 and 2019 are set out on page 11 of this Annual Report.

SHARE CAPITAL

As at 31 December 2019, the number of each class of shares of the Company is:

Class	Number of shares	Approximate % of the share capital issued of the Company
Domestic shares	159,659,640	57.0%
Non-listed foreign shares	50,340,360	18.0%
H shares	70,000,000	25.0%
Total	280,000,000	100%

REPORT OF THE BOARD OF DIRECTORS

DIVIDEND

The Board has declared to distribute a final dividend of RMB0.40 (tax inclusive) per share to all shareholders of the Company for the year ended 31 December 2019 (2018: RMB0.36 per share), amounting to a total dividend of RMB112 million (2018: RMB100.8 million).

RESERVES

Details in reserves of the Group as at 31 December 2019 are set out in note 26 to the consolidated financial statements of this Annual Report.

Distributable reserves

According to the Articles of Association, distributable reserves are determined based on the profit of the Company calculated according to the PRC Accounting Standards or the profit calculated according to IFRS, whichever is lower.

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

As at 31 December 2019, based on the calculation made in accordance with the China Accounting Standards for Business Enterprises, relevant PRC Laws, and the Articles of Association, the distributable reserves of the Company amounted to RMB206.67 million, of which about RMB112 million is proposed to be the final dividend for the year.

PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment of the Group for the years ended 31 December 2019 and 2018 are set out in note 15 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, the Group's five largest customers in aggregate accounted for 7.6% of the Group's total revenue. The largest customer of the Group, accounting for 3.6% of the total revenue of the Group during the Reporting Period. The Group's customers primarily comprise hotel owners, travel agencies, online travel agencies and corporate clients. One of the five largest customers includes the relevant close associate of Mr. Chen Miaolin, one of our Controlling Shareholders. Save as disclosed and Ctrip.com International, Ltd. which is one of the Company's shareholder, to the knowledge of our Directors, none of our Directors, their respective close associates or any shareholder who owns more than 5.0% of the Company's issued share capital, had any interest in any of the five largest customers of the Group during the Reporting Period. The Company accept payments by hotel guests (including those for F&B services) by way of cash and credit cards, Alipay or WeChat. Payments from travel agencies and corporate hotel guests are generally made to us by bank transfer and by cash upon the hotel guests' departure. Certain corporate guests, hotel reservation websites maintained by third-party online travel agencies and travel agencies are generally granted a credit period of 30 to 90 days.

The Group's supplies primarily comprise lessors under our hotel operation business, raw materials suppliers, laundering services providers and utilities vendors.

REPORT OF THE BOARD OF DIRECTORS

The Group has adopted IFRS 16 Leases (the "New Lease Standards") since 1 January 2019, under which leases in accordance with the New Lease Standards will be recognised for right-of-use assets and lease liabilities, and at the same time, the corresponding depreciation charges and finance costs will be recognised. The operating results no longer reflect the original lease payments.

For the year ended 31 December 2019, the Group's depreciation of right-of-use assets and financial costs generated by the top five largest lessor suppliers in aggregate accounted for 19.9% of the Group's total cost of sales and financial expenses. During the Reporting Period, to the knowledge of the Directors, saved for New Century REIT (which is a close associate of Mr. Chen Miaolin, one of our Controlling Shareholders and also the largest supplier, the depreciation of relevant right-of-use assets and financial expenses accounted for 13.0% of the Group's total cost of sales and financial expenses), none of the Directors, their respective close associates or any shareholder who owns more than 5.0% of the Company's issued share capital, had any interest in any of the Group's five largest lessor suppliers.

For the year ended 31 December 2019, the Group's top five largest other suppliers in aggregate accounted for 4.2% of the Group's total cost of sales. During the Reporting Period, to the knowledge of the Directors, none of our Directors, their respective close associates, or any shareholders who owns more than 5.0% of the Company's issued share capital had any interest in any of the Group's five largest other suppliers.

CHARITABLE DONATION

For the year ended 31 December 2019 and 2018, the Group made no charitable donations.

LIST OF DIRECTORS AND SUPERVISORS DURING THE YEAR AND UP TO THE DATE OF THIS REPORT

The Board of Directors of the Company is composed of nine directors and the list is as follows:

Executive Directors

Mr. Jin Wenjie *(chairman)*
Mr. Chen Miaoqiang *(president)*

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

The Supervisory Committee of the Company is composed of three supervisors. As at the date of this report, the supervisors of the Company were:

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

REPORT OF THE BOARD OF DIRECTORS

SERVICE CONTRACTS OF DIRECTORS AND SUPVISIORS

According to the requirements of the Articles of Association of the Company, all Directors (including non-executive directors) are elected by the Shareholders' meeting, each for a term of three years. Upon expiration of the term of office of the Directors, they may be re-elected. Since the Company has entered into a service agreement (for the purpose of executive Directors and non-executive Directors) or a letter of appointment (for the purpose of independent non-executive directors) with each of the Directors, and they are subject to re-election in accordance with the provisions of the Articles of Association.

The appointments of all the Directors shall commence from the date of their respective appointment until the expiration of the term of office of the first Board of Directors. The appointments of all the Supervisors shall commence from the date of their respective appointment until the expiration of the term of office of the first Supervisory Committee.

No Director or Supervisor enters into any service agreement/letter of appointment with the Company which shall not be terminated by the Company within one year without compensation (except statutory compensation).

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each independent non-executive Director has given a written confirmation for his/her independence under Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors to be independent.

DIRECTORS AND SUPERVISORS' MATERIAL INTERESTS IN TRANSACTION, ARRANGEMENTS OR CONTRACTS

Saved as disclosed in this Annual Report, there was no transaction, arrangements or contracts to which the Company or any of its holding companies or subsidiaries was a party, and in which a Director or a Supervisor or the entities connected with them had a material interest, whether directly or indirectly, during the year or at the end of the year.

CONNECTED TRANSACTIONS

The Company entered into the capital increase agreement and the capital increase supplementary agreement with Sun Meihong (a natural person and an independent third party of the Company) and Zhang Zaiping (the senior management and director of Zhejiang New Century Manju Hotel Management Co., Ltd. ("New Century Manju")) on 9 December 2019 and 23 December 2019, respectively. Pursuant to which the Company, Sun Meihong and Zhang Zaiping agreed to increase the registered capital of the New Century Manju, a wholly-owned subsidiary of the Company, by RMB73 million (i.e. from RMB27 million to RMB100 million).

Pursuant to the capital increase agreement and capital increase supplementary agreement, the Company will contribute RMB43 million, Sun Meihong will contribute RMB20.656 million (of which RMB20 million on registered capital and RMB656,000 on capital reserve) and Zhang Zaiping will contribute RMB10.328 million (of which RMB10 million on registered capital and RMB328,000 on capital reserve). The Company, Sun Meihong and Zhang Zaiping will contribute to the capital increase by way of cash, the relevant payment is expected to be settled by 31 December 2020 as stipulated in the capital increase agreement.

REPORT OF THE BOARD OF DIRECTORS

Upon completion of the cpital increase, the registered capital of New Century Manju will be increased from RMB27 million to RMB100 million. The proportion of shareholding interest of the Company, Sun Meihong and Zhang Zaiping in the New Century Manju will be 70%, 20% and 10%, respectively. The total shareholding interest of the Company in New Century Manju will be diluted from 100% to 70% after the completion of the capital increase. New Century Manju will continue to be a non-wholly-owned subsidiary of the Company, and its financial performance, assets, liabilities and cash flow will continue to be incorporated in the consolidated financial statements of the Company.

The Directors consider that the transaction contemplated under the capital increase agreement is in line with the Company's long-term development strategy, which can enhance the Company's competitive advantage, broaden the development channels,

CONTINUING CONNECTED TRANSACTIONS

The Company has conducted the following continuing connected transactions by entering into a number of agreements with our connected persons in accordance with the section headed "Connected Transactions" in the prospectus of the Company.

Continuing connected transactions under the (1) Full Service Management Services Framework Agreement; (2) Sale of Goods and Services Framework Agreement; (3) Supply of Hotel Services and Goods Framework Agreement; and (4) Supply of Wine Products Framework Agreement shall be subject to the reporting, annual review, and announcement requirements, but be exempt from the independent shareholders' approval requirement.

Continuing connected transactions under the Master Hotel Lease and Management Agreement shall be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements.

Details of the abovementioned continuing connected transactions have been set out in pages 44 to 50 of this Annual Report and have also been set out in the related party transactions disclosed in the note 34 to the consolidated financial statements for the year ended 31 December 2019. Save as otherwise specified in the context, all the following terms have the same meaning as defined in the Prospectus.

(i) Full Service Management Services Framework Agreement

On 12 February 2019, the Group entered into a full service management services framework agreement (the "Full Service Management Services Framework Agreement") with New Century Tourism and New Century Holdings to regulate the Group's provision of full service hotel management services to New Century Tourism and New Century Holdings for 2019, 2020 and 2021.

Date of the agreement:	12 February 2019
Parties to the agreement:	(i) New Century Tourism and New Century Holdings as the receivers; and
	(ii) the Group as the supplier
Term:	from 11 March 2019 to 31 December 2021.

Nature of the transaction: The Group agreed to provide to the New Century Tourism Group and the New Century Holdings Group full service hotel management services, including but not limited to integrated hotel technical and operational management services which consist of market research, development planning, construction advisory, hotel opening preparation and hotel operation management services, staff training services, room reservation services and IT services (the "Full Service Hotel Management Services").

Pricing policy

The fees to be received by the Group for the provision of Full Service Hotel Management Services shall be determined after arm's-length negotiations taking into account the location of the hotel and the scope of service required, with reference to the fees for similar services and similar type of projects in the market. The service fees shall not be set on a less favourable term as compared to what we typically charge hotel owners who are Independent Third Parties.

The historical amount of continuing connected transactions under the Full Service Management Services Framework Agreement for each of the three years ended 31 December 2019, and the relevant annual cap for each of the two years ending 31 December 2021 are as follows:

	Historical amounts (RMB'000,000)			**Annual caps (RMB'000,000)**	
Item	For the year ended 2017	For the year ended 2018	**For the year ended 2019**	For the year ended 2020	For the year ended 2021
Fees charged by the Group according to the Full Service Management Services Framework Agreement for the relevant periods	29.2	34.9	**50.3**	50.0	57.0

(ii) Sale of Goods and Services Framework Agreement

On 12 February 2019, the Group entered into a sale of goods and services framework agreement (the "Sale of Goods and Services Framework Agreement") with New Century Tourism and New Century Holdings to regulate the Group's sale of goods and services to New Century Tourism and New Century Holdings for 2019, 2020 and 2021.

Date of the agreement: 12 February 2019

Parties to the agreement: (i) New Century Tourism and New Century Holdings as the receivers; and

(ii) the Group as the supplier

Term: from 11 March 2019 to 31 December 2021.

Nature of the transaction: The Group agreed to provide to the New Century Tourism Group and the New Century Holdings Group certain goods and services, including but not limited to hotel supplies and red wine (the "Sale of Goods and Services").

REPORT OF THE BOARD OF DIRECTORS

Pricing policy

The fees to be received by the Group for the provision of Sale of Goods and Services shall be determined with reference to the prevailing market price after arm's-length negotiations taking into account the relevant procurement cost, our operational expenses and the then prevailing market conditions. The Group will issue a recommended price list to hotels in its portfolio for each type of hotel supplies periodically and the prices of the products to be sold will be made with reference to such price list. The fees shall be not lower than the fees to be received from Independent Third Parties.

The historical amount of continuing connected transactions under the Sale of Goods and Services Framework Agreement for each of the three years ended 31 December 2019, and the relevant annual cap for each of the two years ending 31 December 2021 are as follows:

	Historical amounts (RMB'000,000)			**Annual caps (RMB'000,000)**	
Item	For the year ended 2017	For the year ended 2018	**For the year ended 2019**	For the year ended 2020	For the year ended 2021
Fees charged by the Group according to the Sale of Goods and Services Framework Agreement for the relevant periods	14.2	18.7	**18.2**	25.0	28.0

(iii) Supply of Hotel Services and Goods Framework Agreement

On 12 February 2019, the Group entered into a supply of hotel services and goods framework agreement (the "Supply of Hotel Services and Goods Framework Agreement") with New Century Tourism, to regulate New Century Tourism's supply of hotel services and goods to the Group for 2019, 2020 and 2021.

Date of the agreement: 12 February 2019

Parties to the agreement: (i) the Group as the receiver; and

(ii) New Century Tourism as the supplier

Term: from 11 March 2019 to 31 December 2021.

Nature of the transaction: New Century Tourism Group agreed to provide to the Group certain hotel services, including but not limited cleaning services and electrical wiring products (the "Supply of Hotel Services and Goods").

REPORT OF THE BOARD OF DIRECTORS

Pricing policy:

The fees to be paid for the Supply of Hotel Services and Goods shall be determined after arm's-length negotiations taking into account the market price in the prevailing market for similar services and goods for hotels of similar standard provided by independent services providers in the open market by: (i) in respect of the cleaning services, the price of cleaning charged by another independent supplier which is of comparable size and operation to the service provided by New Century Tourism Group; and (ii) in respect of other services and goods, the prices of services and goods charged by at least two other independent suppliers in the market for similar services and goods. The fees shall not be higher than the standard fees to be charged by Independent Third Parties.

The historical amount of continuing connected transactions under the Supply of Hotel Services and Goods Framework Agreement for each of the three years ended 31 December 2019, and the relevant annual cap for each of the two years ending 31 December 2021 are as follows:

	Historical amounts (RMB'000,000)			**Annual caps (RMB'000,000)**	
Item	For the year ended 2017	For the year ended 2018	**For the year ended 2019**	For the year ended 2020	For the year ended 2021
Fees paid by the Group according to the Supply of Hotel Services and Goods Framework Agreement for the relevant periods	12.0	13.0	**6.7**	15.0	15.0

New Century Tourism is one of our Controlling Shareholders and therefore is a connected person of our Company under the Listing Rules. New Century Holdings is owned as to 85.2% by Mr. Chen Miaolin, our non-executive Director and one of our Controlling Shareholders and therefore is an associate of Mr. Chen Miaolin and hence a connected person of our Company under the Listing Rules. Accordingly, the transactions under the Full Service Management Services Framework Agreement, Sale of Goods and Services Framework Agreement and Supply of Hotel Services and Goods Framework Agreement constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

(iv) Supply of Wine Products Framework Agreement

On 12 February 2019, the Group entered into a supply of wine products framework agreement (the "Supply of Wine Products Framework Agreement") with Birot by New Century, to regulate Birot by New Century's supply of wine products to the Group for 2019, 2020 and 2021.

Date of the agreement: 12 February 2019

Parties to the agreement: (i) the Group as the receiver; and

(ii) Birot by New Century as the supplier

Term: from 11 March 2019 to 31 December 2021.

REPORT OF THE BOARD OF DIRECTORS

Nature of the transaction: Birot by New Century agreed to provide to the Group certain wine products, including but not limited to red wine (the "Supply of Wine Products"), for a term commencing from the Listing Date until 31 December 2021.

Pricing policy

The fees to be paid for the Supply of Wine Products shall be determined after arm's-length negotiations taking into account the price of wine products that Birot by New Century charges to other independent third-party customers. The Group will obtain at least two quotations charged by Birot by New Century to other independent third-party customers for similar wine products to ensure the fees paid by the Group to Birot by New Century shall not be higher than the fees paid to Birot by New Century by Independent Third Parties.

The historical amount of continuing connected transactions under the Supply of Wine Products Framework Agreement for each of the three years ended 31 December 2019, and the relevant annual cap for each of the two years ending 31 December 2021 are as follows:

	Historical amounts (RMB'000,000)			**Annual caps (RMB'000,000)**	
Item	For the year ended 2017	For the year ended 2018	**For the year ended 2019**	For the year ended 2020	For the year ended 2021
Fees paid by the Group according to the Supply of Wine Products Framework Agreement for the relevant periods	7.2	6.2	**4.2**	7.5	7.5

Birot by New Century is indirectly interested as to 83.9% by Mr. Chen Miaolin, our non-executive Director and one of our Controlling Shareholders and therefore is an associate of Mr. Chen Miaolin and hence a connected person of our Company under the Listing Rules. Accordingly, the transactions under the Supply of Wine Products Framework Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

(v) Master Hotel Lease and Management Agreement

New Century Hotel Investment, New Century Hotel Management, New Century Tourism and New Century Asset Management Limited (the "REIT Manager") entered into a framework agreement dated 14 June 2013 (the "Master Hotel Lease and Management Agreement") on 14 June 2013, which sets out the general guidelines and principles for the lease and management of the five New Century REIT Hotel Properties under the separate Hotel Lease and Management Agreements for each New Century REIT Hotel Property.

Date of the agreement: 14 June 2013

Parties to the agreement:
(i) the Group as the lessee and the hotel manager; and
(ii) New Century Hotel Investment as the lessor

Term: ten years starting from 10 July 2013

REPORT OF THE BOARD OF DIRECTORS

Nature of the transaction: On 14 June 2013, (i) New Century Hotel Investment; (ii) Changchun New Century Grand Hotel Co., Ltd. (長春開元名都大酒店有限公司); (iii) Ningbo New Century Grand Hotel Co., Ltd. (寧波開 元名都大酒店有限公司); (iv) Chun'an Qiandao Lake New Century Spearhead Investment Co., Ltd. (淳安千島湖 開元鋭至投資有限公司); and (v) Zhejiang Xiaoshan Hotel Co., Ltd. (浙江蕭山賓館股份有限公司) (the "Property Companies"), being companies controlled by New Century REIT and registered owners of the New Century REIT Hotel Properties, entered into separate Hotel Lease and Management Agreements with the Company for the lease and management of each of the New Century REIT Hotel Properties. The Company is the lessee and the hotel manager under the Hotel Lease and Management Agreements.

Pricing policy

For the first five years of the Master Hotel Lease and Management Agreement commencing from 10 July 2013 to 9 July 2018, the Company is required to pay a minimum aggregate annual base rent of RMB216 million pursuant to the terms under the Master Hotel Lease and Management Agreement, unless the Total Rent (as defined below) is more than the Base Rent in which case the Total Rent is payable.

From the sixth to tenth years of the Hotel Lease and Management Agreements (the "Subsequent Period"), the Base Rent will be the aggregate annual base rent for the sixth to the tenth years of the Master Hotel Lease and Management Agreement which will be determined by an independent professional property valuer to be jointly appointed by New Century Hotel Investment and the Company (the "Market Base Rent") at least seven months prior to the commencement of each year. In determining the renewed market rental package, the independent professional property valuer to be appointed shall value the market rental value of the underlying New Century REIT Hotel Properties in accordance with the then prevailing valuation standards of The Hong Kong Institute of Surveyors, which will form the basis to the Market Base Rent, and other elements of the market rental package, including the amount or calculation of the Individual Rents (as defined below), the amount of security deposit required and the amount to be covered by irrevocable guarantee(s) to be issued by licensed bank(s) in the PRC. If the Market Base Rent is lower than 85.0% of the average annual rent received from the Company for the New Century REIT Hotel Properties for the preceding four years, the Base Rent with respect to the New Century REIT Hotel Properties during the Subsequent Period will be 85% of such annual average rent received from the Company for the preceding four years instead of the Market Base Rent, being no less than RMB183.6 million (tax inclusive).

The historical amount (tax inclusive) of continuing connected transactions under the Master Hotel Lease and Management Agreement for each of the three years ended 31 December 2018, and the relevant annual cap (tax inclusive) for each of the three years ending 31 December 2021 are as follows:

	Historical amounts (RMB'000,000)			**Annual caps (RMB'000,000)**	
Item	For the year ended 2017	For the year ended 2018	**For the year ended 2019**	For the year ended 2020	For the year ended 2021
Fees paid by the Group according to the Master Hotel Lease and Management Agreement for the relevant periods	219.3	226.6	**204.1**	244.0	251.0

REPORT OF THE BOARD OF DIRECTORS

New Century Hotel Investment and the Property Companies, are companies controlled by New Century REIT, which is in turn under the common control of one of our Controlling Shareholders, Mr. Chen Miaolin. New Century Hotel Investment and the Property Companies are therefore connected persons of our Company by virtue of being associates of Mr. Chen Miaolin. As such, the transactions contemplated under the Hotel Lease and Management Agreements constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2019, the actual fee payable by the New Century Group in relation to the services provided by the Group under the Full Service Management Services Framework Agreement amounted to approximately RMB50.3 million and thereby exceeded the annual cap for the continuing connected transactions under the Framework Agreement for the year ended 31 December 2019 in the amount of RMB43.0 million.

The transaction amount has exceeded the annual cap for the continuing connected transactions under the Full Service Management Services Framework Agreement for the year ended 31 December 2019 due to: (i) the high occupancy rate for our newly opened upscale resort hotel, Xianghu New Century Senbo, which had exceeded the Group's financial performance forecast of Xianghu New Century Senbo; and (ii) the entering into of full services management agreements between the Group and the New Century Group for the opening of five additional hotels towards the final quarter of 2019 constituting the provision of pre-opening consultation services and full service hotel management services to these hotels led to a substantial increase in revenue from the services provided by the Group to the New Century Group under the Full Service Management Services Framework Agreement.

In order to ensure strict compliance with Chapter 14A of the Listing Rules and to avoid occurrence of similar events in the future, the Group will adopt the following measures: (i) conduct additional compliance training on connected transactions for Directors, senior management and the relevant personnel of the Company; and (ii) strengthen the reporting and monitoring procedures for the annual caps of the existing connected transactions entered into by the Group and improve the process and frequency of data collection and cross-check to ensure the transaction amounts does not exceed the annual caps. Please refer to the announcement of the Company dated 9 March 2020 for further details.

Despite the excess under the Full Service Management Services Framework Agreement as disclosed above, pursuant to Rule 14A.55 of the Listing Rules, the abovementioned continuing connected transactions have been reviewed by the independent non-executive directors of the Company who have confirmed that the transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) conducted on general commercial terms or better terms; and (c) according to the agreements governing the relevant transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

REPORT OF THE BOARD OF DIRECTORS

The Company's auditor has been engaged by the Company to report on the abovementioned continuing connected transactions. The auditor has issued a letter to the Board containing their findings and conclusions in respect of the abovementioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. The auditor has confirmed that, except for the exceeding of the annual cap under the Full Service Management Services Framework Agreement as described above, nothing has come to their attention that causes them to believe that the abovementioned continuing connected transactions under the Master Hotel Lease and Management Agreement:

(a) have not been approved by the Board;

(b) were not conducted, in each material respect, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group; and

(c) were not conducted, in each material respect, in accordance with the relevant agreement governing the transactions.

A copy of the auditor's letter has been submitted to the Stock Exchange by the Company in accordance with Rule 14A.57 of the Listing Rules.

The details of related party transactions entered into by the Group during the year ended 31 December 2019 are set out in note 34 to the consolidated financial statements of this Annual Report. Apart from the connected transactions and the continuing connected transactions disclosed above, none of related party transactions constitutes the "Connected Transaction" and "Continuing Connected Transaction" under Chapter 14A of the Listing Rules.

Save for the matters described above, the Directors confirm that the Company has complied with all disclosure requirements under Chapter 14A of the Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision relating to pre-emptive rights under the Articles of Association and the applicable laws in China where the Company is incorporated.

MANAGEMENT CONTRACT

During the financial year, no contracts other than full-time employment with any directors or employees of the Company contracts concerning the management or administration of the whole or any material part of the business were entered into by the Company or existed.

REPORT OF THE BOARD OF DIRECTORS

INTERESTS OF DIRECTORS AND SUPERVISORS AND THEIR ASSOCIATES IN COMPETING BUSINESS

Our Controlling Shareholders, apart from their interests in our Group, have also been engaged in, among other things, the investment in and the development of hotel properties in the PRC through their close associates including New Century Tourism, New Century Holdings and New Century REIT. However, all of the owned and leased hotels of New Century Tourism Group, New Century Holdings Group and New Century REIT Group in the PRC are currently, either leased or managed by our Group.

In order to avoid any possible future competition between our Group and our Controlling Shareholders, our Controlling Shareholders have entered into the deed of non-competition in favour of our Company pursuant to which each of our Controlling Shareholders has undertaken not to engage in the operation and management of hotel properties in the PRC and all hotels owned or leased by the New Century Holding Group and New Century Group in the PRC has been and will be either leased to our Group or managed by our Group under the full service management agreement.

Details of the deed of non-competition are set out in the sub-section headed "Relationship with our Controlling Shareholders – Deed of Non-Competition" in the Prospectus.

The independent non-executive directors have reviewed the performance of compliance with the deed of non-competition and confirmed during the year, our Controlling Shareholders have strictly abode by and enforced the commitments under the deed of non-competition and have not breached any terms of the deed of non-competition in any circumstances.

During the Reporting Period and up to the date of this Annual Report, none of the Directors or Supervisor or any of their respective associates (as defined in the Listing Rules) was considered to be interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

PERMITTED INDEMNITY PROVISIONS

An insurance policy with permitted indemnity provision insuring claims made against, amongst others, directors and senior management staff of the company representing the company has been in force from the Listing Date to the date of this Annual Report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

None of the Company or its subsidiaries purchased, sold or redeemed any listed securities of the Company from the Listing Date to the date of this Annual Report.

EQUITY-LINKED AGREEMENT

The Company did not entered into any equity-linked agreements during the year.

REPORT OF THE BOARD OF DIRECTORS

THE INTERESTS OR SHORT POSITIONS OF OUR DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF OUR COMPANY OR ITS ASSOCIATED CORPORATION

As at 31 December 2019, the interests or short positions of our Directors, Supervisors and chief executive in the Shares, underlying Shares or debentures of our 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 the shares of our Company

Name of Director	Nature of Interest	Class of Shares	Number of Shares	% in the relevant class of issued shares of our Company	% in the total issued shares of our 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:

1. All interests stated are long positions.

2. Mr. Chen Miaolin indirectly owns as to 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.

3. Mr. Jin Wenjie is a general partner of and has full control over Ningbo Meishan Bonded Area Kaihui Taiheng Investment Management Partnership (Limited Partnership) (寧波梅山保税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.

4. Mr. Chen Miaoqiang is a general partner of and has full control over Ningbo Meishan Bonded Area Kairui Shiqi Investment Management Partnership (Limited Partnership) (寧波梅山保税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.

5. Ms. Lu Jun, the spouse of Mr. Chen Miaoqiang, owns as to 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.

6. Unlisted Shares include Domestic Shares and Unlisted Foreign Shares. Based on the advice of our PRC Legal Adviser, holders of Unlisted Foreign Shares and Domestic Shares are entitled to the same rights. Holders of Unlisted Foreign Shares and Domestic Shares will be treated as if they are in the same class of shares under the SFO upon Listing.

REPORT OF THE BOARD OF DIRECTORS

Save as disclosed above, as at 31 December 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 31 December 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 our Company	% in total issued shares of our Company
New Century Tourism	Beneficial owner	Unlisted Shares (8)	125,676,180		
	Interest of a controlled corporation (9)	Unlisted Shares (8)	9,655,590		
			135,331,770	64.44	48.33
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)單一資產管理計劃)	Investment Manager(13)	H Shares	9,169,000	13.10	3.27
Rex Top Global Investments Limited	Beneficial owner(14)	H Shares	6,099,400	8.71	2.18
Huatai Securities Co., Ltd.	Interest of a controlled corporation(15)	H Shares	4,750,000	6.79	1.70
GEM Holdings	Beneficial owner(16)	H Shares	3,800,000	5.43	1.36
Zhang GuangXin	Beneficial owner(17)	H Shares	6,655,000	9.51	2.38

REPORT OF THE BOARD OF DIRECTORS

Notes:

7. All interests stated are long positions.

8. Unlisted Shares include Domestic Shares and Unlisted Foreign Shares. Based on the advice of our PRC Legal Adviser, the holders of Unlisted Foreign Shares and Domestic Shares are entitled to the same rights. Holders of Unlisted Foreign Shares and Domestic Shares 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 as to 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.

16. GEM Holdings is ultimately controlled by Greenland Holdings Corporation Limited. Greenland Holdings Corporation Limited is deemed under the SFO to be interested in thee Shares held by GEM Holdings.

17. Zhang GuangXin is an individual substantial shareholder.

Save as disclosed above, as at 31 December 2019, Directors, Supervisors and chief executives of the Company are not aware of any other person or corporation having an interest or a 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.

REPORT OF THE BOARD OF DIRECTORS

AUDITOR

The consolidated financial statements prepared by the Company in accordance with IFRS have been audited by PricewaterhouseCoopers. The PricewaterhouseCoopers is about to retire and is willing to offer itself for re-appointment. The resolution on reappointing PricewaterhouseCoopers as the auditor of the Company will be proposed at the forthcoming annual general meeting.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at 31 December 2019, the Company has maintained sufficient public float as required under the Listing Rules.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) On 21 January 2020, the Group entered into an asset purchase agreement to acquire all operating assets of Hilton Hotel Hangzhou Xiaoshan with the total consideration of RMB135.6 million and also a change of lease subject agreement in respect of the sublease of the Hilton Hotel Hangzhou Xiaoshan, commencing from 20 January 2020 to 20 March 2038, with the annual rental payable of approximately RMB11.69 million. Please refer to the announcement of the Company dated 21 January 2020 for further details.

(b) Following the outbreak of Coronavirus Disease 2019 ("the COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country, including postponement of work resumption after the Chinese New Year holiday in some regions, certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in all public place and etc..

To fulfill the Group's social responsibility, the Group has taken measures such as free refund, exemption of management fees, appropriate settlement of the hotels requisitioned and closed due to the epidemic situation, closely monitoring the health conditions of our employees, strengthening disinfection and cleaning of our hotels and etc.. As a result, the business in hotel operation and management have weakened significantly from late January and onwards. The Group will pay close attention to the development of the COVID-19 outbreak and its impact on the hotel business, and will continue to perform relevant assessments and take proactive measures.

Upon the date of this issuance of financial statements, for the leased hotels, the Group has received downward adjustment of rental expenses from related party and third-party lessees for the year ending 31 December 2020. Please refer to the announcements of the Company dated 16 February 2020 and 15 March 2020 for further details.

(c) On 20 March 2020, the Board approved the profit distribution plan as at 31 December 2019 and transferred the statutory surplus reserve of RMB20.7 million. The proposed cash dividend per Share was RMB0.4 (before tax), total dividend of RMB112.0 million calculated on the basis of the total number of Shares in issue of 280,000,000. The profit distribution plan is subject to Shareholders' approval at the annual general meeting.

(d) On 20 March 2020, the Board also approved the transfer to all the shareholders of the Company the share premium of the capital reserve fund of the Company on the basis of the existing total share capital of 280,000,000 shares. One additional share will be transferred to each eligible shareholder whose name appear on the register of members of the Company on the record date. The capital reserve capitalization is subject to the Shareholder's approval at the annual general meeting and class general meeting of the Company and the Listing Committee of The Stock Exchange of Hong Kong Limited.

On behalf the Board of Directors

Jin Wenjie
Chairman and Executive Directors

20 March 2020

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

The Supervisory Committee of the Company performed its duties diligently and responsibly, and safeguarded the interests of the Company and its shareholders in accordance with the relevant provisions of the Company Law and the "Articles of Association".

During the year, the Supervisory Committee held three meetings in total, and all supervisors participated actively in person or through electronic communications. The Supervisory Committee conducted a cautious review of the Company's development plans and business activities, actively provided reasonable opinions and suggestions to the Board of Directors, and conducted strict and effective supervision over whether major decisions of the Company's management were in line with shareholders' rights and interests.

The Supervisory Committee carefully reviewed and agreed with the Report of Board of Directors and audited financial statements proposed by the Board at the annual general meeting, and considered that the Directors and management of the Company have seriously performed their duties during the year. The Supervisory Committee is not aware of any serious breach of laws, regulations or the "Articles of Association" and any actions detrimental to the interests of the shareholders of the Company by our Directors and management in the performance of duties on the Company's behalf, and considered that the Company's internal control system was refined. At the same time, the Supervisory Committee expressed satisfaction with various works and economic benefits of the Company in 2019 and was confident in the Company's future development prospects.

In 2020, the Supervisory Committee will continue to strictly enforce the relevant provisions of the Company Law and the "Articles of Association", faithfully perform the duties of the Supervisory Committee, supervise and inspect the business behavior of the Board and senior management of the Company, perform their duties seriously, and attend the Board meetings, Shareholders' general meetings and related working meetings to timely grasp the legitimacy and compliance of the Company's major decision-making matters and various decision-making procedures, promote the Company's standardized operation and safeguard the interests of all Shareholders of the Company.

By Order of the Supervisory Committee

Zha Xianghong
Chairperson of the Supervisory Committee

20 March 2020

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has established a corporate governance framework and has formulated policies and procedures in accordance with the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). These policies and procedures provide the infrastructure for enhancing the Board's ability to implement corporate governance and strengthening appropriate supervision of the Company's business conduct and affairs.

In the light of the listing of the H Shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited on 11 March 2019, the CG Code is not applicable to the Company for the period from 1 January 2019 to 10 March 2019.

The Company has adopted the principles and code provisions as set out in the CG Code as the basis of the Company's corporate governance practice during the period from the Listing Date to 31 December 2019. The Directors are of the opinion that the Company has complied with the Code of Practice for all Corporate Governance codes throughout the period from the Listing Date to 31 December 2019.

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 as the code of conduct regarding relevant Directors' and Supervisors' securities transactions.

The Company has made specific enquiries to all the Directors and the Supervisors and they have confirmed that they have complied with the Model Code throughout the period from the Listing Date to 31 December 2019.

The Company has also established written guidelines (the "Employees Written Guidelines") no less exacting than the Model Code for securities transactions conducted by employees who are likely to possess inside information in relation to the Company or its securities. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the business, strategic decisions and performance of the Group and makes objective decisions in the best interests of the Company.

The Board should regularly review the contribution required from a director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time in performing them.

COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors currently consists of the following nine members:

Executive Directors

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

Non-executive Directors

Mr. Chen Miaolin *(member of the Remuneration Committee)*
Mr. Chen Canrong *(member of the Nomination Committee)*
Mr. Jiang Tianyi *(member of the Audit Committee)*
Mr. Zhang Chi

Independent Non-executive Directors

Mr. Zhang Rungang *(Chairman of the Nomination Committee and Remuneration Committee)*
Mr. Khoo Wun Fat William *(member of the Audit Committee and Nomination Committee)*
Ms. Qiu Yun *(Chairman of the Audit Committee and member of the Remuneration Committee)*

The biographical information of the Directors is set out in the section "Directors, Supervisors and Senior Management" on pages 15 to 23 of this annual report. The relationship between Board members is also disclosed in this section.

BOARD MEETINGS AND GENERAL MEETING ATTENDANCE RECORDS

During the period from the Listing Date to 31 December 2019, at least four regular Board meetings have been held involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Apart from regular Board meetings, the Chairman also held a meeting with Independent Non-executive Directors without the presence of other Directors during the year.

During the period from the Listing Date to 31 December 2019, the Company held the 2018 annual general meeting on 20 June 2019 (the "2018 AGM").

CORPORATE GOVERNANCE REPORT

A summary of the attendance records of the Directors at the Board meetings and the AGM held during the period from the Listing Date to 31 December, 2019 is set out below:

Name of Directors	Board meetings	AGM
Executive Directors		
Mr. Jin Wenjie	7/7	1/1
Mr. Chen Miaoqiang	7/7	1/1
Non-executive Directors		
Mr. Chen Miaolin	7/7	1/1
Mr. Chen Canrong	7/7	1/1
Mr. Jiang Tianyi	7/7	1/1
Mr. Zhang Chi	7/7	1/1
Independent Non-executive Directors		
Mr. Zhang Rungang	7/7	1/1
Mr. Khoo Wun Fat William	7/7	1/1
Ms. Qiu Yun	7/7	1/1

CHAIRMAN AND PRESIDENT

As required by the Company, the positions of Chairman and President are held by different persons and there is a clear division of work between the two roles. The Chairman mainly exercises the following duties and powers: 1. to preside over general meetings and to convene and preside over Board meetings; 2. to check the implementation of Board resolutions; 3. to sign corporate shares, corporate bonds and other securities issued by the Company; 4. to organize various systems for the operation of the Board of Directors and to coordinate the operation of the Board of Directors; 5. to sign important documents of the Board of Directors and to sign important legally binding documents on behalf of the Company; 6. to exercise the authority of the legal representative; 7. to nominate the secretary of the Board of Directors, the members and the chairman of the special committees under the Board of Directors; 8. to listen to the regular or irregular work report of the Company's senior management, and to provide guiding opinions on the implementation of the resolutions of the Board of Directors; 9. in any emergent force majeure such as natural disasters, to exercise special right of disposal in respect of the company business in accordance with the laws and regulations and the Company's interests, and afterwards report to the Company's Board of Directors and general meeting of the Company; 10. to exercise other functions and powers stipulated by laws, administrative regulations, departmental rules or the Company's Articles of Association and conferred by the Board of Directors. The president is accountable to the Board of Directors and exercises the following functions and powers: 1. to preside over the Company's production and operation management, and to report to the Board of Directors; 2. to organize and implement Board resolutions; 3. to organize and implement the Company's annual business plan and investment plan formulated by the Board of Directors; 4. to draw up the setting plan of internal management organization of the Company; 5. to formulate the plan for setting up the branches of the Company; 6. to formulate the basic management system of the Company; 7. to formulate the specific regulations of the Company; 8. to propose the Board of Directors to hire or dismiss the Company's vice president and chief financial officer; 9. to appoint or dismiss the management personnel other than those who should be appointed or dismissed by the board of directors; and 10. other powers conferred by the Company's Articles of Association and the Board of Directors.

As of the date of this annual report, the chairman of the Company is Mr. Jin Wenjie and the president is Mr. Chen Miaoqiang.

CORPORATE GOVERNANCE REPORT

SUPERVISORS AND SUPERVISORY COMMITTEE

The Supervisory Committee of the Company is accountable to the general meeting of shareholders, exercises the inspection of the Company's finances according to law, supervises the legal compliance of the Company's directors and senior management in performing their duties, and safeguards the legitimate rights and interests of the Company and its shareholders. The members of the Supervisory Committee are composed of shareholder representative supervisors and employee representative supervisors. Shareholder representative supervisors are elected and removed by the general meeting of shareholders. The proportion of employee representative supervisors is not less than one-third of the members of the Supervisory Committee, and are democratically elected and removed by the employees of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the period from the Listing Date to 31 December, 2019, the Board at all times met the requirements of the Listing Rules for the appointment of at least three independent non-executive directors (representing one-third of the Board), with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive directors in respect of his/her independence in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive directors are independent.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Code Provision A.4.1 of the CG Code stipulates that non-executive Directors shall be appointed for a specific term, subject to re-election, whereas Code Provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

According to the Articles of Association of the Company, all directors (including non-executive directors) are elected by the shareholders at general meeting for a term of three years. Upon expiration of the term of office of the directors, they may be re-elected. The Company has entered into a service agreement (for the purpose of executive directors and non-executive directors) or a letter of appointment (for the purpose of independent non-executive directors) for a term expiring on 25 June, 2020. All directors are required to be re-elected in accordance with the Articles of Association.

CORPORATE GOVERNANCE REPORT

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for leadership and control of the Company and is collectively responsible for directing and supervising the affairs of the Company. Directors take decisions objectively in the interests of the Company.

The Board of Directors directly, and indirectly through its committees, leads and provides direction to management by formulating strategies and overseeing the management's implementation of strategies, monitoring the Group's operational and financial performance, as well as ensuring that sound internal control and risk management systems are in place.

All directors, including Non-executive Directors and Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

Independent non-executive directors are responsible for ensuring a high standard of regulatory reporting to the Company and playing a balanced role in the Board of Directors for bringing effective independent judgment on corporate actions and operations.

All directors have full and timely access to all the information of the Company as well as the services and advice from the senior management. The directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The directors shall disclose to the Company details of other offices held by them, and the Board regularly reviews the contribution required from each director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

CORPORATE GOVERNANCE REPORT

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

The Directors should keep abreast of the developments and changes in the regulatory requirements to effectively perform their duties and to ensure that their contribution to the board remains informed and relevant.

Directors should participate in appropriate continuous professional development training to develop and refresh their knowledge and skills. Internally-facilitated briefings for directors would be arranged and reading material on relevant topics would be provided to directors where appropriate. All directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December, 2019, all Directors (i) have attended the training courses conducted by the legal adviser of the Company, the content of which was related to, among other things, the duties of directors and on-going obligations of listed companies; and (ii) have been given the relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors and duty of disclosure of interests.

The training records of the Directors during the year ended 31 December, 2019 are summarized as follows:

Directors	**Type of Training** *Note*
Executive Directors	
Mr. Jin Wenjie	A
Mr. Chen Miaoqiang	A
Non-executive Directors	
Mr. Chen Miaolin	A
Mr. Chen Canrong	A
Mr. Jiang Tianyi	A
Mr. Zhang Chi	A
Independent Non-executive Directors	
Mr. Zhang Rungang	A
Mr. Khoo Wun Fat William	A
Ms. Qiu Yun	A

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which clearly define their authority and duties. The terms of reference of the above-mentioned committees are published on the website of the Company (www.kaiyuanhotels.com) and the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk), and are available to shareholders upon request.

The list of chairperson and members of each Board committee is set out in the "Composition of the Board of Directors" of the Corporate Governance Report.

AUDIT COMMITTEE

The Audit Committee consists of two independent non-executive Directors (Ms. Qiu Yun and Mr. Khoo Wun Fat William), and a non-executive Director (Mr. Jiang Tianyi). Ms. Qiu Yun is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems and effectiveness of the internal audit function, scope of audit and appointment of external auditors, as well as arrangements to enable employees of the Company to raise concerns about the possible improprieties in the Company's financial reporting, internal control or other matters.

During the period from the Listing Date to 31 December, 2019, the Audit Committee held two meetings to review the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of financial reporting system, risk management and internal control systems and internal audit function, appointment of external auditors and relevant scope of works and, connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee has also held two meetings with the external auditor without the presence of the Executive Directors during the period from the Listing Date to 31 December, 2019.

The attendance records of the members of the Audit Committee are as follows:

Name of Members of the Audit Committee	Attendance
Ms. Qiu Yun *(Chairperson)*	2/2
Mr. Khoo Wun Fat William	2/2
Mr. Jiang Tianyi	2/2

REMUNERATION COMMITTEE

The Remuneration Committee consists of two independent non-executive Directors (Mr. Zhang Rungang and Ms. Qiu Yun) and one non-executive Director (Mr. Chen Miaolin). Mr. Zhang Rungang is the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code.

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual directors and senior management, the remuneration policy and structure of all directors and senior management, and the establishment of formal and transparent procedures for developing remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

During the period from the Listing Date to 31 December, 2019, the Remuneration Committee held two meetings to consider the remuneration package for the appointment of the Vice President of the Company and to consider the relevant matters regarding/to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the Directors and senior management.

Details of the remuneration of the senior management by band during the year are as follows:

Remuneration Bands (RMB)	Number of the Senior management
500,001 – 1,000,000	6
1,000,001 – 1,500,000	1

The attendance records of the members of the Remuneration Committee are as follows:

Name of Members of the Remuneration Committee	Attendance
Mr. Zhang Rungang *(Chairman)*	2/2
Ms. Qiu Yun	2/2
Mr. Chen Miaolin	2/2

NOMINATION COMMITTEE

The Nomination Committee consists of two independent non-executive Directors (Mr. Zhang Rungang and Mr. Khoo Wun Fat William) and one non-executive Director (Mr. Chen Canrong). Mr. Zhang Rungang is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The primary duties of the Nomination Committee include reviewing the structure, size and composition of the Board, researching the selection criteria, procedures and methods for directors and senior management, making recommendations to the Board on director appointments and succession planning, and assessing the independence of independent non-executive directors.

CORPORATE GOVERNANCE REPORT

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director nomination and selection procedures that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the period from the Listing Date to 31 December, 2019, the Nomination Committee held two meetings to consider the appointment of the Vice President of the Company and to review the structure, size and composition of the Board and the independence of the independent non-executive Directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board diversity policy.

The attendance records of the members of the Nomination Committee are as follows:

Name of Members of the Nomination Committee	Attendance
Mr. Zhang Rungang *(Chairman)*	2/2
Mr. Khoo Wun Fat William	2/2
Mr. Chen Canrong	2/2

BOARD DIVERSITY POLICY

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board and is included in the terms of reference of the Nomination Committee. The Company considers and believes that Board diversity is beneficial to enhance the quality of performance of the Company. In order to achieve a sustainable and balanced development, the Company regards the increasing diversity at the Board level as a key element in supporting its strategic goals and maintaining sustainable development.

When performing its relevant duties, the Nomination Committee shall consider the board diversity policy as specified in the Board Diversity Policy in the terms of reference of the Nomination Committee. The Nomination Committee shall be responsible for monitoring the implementation of the Board Diversity Policy as well as reviewing and revising the Board Diversity Policy to ensure its effectiveness.

In reviewing the size and composition of the Board, searching and making recommendations on the candidates for Directors, the Nomination Committee shall consider relevant factors in order to achieve diversity on the Board members based on the Company's business model and specific needs.

The Nomination Committee may consider the diversity of Board members from several aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. After considering the aforesaid relevant factors, the Nomination Committee will make its final recommendation to the Board of Directors based on merit and contribution that the selected candidates will bring to the Board of Directors.

At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objectives.

CORPORATE GOVERNANCE REPORT

SELECTION FOR DIRECTORS AND SENIOR MANAGEMENT

The Nomination Committee shall research the selection criteria, procedures and methods for directors and senior management of the Company in accordance with provisions of pertinent laws and regulations and the Articles of Association and taking into account the actual conditions of the Company, formulate resolutions and submit the same for the approval of the Board and implement accordingly.

The selection criteria and procedures for the selection of directors and senior management are set out in the terms of reference of the Nomination Committee.

CORPORATE GOVERNANCE FUNCTION

The Audit Committee is delegated by the Board to perform the functions set out in Code Provision D.3.1 of the CG Code. The responsibilities of the Audit Committee include: (1) the formulating and reviewing the Company's corporate governance policies and practices, and making recommendations to the Board of Directors; (2) reviewing and monitoring the training and continuing professional development of the directors and senior management; (3) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (4) formulating, reviewing and monitoring the code of conduct and compliance manuals (if any) applicable to the employees and directors; and (5) reviewing the Company's compliance with the CG Code of the Listing Rules, reporting to the Board of Directors and reviewing disclosures in the Corporate Governance Report.

During the period from the Listing Date to 31 December, 2019, the Audit Committee held one meeting to review the above corporate governance matters of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for risk management and internal control systems and reviewing its effectiveness. These systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted a number of risk management procedures and guidelines with defined authority for implementation of key business processes and office functions including project management, sales and leasing, financial reporting, human resources and information technology.

The Company's procedures for identifying, assessing, and managing significant risks include: identifying, analyzing, and responding to external operational risks such as supply sources, technology changes, creditor requirements, and competitor behavior; identifying, analyzing, and responding to internal operational risks such as human resources and information systems; identifying, analyzing, and responding to financial reporting risks; and identifying, analyzing, and responding to fraud risks.

CORPORATE GOVERNANCE REPORT

The Company has established a set of systematic risk assessment process and risk prevention and control mechanism relating to financial reporting. It identifies the risks that lead to financial report misstatements, property loss and fraud from the aspect of both the company level and the business activity level, and analyses the related impacts.

The Board of Directors conducts regular annual reviews of the effectiveness of the risk management and internal control systems. The Audit Committee under the Board of Directors is responsible for reviewing the Company's risk management and internal control systems and the above-mentioned work performed by the internal audit department and discussing with the Board of Directors to ensure that effective measures are taken.

All departments conducted internal control assessments regularly to identify risks that may affect the Group's business and various aspects, including key operational and financial processes, regulatory compliance and information security. Each segment has conducted a self-assessment to confirm that it has properly complied with the monitoring policy.

The management and division heads are responsible for assessing the likelihood of risk occurrence, developing a response plan, monitoring the risk management process, and reporting to the Audit Committee and the Board all evaluation results and the effectiveness of the systems.

The management has confirmed to the Board and the Audit Committee the effectiveness of the risk management and internal control systems for the year ended 31 December, 2019.

The internal audit department is responsible for providing internal audit functions and conducting an independent review of the adequacy and effectiveness of the risk management and internal control systems. The internal audit department reviewed key issues in relation to accounting practices and all major controls, and provided the Audit Committee with the results of its review and recommendations for improvement.

The Board as supported by the Audit Committee, reviewed the risk management and internal control systems (including financial, operational and compliance controls) for the year ended 31 December, 2019 with reference to the management report and internal audit findings, and has not identified any significant issues and considered such systems are effective and adequate. The annual review also covered financial reporting, internal audit function and staff qualifications, experience and relevant resources.

Arrangements are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has developed its disclosure policy which provides a general guide to the Directors, Supervisors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. The compliance manual has set up relevant control procedures and internal monitoring for the Company's handling and publication of inside information. If information is determined as inside information by the management, the Company shall ensure the inside information to be handled and published to the public in an equal and timely way in accordance with the SFO and the Listing Rules.

Control procedures have been implemented by the Company to ensure that unauthorized access and use of inside information are strictly prohibited.

CORPORATE GOVERNANCE REPORT

NON-COMPETITION COMMITMENT

Each of the Controlling Shareholders of the Company (the "Promisor") has signed a confirmation letter regarding compliance with the non-competition undertakings, and they hereby confirmed that, during the period from the Listing Date to 31 December 2019, the Promisor, including any of their close associates (as defined by the Listing Rules from time to time), strictly abode by and enforced the commitments under the Non-Competition Deed and has not breached any terms of the Non-Competition Deed in any circumstances.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2019.

The Directors are not aware of any material uncertainties relating to events or circumstances that may cause significant doubts about the Company's ability to continue as a going concern.

A statement of the Company's independent auditor on their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 83 to 87 of this annual report.

AUDITOR'S REMUNERATION

The remuneration paid to PricewaterhouseCoopers, the external auditor of the Company, in respect of audit services rendered for the year ended 31 December 2019 amounted to RMB2.6 million.

COMPANY SECRETARY

Mr. Li Donglin, Board Secretary and Vice President of the Company, and Ms. Chan Suet Lam of Tricor Services Limited, an external services provider, are the joint company secretaries of the Company. The main contact person of Ms. Chan in the Company is Mr. Li Donglin.

All Directors are advised and served by the joint company secretaries on corporate governance and board practices and matters.

During the period from the Listing Date to 31 December, 2019, Mr. Li Donglin and Ms. Chan Suet Lam have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels.

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

CONVENING AN EXTRAORDINARY GENERAL MEETING

According to Article 69 of the Articles of Association, shareholders individually or jointly holding more than 10% of the shares of the Company shall be entitled to request for convening an extraordinary general meeting or class meeting according to the said procedures. The aforesaid shareholders shall sign one or several written requests with the same content and format, and stating the subject of the meeting, to request the Board of Directors to convene an extraordinary general meeting or class meeting.

The Board of Directors shall, in accordance with the law, administrative regulations and the Articles of Association, issue a written reply on whether it agrees with such proposal or not within 10 days after receiving the proposal. The number of shares held by the proposing shareholders mentioned above shall be calculated as at the date of submission of the written request.

The shareholding of the convening shareholders shall not be less than 10% prior to the announcement of the resolutions of the general meeting. The convening shareholders shall submit relevant certification documents to the Board of Directors of the Company upon issuance of a notice of general meeting and announcement of the resolution of the general meeting.

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

According to Article 72 of the Articles of Association, shareholders individually or jointly holding more than 3% of the Shares of the Company shall be entitled to submit an interim proposal in writing to the convener 10 days prior to the date of the general meeting.

When the Company convenes an annual general meeting, shareholders holding more than 3% (inclusive) of the Company's total number of shares with voting rights shall have the right to submit new proposals in writing to the Company. The Company shall include the proposals on the agenda of the said annual general meeting if the said proposals fall within functions and powers of general meetings.

The convener shall dispatch a supplementary notice of the general meeting within 2 days after receipt of the proposals and announce the contents of the interim proposals.

Save as provided in the preceding paragraph, the convener shall not change the proposals set out in the notice of general meeting or add new proposals after the said notice is served.

For proposing a person for election as a Director, please refer to the Procedures for Shareholders' Nomination of Director Candidates published on the Company's website.

PUTTING FORWARD ENQUIRIES TO THE BOARD

When making any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally handle verbal or anonymous enquiries.

CORPORATE GOVERNANCE REPORT

CONTACT DETAILS

Shareholders may send their enquiries or requests as described above to the following:

Address: Securities Department of Zhejiang New Century Hotel Management Co., Ltd.,
18/F, No. 818, Shixinzhong Road, Beigan Street, Xiaoshan District, Hangzhou, Zhejiang,
the People's Republic of China

Fax: (86 571) 8288 8366

Email: newcentury@kaiyuanhotels.com

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, and provide the full name, contact details and identification documents in order to give effect thereto. Shareholders' information may be disclosed as required by law. Shareholders may call the Company at (86 571) 8288 8888 for any assistance.

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the business performance and strategies of the Group. The Company is committed to maintaining an on-going dialogue with its shareholders, in particular through annual general meetings and other general meetings. Directors or their delegates (as appropriate) are available to meet shareholders and answer their enquiries at the annual general meeting.

ARTICLES OF ASSOCIATION

From the Listing Date to the year ended 31 December, 2019, the Company has amended its Articles of Association. Details of the amendments are set out in the Company's circular dated 3 May, 2019 and announcement dated 30 July, 2019. An up to date version of the Company's Articles of Association is available on the Company's website and the Stock Exchange's website.

POLICIES RELATING TO SHAREHOLDERS

The Company has in place a Shareholders' Communication Policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company is committed to maintaining a balance between meeting shareholders' expectations and prudent capital management through a sustainable dividend policy. The Company's dividend policy is designed to allow shareholders to share the Company's profits while allowing the Company to reserve sufficient reserves for future development.

In recommending the declaration of dividends, the Company will consider a number of factors, including the actual and expected financial results of the Company and the Group; the overall economic and financial conditions, the business cycle of the Group, and other internal or external factors that may affect the Company's business or financial results and conditions; and the Company's future expansion plans.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company hereby issues the environmental, social and governance report for 2019 to introduce the Company's sustainable development philosophy and practices to all stakeholders.

SOCIAL RESPONSIBILITY

I. Stakeholders

The Company has always adhered to its commitment to social responsibility, conducted sustainable operation with high quality, reasonable and effective ESG policies, and actively communicated with stakeholders such as shareholders, employees, suppliers and customers, with the Board evaluating the Company's ESG risk management and internal control system, and the management comprehensively carrying out environmental, social and governance related works.

II. The Company's Integrity

In 2019, under the strong leadership of the Company's party organization and Audit Committee, and the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, the Company thoroughly studied and implemented the spirit of the 19th National Congress of the Communist Party of China. The Company focused on and served the central task of the business development, strengthened the supervision and accountability system, conscientiously fulfilled the supervision responsibility of constructing the Party conduct and an honest and clean government, and strived to enable all party member leaders to lead all staffs to equip themselves and guide practices with Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, to constantly advance the construction of the Company conduct and an honest and clean government and anti-corruption work so as to protect the Company's sustained and healthy development.

The Company has strictly complied with the Company Law of the PRC, the Anti-unfair Competition Law of the PRC and Anti-money Laundering Law of the PRC and other laws and regulations relating to bribery, extortion and fraud, establishing the whistleblower channels to report behaviors breaching professional ethics and fraud, and organizing various supervision and education activities, including integrity film learning, party work conferences and so on. All the reports received are subject to assessment and investigation. The existing deficiencies of the Company will be addressed in a timely manner through education and disciplines so as to maintain the cleanness of Party. With the aim of promoting the construction of a clean government as well as anti-corruption campaign of the Company, the Company accepts complaints and keeps the cases of complaints strictly confidential as well as safeguards the lawful rights and interests of the informants.

The Company adhered to high standards, strictly implemented the Party's disciplines, rules and regulations, system of the Company, and organized all staff to carry out "Two Studies, One Action". Party organizations and audit departments at all levels resolutely implemented the requirements of Party building in the new era, increased the accountability for violations of disciplines and rules, and continued to promote the construction of an honest and clean government of the Company. The Company required the broad masses of Party members to follow the spirit of the Party's 19th National Congress, not to forget their initial intentions, to keep their mission in mind, and to go all out to realize the Company's overall strategy.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

QUALITY SERVICES

The Company is committed to creating quality products, providing world-class services, and striving to provide guests with services perfectly blending Eastern culture and international standards. Through careful consideration of and catering to the needs of guests, we have summarized our core service commitment as "always caring, efficient and convenient, meticulous and happy", and integrated the Company's culture into every happy service process, so that every guest staying at the Hotels can enjoy the intimate services.

Providing quality services to guests is the lifeline and also the continual developmental gene of New Century Hotel. Strengthening service quality management and creating quality services is a strategic task for the Company to build its core competitiveness and remain invincible. In the past 30 years, the Company has always based its values on high quality, conformed to the consumption upgrading trend, continuously improved the service quality and management, and provided guests with a wonderful experience in the high quality development.

I. Service Design

1. Quality Banquet Service Ambassador

In 2010, the Company pioneered in the hotel industry by introducing the "Quality Banquet Service Ambassadors", who specialized in high-end banquet services. In response to the guests' demand for high-end banquet services, the Quality Banquet Service Ambassadors provide well-trained, meticulous and elegant professional and special services, showing our care. Quality banquet service ambassadors is a key professional and special catering service project created by the Company. In 2019, a total of 90 ambassadors were trained, increasing the total number of training sessions and ambassadors to 17 and 556, respectively, attracting and cultivating more hotel professional service talents with comprehensive skills, displaying strong point of unique service and improving the quality of banquet service of the Company.

2. Golden Key to the Conference: Providing "One-Stop" Conference Services

The "Golden Key of the Conference" is a set of the latest conference service mode that the Company summarized and innovated by accumulating experience in daily conference reception and management, improving service quality, and concentrating on the design and innovation. By applying the Golden Key spirit and professional conference services of the Chief Concierge of the Front Office to the conference services, we fostered "Golden Keys" that were expert in one thing and good at many and did their best, to serve major conferences. Through the coordination and organization work before the conference reception, the implementation and communication of work in the conference reception, the special service design tailored to conferences and the archival conference materials after conferences, we upgraded conference services to a new level to create a new conference service mode, and comprehensively improve the quality of conference services, create quality services for guests and expand the brand influence of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. New Century Star Chefs

After decades of development, we have a group of "Star Chefs" (namely "New Century Star Chefs") with exquisite culinary skills and some reputation and influence. "New Century Star Chefs" made great contribution to the brand awareness of the Company by innovating dishes, developing specialty dishes, actively participating in various competitions and industry events and important reception activities inside and outside of the Company. "New Century Star Chefs" actively assisted the Company's F&B development and innovation while creating the core value and competitiveness of New Century F&B and New Century Cuisine.

The Company pays attention to the talent cultivation and training of "New Century Star Chefs" and currently selected 38 members of New Century Star Chefs Kitchen and 35 employees. As at the end of 2019, the New Century Executive Chefs Training Class had trained a total of 15 people, including 8 successors and 7 business backbones. New Century Star Chefs Kitchen organized Chen Lijiang and 13 people to participate in the 4th China Upscale Hotel Star Chefs Conference and participated in the selection of Star Chefs, with 6 people winning the title of "International Five-Star Chef" and 6 people winning the "Outstanding Executive Chefs in China Hotel Industry".

The Company accelerated the establishment of the internal resource platform, organized the cookery exchange and training session "One Heartwarming Breakfast", with more than 150 participants, New Century Star Chefs Kitchen & Maggi culinary and cuisine exchange activity with over 10 participants, New Century Star Chefs Kitchen & Yihai Kerry Chinese-style noodle teaching and skills exchange session with more than 60 participants. 8 sessions of New Century special technical exchange training with a total of 451hotel executive chefs and technical backbones of various types of work participated. A total of 44 participants took part in 20 batches of the F&B benchmarking hotel operation practical training. In respect of the industry, the Company organized a total of 9 industry exchange activities including the 4th China Upscale Hotel Star Chef Conference, the 2nd China Zhejiang Famous Chefs Conference, and "Taste of Hangzhou" Asian Food Festival.

4. New Century Concierge

The concierges are experts of information management and serve as an important advisory role for the Company's guests. As friends, secretaries and confidants of guests, New Century Concierge presents each guest with the right information and solutions in the most meaningful and satisfying way according to their unique personalities and cognitions. The establishment of the professional team of Concierge lies in the creation of service system and brand image of the exclusive "New Century Concierge", redefining the "localization" and "individualization" of the Company's services, enhancing the appeal of the humanistic service spirit, expanding the brand influence and supporting the hotel business management.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. New Century Vitality Experts

Based on the needs of resort hotels, the Company created a unique New Century resort hotels talent training model in 2018 to cultivate the vitality of resort hotels. As a friend and playmate of the guest, we provide guests with the best creative and comprehensive holiday solutions, allowing the guests to enjoy a lighter and brighter holiday experience, and allowing the hotel to inspire guests into a meaningful journey in life. Our Vitality Experts are divided into two new departments in accordance with the resort hotel brands, the humanities category is the cultural experience department, and the non-humanities category is the V.J. Club. In 2019, the 2nd session of New Century Vitality Experts Energy Camp was held, a total of 16 middle-level managers and 3 senior managers from the resort hotels were trained to speed up the cultivation of service experts with their own attributes and promote their roles as the spokespersons of the service culture of New Century resort hotels.

6. Other Special Services

In 2019, the Company entered into a strategic cooperation agreement with Shanghai Dev & Keep. As a pioneer in the hotel industry, we took the lead in embracing changes and united Dev & Keep to dig deeper into the hotel usage technology. The Company and Dev & Keep will jointly launch a brand-new “Dual Screen Mutual Entertainment System 2.0” to provide users with fragmented rigid services in the guest room scene and create a “destination experience community” based on hotel rooms. As at the end of 2019, Dev & Keep has entered nearly 9,000 rooms in 31 of our hotels, 25 of which have been launched, and quickly promoted the Company to achieve the perfect integration of traditional industries and new technologies.

II. Guest Satisfaction

In order to further realize the combination of a large-scale closed-loop top-down management at the group level and a benign operation of the micro-cycle at the hotel level, following the introduction of the New Century “Quality Officer” plan in 2018, the Company will continue to introduce the “New Century Internal Inspector” plan. The “Internal Inspector” plan of New Century has undertaken the “inspecting” function of the previous business unit. The standardization management center takes three documents: “Brand Standard”, “Brand Quality Inspection Standard Scale” and “Guidelines to New Century Hotel Brand Quality Inspection Visit” as the core, and supplemented by membership standards, human resources, equipment safety, recreation experience and other courses to train New Century internal inspectors. Through the comprehensive training of the first batch of New Century internal inspectors and the third session of New Century quality officer in 2019, a total of 76 people were trained. Not only can the plan ease the pressure of the group’s audit, but also train a group of professionals who can deeply implement the actual operation of the hotel, which can promote, interpret, implement, check the standards and their implementation degree.

According to the relevant data of Joint Wisdom, as at 31 December 2019, the Huiping favorable rate was 90.8%, up 2 percentage points year-on-year; the favorable rate on official website was 94%, up 8 percentage points year-on-year; the response rate was 97.9%, up 0.43 percentage points year-on-year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CARING FOR EMPLOYEES

I. Employment Rules

The Company strictly abides by the "Labor Law of the PRC" and the "Labor Contract Law of the PRC" and other laws and regulations, and has standardized processes for employee recruitment, new employee onboarding and contracting. There is no restriction or requirement on gender, region, ethnicity and belief in recruitment. The assessment of candidates is more focused on professional experience, performance and business capabilities and personal overall quality, development potential and other factors. In the recruitment and hiring process, we eliminate the recruitment of young workers under the age of 18; in respect of employee termination and dismissal, we protect the legitimate rights and interests of laborers, strictly abide by the requirements of laws and regulations.

II. Talent Selection, Training and Promotion

The Company constantly innovates the talent selection and training. Outstanding internal employees enjoy priority in promotion opportunities. We provide a comprehensive talent development promotion system, curriculum library system, and a large number of training implementation plans for internal employees. In terms of talent development, with the constant optimization of the "3+1" Management Talents Training System (Reserve Senior Management Program, Middle Management Succession Program, Future Star Program, Management Trainee Program), we innovate the channel for training secondary associates to accelerate the incubation of middle and senior management talents in hotels. In addition, the Company continues to expand the professional talent training channel of the hotel, add specialized talents training programs such as domain experts, 千帆培訓 and New Century Engineering Association on the basis of the existing dedicated talent training system (market income management training camp, holiday partner training camp, quality banquet service ambassadors, chief concierges, New Century star chefs and New Century quality officers) to continue to help the hotel operation and development. In order to further improve the quantity and quality of talent development, the Company researched on building the New Century Hotel talent competency model, aimed to further optimized and matched the talent training curriculum system on the basis of the competency model, and provided a wealth of curriculum learning resources through the internal online network college for the Company to provide strong support for the training and development of the Company's talents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

III. Employee Holidays

All employees of the Company enjoy national statutory holidays, and New Century Hotel Group Human Resources Management Manual stipulates the conditions for employees' paid annual leaves, sick leaves, marriage leaves, maternity leaves and other vacations, and specific operational procedures to protect employees' right to holidays. The Company strictly abides by the provisions of the Labor Contract Law of the PRC and resolutely puts an end to mandatory labor. According to the nature of work, the working hours of all employees of the Company are divided into standard working hours, comprehensive working hours and irregular working hours. The Company stipulates that due to the needs of operation and management, extending working hours and work overtime. Employees will only be arranged overtime work if they are willing to and subject to the approval of managers in charge, and compensatory time off or overtime compensation will be arranged in time.

IV. Compensation and Benefits

Employees' compensations of the Company include basic wages, allowance, and performance bonus. The Company has considered and strengthened the performance incentive policy and established a scientific and reasonable compensation distribution system from the starting point of stimulating and motivating employees and effectively protecting their rights and interests, so that the income of employees increase with the increase in value created by them for the Company. Meanwhile, we maintain a certain annual growth of the employees' income based on the market development and the overall benefits of the Company. The Company provides employees with insurance coverage including pension insurance, medical insurance, unemployment insurance, work injury insurance, and maternity insurance and housing provident fund.

V. Employee Care and Corporate Culture

The Company annually launch a series of cultural activities such as "Hotel Industry Technology Competition" and "New Century Cultural Festival", and public activities such as "Riding Day" to carry forward cultural concepts. The Company also organizes employee activities in various festivals including female employees' outing on Women's Day, employee evening party and moon cake gift boxes for each employee on the Mid-Autumn Festival, employees New Year's Eve dinner, annual travel and professional physical examination for older employees to care for employees with sincerity.

The Company adheres to the philosophy of "Treating Employees as the Most Valuable Assets, Showing Respect, Caring Genuinely and Sharing Success" and focuses on the core values of "Humanity Quality, Sincere Care" and the mission and vision of "Creating Chinese Quality and Happy Life", so as to create an atmosphere of "Happy Work, Happy Life" for employees, actively mobilize the enthusiasm of employees, enhance the loyalty of employees to the Company, and promote the common development of employees and the Company.

HEALTH AND SAFETY

Our Company has formulated over 20 detailed Rules and Regulations on Safety Management, including the Fire Management System, Safe Evacuation Channel Management System, Workplace Safety Management System and so on; established a series of Safety Management Standards, including Safety Operation Guidance Standards, Daily Safety Inspection Guidance Standards, Risk Control Self-Inspection Standards, etc. Our Company's hotel conducts a comprehensive safety self-assessment manual assessment twice a year, issues reports after the assessment and implements effective improvements to non-compliant items.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Our Company formulated the Hotel Security Accident Emergency Plan by identifying potential hidden accidents and emergencies. Each hotel has established a "Crisis Management Committee" to make a thorough contingency plan to respond to possible fires, explosions, civil harassment, casualties, elevator accidents, power outages, floods, food poisoning, etc., and strive to respond quickly in the event of a crisis through effective cooperation to ensure the safety of employees and customers and the continuity of operations. Our Company's safety management has achieved outstanding results, and there has been no major safety accident in the past three years.

Our Company attach importance to fire safety. The hotel regularly organizes two fire drills every year, organizes at least one evacuation drill, evaluates the effects of the exercises, improves the problems in the exercises, and improves emergency response capabilities.

Since 2012, our Company has introduced the hotel food safety management system and to prevent food safety issues through careful planning of each operation process; the Operation Manual of Food Safety Management System was prepared. Our Company's hotel has set up a special organization for the construction of food safety management system, strictly implementing the safety management system for the entire food operation process from the procurement, storage, processing, cooking, cleaning and disinfection, etc. We organizes special persons to evaluate the operation of the food safety management system of hotels and propose improvements every year.

Our Company attaches great importance to the health and safety protection of employees, formulates the labor protection system of enterprises according to the Labor Law of the People's Republic of China and relevant safety regulations; it formulates the Labor Protection System for Women Workers and Minors and gives special protection; it strengthens employee training and raises employees' awareness of safety and health; it pays attention to protecting the physical and mental health of employees, carries out physical examination for all employees every year to prevent occupational diseases; it improves the working environment, strengthens the management of five-routine working regulations, and keeps an eye on MSDS (Safety Data Card) for employees who are exposed to chemical drugs to ensure first aid measures to be taken in the event of an accident.

In the initial stage of construction, our Company focused on the impact of infrastructure on the health and safety of guests and employees, and strictly required that the decorative materials used meet environmental requirements, including woodworking boards, paints, furniture, paints, etc. At the same time, the hotel will entrust a third party to conduct inspections on areas of "central air conditioning, restaurant air, water quality of swimming pools, air of entertainment venues, guest rooms (air, furniture, cotton products)". More than half of the hotels offer air purifiers in the rooms for guests to choose to further reduce the impact of the environment on air quality.

RESPONSIBLE PROCUREMENT

The Company's supply chain conducts open tendering, selects suppliers on merits, respects intellectual property rights, protects the interests of suppliers, and selects suppliers from the location of the hotel as far as possible to promote the development of the area.

The Company insists on maintaining close cooperation with partners, providing support and assistance to excellent suppliers in capital, technology, product research and development, management, and sharing corporate values to achieve win-win cooperation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company and its partners jointly drafted and implemented the New Century Food Safety and Hygiene Standard to ensure and promote public food safety. In the process of responsible procurement, the Company organizes an annual all-round assessment of suppliers on quality, delivery, price and service to ensure the "New Century Quality".

The Company has always implemented the "New Century's Back to Nature" plan. It is committed to the development and application of green products, and actively promotes eco-friendly room supplies such as toothbrushes, combs and shavings using plant starch as raw materials, bathing liquids, shampoos and hair conditioner bottles using PCR regeneration materials, and packaging papers made of inorganic mineral powder (stone powder) so as to advocate the green value proposition of "New Century's Back to Nature" and meet the public demand for environmentally friendly products.

Under the background of the need to protect drinking water sources, in order to ensure consumers safe drinking water, the Company and Nongfu Spring has cooperated to develop customized bottled mineral water of "source" water to actively spread the healthy water drinking idea, adhere to sustainable development and fulfill the Company's social responsibility since 2012.

SOCIAL WELFARE

The Company conveys sense of mission and responsibility of New Century as a leading national hotel group to the society, publicizes the brand of the Company, healthy life and work concept to the society, and makes the Company a corporate citizen with a real sense of responsibility. The Company supports education, sports and community construction and other fields, as well as actively carries out public welfare activities.

On World Environment Day, the Company joined the "Mutual Benefit Travel Alliance" jointly established by the United Nations Development Programme, China International Center for Economic and Technical Exchanges, China Tourism Academy and Ctrip as the first members.

Many hotels under the Group invited the guest to participate in the Earth Hour light out theme activity to promote low-carbon life.

The 9th New Century Bicycle Riding Day was held with more than 4,000 employees from over 100 New Century enterprises located in more than 50 cities across the country and some public figures participating.

ENERGY CONSERVATION AND EMISSION REDUCTION

The Company has always treated environmental protection, energy conservation and emission reduction as an important part of the sustainable development strategy, actively created a sustainable development environment and established a good social image of the Company. As the continuing growth of energy costs, in order to alleviate the pressure on hotel operations caused by rising prices, and in response to the government's request to develop a circular economy and establish a conservation-oriented society, the Company continuously ensured the energy conservation and efficient operation of facilities and equipment through technological transformation, while further improving the Company's energy conservation management work by developing energy conservation and emission reduction management system with management measures. The Company's hotels have implemented or are implementing a standardized and effective energy conservation and emission reduction system, which has achieved certain results. The following key performance indicators within the scope of environment cover the operating hotels under operations in the year of 2019.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. Emission Reduction

Our Company strictly abides by the laws and regulations formulated by the government. In terms of the environment, our Company strictly abide by the relevant laws and regulations such as the Environmental Protection Law of the People's Republic of China, our Company has strengthened management of potential issues on various environmental factors in the preparation and operation management of subordinate hotels.

In terms of noise management, the noise of hotel operation mainly comes from equipment room, roof fan, air conditioning cooling tower and boiler. The subordinate hotels of our Company make treatment and rectification by adopting sound insulation method and silencer method. In terms of equipment selection, low-noise equipment is used as much as possible to ensure that the noise meets the Social Living Environment Noise Emission Standard (GB 22337-2008), so as not to affect the living environment of the surrounding residents.

In terms of exhaust emission, it is still mainly emission from boiler combustion processes, kitchen fumes, and parking lot emission. For the exhaust gas of the boiler, as the state requirements for boiler emissions increased, some of our subordinate hotels have renewed their boiler burners in response to national calls and ensure that the Boiler Air Pollutant Emission Standard is met. Regarding the problem of kitchen fumes, for example, the standard of kitchen fumes emission has increased in places such as Beijing, Shanghai, etc., some of our hotels have upgraded their kitchen lampblack purifier, and quarterly clean the fume pipes, fans and other facilities in a timely manner to ensure that the standard requirements of the Emission Standard of Cooking Fume are met. The fuels used by the Company's hotels currently are clean energy of natural gas to reduce exhaust emissions.

In terms of greenhouse gases, the main sources of greenhouse gas emissions of the Company's hotels are indirect energy emissions from electricity and direct emissions from natural gas combustion in boilers and kitchens. Hotels use the most advanced energy-saving technologies to constantly optimize and transform the energy-saving control and management of boilers, stoves, steamers and air conditioners in order to adjust the energy use structure to reduce energy consumption and greenhouse gas emissions. The total greenhouse gas emissions of the hotels within the scope of our Group's statistics in 2019 were about 332,985 tCO_2e.

In terms of sewage discharge, the sewage of the Company's hotels is mainly domestic sewage generated by guests and employees and kitchen sewage. All sewage discharges comply with national standards and strictly formulate the regulations formulated by local government departments. Some hotels are equipped with a reclaimed water treatment device to discharge the sewage reaching the standard to the municipal pipeline network after being treated by the sewage treatment device. At the same time, the staffs of the hotel engineering department regularly clean and inspect the rain sewage pipelines. The hotels strengthen the management of employees and prohibit any dumping of waste oils, chemicals and others actions that cause great harm to the environment. The hotels sewage discharge meets the requirements of the state Integrated Sewage Discharge Standard (GB 8978-1996). The wastewater discharge of the hotels within the scope of our Group's statistics in 2019 was about 1,738,553 tons.

In terms of waste management, the waste of the Company's hotels includes kitchen waste and garbage generated by guests and employee. All dry trash are separated from wet trash as dry or wet in the garbage room after collection, garbage should not be placed in the open air to prevent rainwater from flowing into the rainwater pipeline. Hotels treat or recycle paper and plastic box glass with recycled value uniformly, and other wastes are disposed of by the municipal sanitation department.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

II. Energy Saving and Consumption Reducing

In terms of energy saving and consumption reduction management, New Century Hotel formulated an energy saving management instruction manual to facilitate hotels to better manage energy conservation and consumption reduction, improve energy efficiency, curb energy waste, reduce energy costs, and promote sustainable hotel development. The manual establishes energy management standards for hotels, including standards related to energy assessment and energy use analysis. In addition, New Century Hotel has also formulated the Energy Conservation Toolbox, which summarizes all the energy saving opportunities and energy saving opportunities that may exist in the hotel operation, and summarizes the possible energy saving opportunities to help the hotel develop energy management. The total power consumption of hotels in the statistical area of the Group in 2019 was about 72,985,198 kWh, and the power consumption per unit area was about 72 kWh/m^2.

In terms of the protection and conservation of water resources, we improve water efficiency in a number of ways. We install cold and hot water meters in each water use area of the hotel, as well as pay attention to daily changes in water use and regularly read the meter. Through data analysis, we can judge whether there is water leakage or abnormal water use in the pipeline, so that the rectification can be carried out in a timely manner. There's a water-saving environmental protection card in the hotel rooms and we arrange the replacement and cleaning of the sheets and bath towels if necessary. The total water consumption of the hotels within the scope of our Group's statistics in 2019 was about 2,149,831 tons.

In 2019, our Company achieved certain results in energy conservation and consumption reduction work. The overall energy consumption of the hotels within the scope of our Company's statistics decreased by 0.2 percentage point, approximately compared with that of 2018, the power consumption per unit area decreased by 14.1 kWh/m^2, approximately, and the water consumption of hotel rooms slightly decreased, remaining almost the same as that of 2018. Going forward, the Company will continue to explore and pay attention to the application and development of energy-saving technologies, to improve energy management level and achieve sustainable development through more reasonable management.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

III. Protecting the Environment and Natural Resources

In the policy of reducing major impacts of human factors on natural resources, the Company continues to raise employees' awareness of energy saving and consumption reduction, introduce new technologies, and continuously carry out energy saving and consumption reduction to minimize waste generation. At the same time, in the hotel business area, guests are also guided to save energy and reduce consumption and use recycled products as much as possible.

The hotels under the Group actively apply the intelligent lighting network lighting system, respond to the national garbage classification call develop guest room waste separation garbage bins, commit to environmental protection, resource protection, and reduce the consumption of land resources environmental pollution. Following the trend and cancel the "Six Small Pieces" policy. At the same time, in order to achieve the management goal of "reduction, resource utilization and harmlessness" of domestic waste, we establish the concept of low-carbon and environmental protection of hotels, and break the traditional concept of "Six Small Pieces" of the hotel. Promoting the protection of the ecological environment, the use of large-bottled toiletries in the guest rooms and reduce the use of small-bottled toiletries in the hotels, while the hotels will significantly reduce the generation of plastic waste. In terms of the hotel, we achieve a circular economy and maintain long-term use of materials. Various measures have effectively protected the ecological environment, and also implemented the concept of green and environmental protection of New Century Hotel, reflecting the sense of social responsibility.

INDEPENDENT AUDITOR'S REPORT

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

OPINION

What we have audited

The consolidated financial statements of Zhejiang New Century Hotel Management Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 88 to 193, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

The key audit matter identified in our audit relates to "Recoverability of the carrying values of the property, plant and equipment and right-of-use assets of loss making hotels":

Key Audit Matter	How our audit addressed the
Recoverability of the carrying values of the property, plant and equipment ("PPE") and right-of-use assets ("ROU assets") of loss making hotels Refer to Note 2.12, Note 4(a), Note 15 and Note 16 to the consolidated financial statements. The Group, through its subsidiaries, holds equity interests in a number of hotels in the People's Republic of China ("the PRC"). The carrying values of PPE and ROU assets amounted to approximately RMB661 million and RMB2,135 million respectively on the consolidated balance sheet as at 31 December 2019. With the hotels operating in different locations in the PRC, and operating under different categories and brands, the performance of the Group's hotels varies and with some recording losses ("loss making hotels"). There is a risk that the carrying values of the PPE and ROU assets of those loss making hotels are higher than their recoverable amounts. Management considers each hotel to be a separate cash-generating unit ("CGU") and performs impairment assessments, where impairment indicators exist, to determine the recoverable amount of the hotels' PPE and ROU assets. The recoverable amount is determined as the CGU's value-in-use, which involves estimation of future business performance and key assumptions including discount rates, occupancy rates, sales growth rates, etc.. Based on the impairment assessments carried out by management, provision of RMB5.08 million for impairment of PPE and provision of RMB5.04 million for impairment of ROU assets were provided as at 31 December 2019. We focused on this area as the impairment assessments and determination of recoverable amounts involve significant management's judgements and estimations.	Our audit procedures in relation to management's impairment assessments included the following: • We understood, evaluated and validated the internal controls in respect of management's assessments and measurement of impairment, and assessed how management identified the indicators of potential impairments of the loss making hotels' PPE and ROU assets; • We evaluated management's future cash flow forecasts and the process by which they were prepared for these loss making hotels' CGUs, including testing the mathematical accuracy of the underlying calculations and compared the future cash flow forecasts to the latest approved budgets and actual results of the prior period; • We assessed the appropriateness of methodologies and assumptions used by management in the calculations of the recoverable amounts for these loss making hotels' CGUs. The assessment included the evaluation of the discount rates with reference to market data; assessing the reasonableness of occupancy rates and sales growth rates by comparing them to historical results and latest economic and industry forecasts; • We performed sensitivity analyses where there were indicators of impairment. The analysis was undertaken by making adjustments to the key assumptions in management's impairment assessments and considered whether any reasonably possible adjustments, in isolation or as a combination, would result in material impairment. Based on our audit procedures performed, we found the assessments of the recoverability of the carrying values of the PPE and ROU assets of the loss making hotels were supported by the evidence we obtained.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The audit committee are responsible for overseeing the Group's financial reporting process.

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

The engagement partner on the audit resulting in this independent auditor's report is Lam Siu Wing, Benny.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 March 2020

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Revenue from contract with customers	*5*	**1,927,980**	1,797,968
Cost of sales	*6*	**(1,362,962)**	(1,329,818)
Gross profit		**565,018**	468,150
Selling and marketing expenses	*6*	**(106,018)**	(99,822)
Administrative expenses	*6*	**(168,062)**	(166,620)
Net impairment losses on financial assets	*6, 23*	**(2,641)**	(541)
Other income	*7*	**40,299**	12,583
Other gains – net	*8*	**4,976**	22,371
Operating profit		**333,572**	236,121
Finance income	*10*	**41,554**	9,535
Finance costs	*10*	**(111,995)**	(9,205)
Finance (costs)/income – net		**(70,441)**	330
Share of net profit of associates and joint venture accounted for using the equity method	*11*	**5,486**	6,630
Profit before income tax		**268,617**	243,081
Income tax expense	*12*	**(63,643)**	(54,012)
Profit for the year		**204,974**	189,069
Other comprehensive income for the year, net of income tax		**-**	-
Profit and total comprehensive income for the year		**204,974**	189,069
Profit and total comprehensive income attributable to:			
– Owners of the Company		**202,405**	186,787
– Non-controlling interests		**2,569**	2,282
		204,974	189,069
Earnings per share for profit attributable to the owners of the Company for the year – Basic/Diluted (in RMB per share)	*13*	**0.76**	0.89

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

Consolidated Balance Sheet

As at 31 December 2019

		As at 31 December	
	Notes	**2019**	2018
		RMB'000	RMB'000
Assets			
Non-current assets			
Property, plant and equipment	*15*	**661,163**	587,756
Right-of-use assets	*16*	**2,135,362**	–
Investment properties		**895**	910
Land use rights	*17*	**–**	44,954
Intangible assets	*18*	**6,143**	14,904
Investments accounted for using the equity method	*11*	**131,100**	121,564
Financial assets at fair value through other comprehensive income	*20*	**2,053**	–
Other non-current assets	*21*	**–**	3,170
Deferred tax assets	*30*	**74,671**	27,338
Restricted cash	*24*	**375,000**	–
Total non-current assets		**3,386,387**	800,596
Current assets			
Inventories	*22*	**31,264**	28,322
Trade and other receivables and prepayments	*23*	**194,552**	282,239
Cash and cash equivalents	*24*	**345,746**	367,688
Restricted cash	*24*	**534,177**	68,000
Total current assets		**1,105,739**	746,249
Total assets		**4,492,126**	1,546,845
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	*25*	**280,000**	210,000
Share premium	*25*	**865,375**	–
Other reserves	*26*	**315,373**	276,440
Retained earnings		**117,723**	177,408
Total equity attributable to owners of the Company		**1,578,471**	663,848
Non-controlling interests		**11,572**	10,097
Total equity		**1,590,043**	673,945

Consolidated Balance Sheet

As at 31 December 2019

	Notes	As at 31 December 2019 RMB'000	2018 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	28	–	185,000
Lease liabilities	16	1,950,150	–
Deferred income	29	18,862	20,048
Deferred tax liabilities	30	246	442
Total non-current liabilities		1,969,258	205,490
Current liabilities			
Contract liabilities	5	216,523	194,194
Borrowings	28	–	5,500
Lease liabilities	16	309,281	–
Trade and other payables	27	378,662	443,081
Current income tax liabilities		27,173	23,449
Current portion of long-term liabilities	29	1,186	1,186
Total current liabilities		932,825	667,410
Total liabilities		2,902,083	872,900
Total equity and liabilities		4,492,126	1,546,845

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

The consolidated financial statements on pages 88 to 193 of the Company were approved by the Board of Directors on 20 March 2020 and were signed on its behalf:

Jin Wenjie
Chairman

Chen Miaoqiang
Executive Director

Consolidated Statements of Changes in Equity

For the year ended 31 December 2019

	Notes	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
		Attributable to owners of the Company					
As at 1 January 2018		210,000	267,355	36,441	513,796	15,297	529,093
Comprehensive income							
Profit for the year		–	–	186,787	186,787	2,282	189,069
Total comprehensive income		–	–	186,787	186,787	2,282	189,069
Transactions with owners in their capacity as owners							
Capital injections from non-controlling shareholders		–	–	–	–	1,200	1,200
Dividends provided for or paid	*14*	–	–	(41,238)	(41,238)	(1,659)	(42,897)
Transactions with non-controlling interests		–	4,503	–	4,503	(9,507)	(5,004)
Appropriation to statutory reserve	*26*	–	4,582	(4,582)	–	–	–
Others							
Acquisition of a subsidiary		–	–	–	–	2,484	2,484
As at 31 December 2018		210,000	276,440	177,408	663,848	10,097	673,945

Consolidated Statements of Changes in Equity

For the year ended 31 December 2019

		Attributable to owners of the Company						
	Notes	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	*2.2*	–	–	–	(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 year		–	–	–	202,405	202,405	2,569	204,974
Total comprehensive income		–	–	–	202,405	202,405	2,569	204,974
Transactions with owners in their capacity as owners								
Capital injections from non-controlling shareholders		–	–	–	–	–	2,720	2,720
Dividends provided for or paid	*14*	–	–	–	(100,800)	(100,800)	(2,165)	(102,965)
Transactions with non-controlling interests	*26*	–	–	(547)	–	(547)	(5,598)	(6,145)
Appropriation to statutory reserve	*26*	–	–	39,480	(39,480)	–	–	–
Acquisition of a subsidiary	*31*	–	–	–	–	–	4,900	4,900
Termination of a subsidiary	*35*	–	–	–	–	–	(951)	(951)
Others								
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	*25*	70,000	865,375	–	–	935,375	–	935,375
As at 31 December 2019		280,000	865,375	315,373	117,723	1,578,471	11,572	1,590,043

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

Consolidated Statements of Cash Flows

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	*32(a)*	823,001	268,940
Interest paid		(110,890)	(9,212)
Income tax paid		(64,231)	(61,446)
Net cash generated from operating activities		647,880	198,282
Cash flows from investing activities			
Payments for the transaction with non-controlling interests	*26*	(6,145)	(5,004)
Payments for financial assets at fair value through profit or loss		(669,400)	(376,849)
Payments for property, plant and equipment, land use rights and intangible assets		(157,538)	(221,316)
Change of restricted cash – term deposit	*24*	(853,796)	(2,000)
Payment for financial assets at fair value through other comprehensive income	*20*	(2,053)	–
Payment for other equity investments	*11*	(4,050)	–
Payments to non-controlling interests due to the termination of a subsidiary	*35(c)*	(951)	–
Proceeds/(payment) for acquisition of a subsidiary, net of cash acquired	*31*	1,630	(1,545)
Proceeds from sale of financial assets at fair value through profit or loss		669,400	376,849
Proceeds from sale of property, plant and equipment	*32(b)*	124	368
Interest received from financial assets at fair value through profit or loss	*7*	1,283	4,483
Dividends received from associates and joint ventures		–	136
Proceeds from disposal of subsidiaries, net of cash disposed		–	9,461
Net cash used in investing activities		(1,021,496)	(215,417)
Cash flows from financing activities			
Proceeds/(payment) from issuance of ordinary shares relating to the initial public offering, netting of listing expenses payment	*25*	951,764	(16,389)
Proceeds from borrowings		–	35,000
Repayment of borrowings	*28*	(190,500)	(16,200)
Dividends paid to the Company's shareholders	*14*	(100,800)	(41,238)
Dividends paid to non-controlling interests in subsidiaries		(2,165)	(1,659)
Principal elements of lease payments	*32(c)*	(318,528)	–
Proceeds from capital injection of non-controlling interests		2,720	1,200
Net cash generated from/(used in) financing activities		342,491	(39,286)
Net decrease in cash and cash equivalents		(31,125)	(56,421)
Cash and cash equivalents at beginning of the year	*24*	367,688	424,109
Exchange differences		9,183	–
Cash and cash equivalents at end of the year	*24*	345,746	367,688

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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, 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").

These consolidated financial statements are presented in Renminbi thousands (RMB'000), unless otherwise stated. These consolidated financial statements was reviewed by the Audit Committee and approved for issue by the Board of Directors (the "Board") of the Company on 20 March 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of Zhejiang New Century Hotel Management Co., Ltd. and its subsidiaries.

2.1 Basis of preparation

The consolidated financial statements of the Group has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB"). The consolidated financial statements has have been prepared on a historical cost basis, except for the financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, which are measured at fair value.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) New and amended standards adopted by the Group

The following standards and interpretations apply for the first time to financial reporting periods commercing on or after 1 Janurary 2019, and have been adopted by the Group:

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

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group elected to adopt the new rules restrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in Note 2.2. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and interpretations not yet adopted by the Group

The Group has assessed the impact of adopting these new standards, amendments and interpretations. According to the preliminary assessment, these standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. The Group's assessment of the impact of these new standards and interpretations is set out below.

		Effective for annual periods beginning on or after
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
IFRS 17	Insurance contracts	1 January 2022

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 "Lease" on the Group's consolidated financial statements.

The Group has adopted IFRS 16 restropectively 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. The new accounting policies are disclosed in Note 2.34.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to hotel property and equipment 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 of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.8%.

(i) Practical expendients applied

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

- applying a single discount rate to a portfolio of leases with reasonably similar charateristics;
- relying on previous assesments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use assets at the date of initial application, and;
- using hindsight in determining the lease term where the contract contains options to extend or terminated 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 appling IAS 17 and IFRIC 4 "'Determining Whether an Arrangement Contains a Lease'".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(ii) Measurement of lease liabilities

	1 January 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 liabilities recognised as at 1 January 2019	2,132,268
Of which are:	
Current lease liabilities	307,970
Non-current lease liabilities	1,824,298
	2,132,268

(iii) Measurement of right-of-use assets

The associated right-of-use assets for hotel property and equipment leases were measured on a retrospective basis, using a discount rate based on the lessee's incremental borrowing rate at the date of initial application.There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(iv) Adjustments recognised in the balance sheet on 1 January 2019

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

2.3 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.4).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and consolidated balance sheet respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

(iii) Joint arrangements

Under IFRS 11 joint arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has joint ventures. Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Principles of consolidation and equity accounting (Continued)

(iv) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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

The carring amount of equity-accounted investment is tested for impairment in accordance with the policy describes in Note 2.12.

(v) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Business Combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement, and;
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity, and;
- acquisition-date fair value of any previous equity interest in the acquired entity.

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Business Combination (Continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.5 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

2.6 Segment reporting

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

2.8 Property, plant and equipment

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Property, plant and equipment (Continued)

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

Buildings and facilities	20 to 60 years
Machinery and equipment	5 to 10 years
Office and electronic equipment	5 to 20 years
Vehicles	5 to 10 years
Leasehold improvements	2 to 20 years, but not exceeding the lease period

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

Construction-in-progress mainly represents properties under construction and is stated at actual construction cost less accumulated impairment losses, if any. Construction-in-progress is transferred to appropriate categories of property, plant and equipment upon the completion of their respective construction and depreciated over their respective estimated useful lives.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.12).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains – net" in the consolidated statement of comprehensive income.

2.9 Investment properties

Investment properties, principally buildings, are held for long-term rental yields or for capital appreciation or both and are not occupied by the Group. Investment properties are measured initially at their costs, including related transaction costs and where applicable borrowing costs. After initial recognition, the Group chooses the cost model to measure all of its investment properties, which are stated at historical costs less accumulated depreciation and accumulated impairment losses, if any. Depreciation of investment properties are calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives of 65 years.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Land use rights

Land use rights represent the upfront payments made for the leasehould land in the PRC for the development of hotel buildings and self-use buildings. It is stated at cost initially and expensed to profit or loss on a straight-line basis over the period of the leases of 40 years, net of impairment losses, if any. In 2019, the Group adopted IFRS 16, "Lease" and the balance of land use rights reclassified to right-of-use assets as at 31 December 2019 (Note 16, 17).

2.11 Intangible assets

(a) Computer software

Computer software are initially recognised and measured at costs incurred to acquire and bring them to use. The computer software are amortised on a straight-line basis over their estimated useful lives, and recorded in profit or loss over their estimated useful lives from 2 to 10 years, which are estimated by the Group based on the functionality equipped by the software and the daily operation needs.

(b) Favorable lease contracts

In 2019, the Group adopted IFRS 16, "Lease" and the balance of favorable lease contracts, which represent the fair value of favorable contractual lease agreements arising from the acquisition of subsidiaries, was reclassified to right-of-use assets as at 31 December 2019 (Note 16, 18), and amortised over the remaining period of the lease agreement from 7 to 15 years.

(c) Goodwill

Goodwill is measured as described in Note 2.4. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments as described in Note 5.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Impairment of non-financial assets

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

2.13 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

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

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

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

See Note 19 for details of each type of financial asset.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Financial assets (Continued)

(b) Recognition and derecognition

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

(c) Measurement

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

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

Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest method.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Financial assets (Continued)

(c) Measurement (Continued)

Debt instruments (Continued)

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

Equity instruments

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

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

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(b) details how the Group determines whether there has been a significant increase in credit risk.

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

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses and related tax.

2.16 Trade receivables

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

Trade receiables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognisd at fair value and subsequently measured at amortised cost using the effective interest method. See Note 2.13 and Note 3.1(b) for the Group's impairment policies.

2.17 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.18 Restricted cash

Restricted cash represents term deposits with maturity period over 3 months, and deposits pledged for issued letter of guarantee. Such restricted cash will be reclassed when the Group withdraws the term deposit or lease agreement expire.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Share capital

Ordinary shares are classified as equity.

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

2.20 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.21 Contract assets and contract liabilities

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

Customer loyalty program

The Group operates a loyalty program where customers accumulate points for hotel service purchases made which entitle them to discounts on future hotel service purchases. The reward points are recognised as a separately identifiable component of the initial sale transaction by allocating the fair value of the consideration received between the award points and the other components of the sale such that the reward points are initially recognised as contract liabilities at their fair value. Revenue from the reward points is recognised when the points are redeemed or the points expire. Breakage is recognised as reward points are redeemed based upon expected redemption rates. Reward points expire 12 to 24 months after the initial sale.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

2.23 Borrowing costs

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

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

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

2.24 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

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

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Current and deferred income tax (Continued)

(c) Investment allowances and similar tax incentives

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

2.26 Employee benefits

(a) Pension obligations

The PRC employees of the Group covered by various PRC government-sponsored define-contribution pension plans under which the employees become entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Contributions to these plans are expenses as incurred. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans. The non-PRC employees are covered by other defined-contribution pension plans sponsored by local government.

(b) Housing benefits

The PRC employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the employees' salaries. The Group's liability in respect of these funds is limited to the contribution payable in each period. The non-PRC employees are not covered by the housing benefits.

(c) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Share-based payment

The Group operates the equity-settled, share-based compensation plan, under which the entities receives services from employees as consideration for equity instruments of the Group. The fair value of the services received in exchange for the grant of the equity instruments is recognised as an expense on the consolidated statement of comprehensive income with a corresponding increase in equity.

The fair value of options granted under the Employee Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Non-marketing performance and service conditions are included in calculation of the number of the equity instruments that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are satisfied.

At the end of each reporting period, the Group revises its estimates of the number of the equity instruments that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2.28 Government grants

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

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment and other non-current assets are included in non-current liabilities as deferred income and are recognised in profit or loss on a straight line basis over the expected lives of the related assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.30 Revenue recognition

The Group provides hotel management services, operation of hotels and sales of goods.

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point of time. Control of the asset is transferred over time if the Group's performance:

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

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

Otherwise, revenue is recognised at a point of time when the customer obtains the control of an asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

An entity is a principal if it controls the promised good or service before transferring it to the customer. And an entity is an agent if its role is to arrange for another entity to provide goods or service. The Group considers it is a principal in providing its services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.30 Revenue recognition (Continued)

(a) Hotel management services

Revenue arising from hotel management services is recognised over time in the accounting period in which the services are rendered because all of the benefits are received and consumed simultaneously by the customer as the Group performs. The Group bills the hotel management fee for each month of service provided to its customer and recognises as revenue in the amount to which the Group has a right to invoice and corresponds directly with the value of performance completed.

(b) Hotel operation services

Revenue from hotel operation services mainly comprises of room, food and beverage and ancillary services. Except for the revenue from food and beverage which is recognised at a point of time when the services are rendered, revenue from other hotel operation services is recognised over time in the accounting period in which the service are rendered.

(c) Sales of goods

Revenue from sales of goods are recognised at a point of time when the control of the goods has transferred to the customers, being when the goods are delivered to the customers, there is no unfulfilled obligation that could affect the customers' acceptance of the goods. The customer has obtained the physical possession or the legal title of the goods and the Group has present right to payment and the collection of the consideration is probable.

2.31 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.32 Dividend income

Dividends are received from financial assets measured at FVPL and at FVOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established.

2.33 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and;
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.34 Leases

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) 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.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and;
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.34 Leases (Continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the New Century Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, eg term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal 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.

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 less any lease incentives received;
- any initial direct costs, and;
- restoration costs;

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.34 Leases (Continued)

Payments associated with short-term leases of equipment and vehicles and all 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.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

3 FINANCIAL RISK MANAGEMENT

3.1 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 and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise 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.

(a) Market risk

(i) 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").

As at 31 December 2019, if RMB had weakened/strengthened by 1% against USD with all other variables held constant, post-tax profit for the year ended 31 December 2019 would have been approximately RMB2,124,971 higher/lower (For the year ended 31 December 2018: Nil) respectively, mainly as a result of foreign exchange gains/losses on translation of USD denominated cash and cash equivalents and restricted cash.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cashflow interest rate risk

The Group has no significant interest-bearing assets except for cash and cash equivalents and restricted cash. Therefore, the Group's interest rate risk mainly arises from borrowings, cash and cash equivalents and restricted cash. Borrowings, cash and cash equivalents and restricted cash obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings, cash and cash equivalents and restricted cash obtained at fixed rates expose the Group to fair value interest rate risk.

As at 31 December 2019 and 2018, if the interest rates on borrowings with floating rate, short-term bank deposits, cash and cash equivalents and restricted cash had been 50 basis points higher/lower with all other variables held constant, the change of the post-tax profit would be disclosed as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Net profit decreased/(increased)		
– Increase in interest rates	**(3,004)**	876
– Decrease in interest rates	**3,004**	(876)

The Group regularly monitors its interest rate risk to ensure there is no undue exposure to significant interest rate movements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

The Group's credit risk arises from cash at bank, deposits with banks, contractual cash flows of debt instruments carried at amortised cost, and at FVOCI, as well as credit exposures to customers, including outstanding receivables.

Credit risk is managed on a group basis. For cash at bank and deposits with banks, all cash at bank and deposits with banks as at 31 December 2019 and 2018 were deposited in the major reputable financial institutions in the PRC, which the directors of the Company believe are of high credit quality and do not expect any losses from non-performance by the counterparties.

For the credit risk arising from trade receivables, the Group established policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers is usually no more than 30-90 days and the credit quality of these customers is regularly assessed. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On the basis, the loss allowance of trade receivables as at 31 December 2019 and 2018 were determined as follows:

	Related parties	Within credit period	Up to 3 months past due	3 months to 1 year past due	1 to 2 years past due	2 to 3 years past due	Above 3 years past due	Total
As at 31 December 2019								
Expected loss rate	1.00%	0.92%	3.92%	9.28%	20.95%	68.44%	100.00%	
Gross carrying amount (RMB'000) (Note 23)	6,347	36,390	41,346	7,828	6,491	24	812	99,238
Loss allowance provision (RMB'000)	(63)	(335)	(1,622)	(726)	(1,360)	(16)	(812)	(4,934)
As at 31 December 2018								
Expected loss rate	1.00%	0.92%	3.92%	9.28%	20.95%	68.44%	100.00%	
Gross carrying amount (RMB'000) (Note 23)	5,831	24,913	35,643	7,798	697	1,320	391	76,593
Loss allowance provision (RMB'000)	(58)	(229)	(1,398)	(724)	(146)	(903)	(391)	(3,849)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The closing loss allowances for trade receivables as at 31 December 2019 and 2018, reconcile to the opening loss allowances as follows: (Note 23)

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Opening balance at 1 Janurary	**(3,849)**	(5,223)
(Additions)/reversal	**(1,880)**	1,064
Write-off	**795**	310
Closing balance at 31 December	**(4,934)**	(3,849)

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 5 years past due.

Impairment losses on trade and other receivables are presented as net impairment losses on financial assets within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortised cost mainly include other receivables. Other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The loss allowance of other receivables as at 31 December 2019 and 2018 were determined as follows:

Other receivables	Expected credit losses 2019	Expected credit losses 2018	Basis of recognition of expected credit loss provision	Gross carrying amount 2019	Gross carrying amount 2018	Impairment provision 2019	Impairment provision 2018
Related parties receivables	**0.05%**	0.05%	12 months expected credit losses	**831**	21,376	**–**	(11)
VAT recoverables	**–**	–		**46,489**	39,947	**–**	–
Others	**0.26%**	0.72%		**15,130**	75,688	**(40)**	(545)
Specific provision (i)			Lifetime expected credit losses	**4,328**	4,873	**(4,328)**	(3,048)
				66,778	141,884	**(4,368)**	(3,604)

(i) Apart from the normal provision provided, the Group also provided certain specific impairment provision against the receivables for certain incurred losses to the extent of RMB4.3 million and RMB3.0 million for the year ended 31 December 2019 and 2018, respectively, due to the financial difficulty in a relevant counterparty identified by the Group.

The closing loss allowances for other receivables as at 31 December 2019 and 2018, reconcile to the opening loss allowances as follows (Note 23):

	Year ended 31 December 2019 RMB'000	2018 RMB'000
Opening balance at 1 Janurary	**(3,604)**	(4,501)
Additions	**(761)**	(1,605)
Write-off	**–**	2,502
Acquisition of a subsidiary	**(3)**	–
Closing balance at 31 December	**(4,368)**	(3,604)

All of the Group's other financial assets at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' expected losses. Management considers the financial instruments "low credit risk" where they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines adequate cash and cash equivalents.

The following table below analysed the Group's financial liabilities that will be settled on a net basis into relevant maturity grouping based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	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 31 December 2019					
Trade and other payables	**246,817**	**–**	**–**	**–**	**246,817**
Lease liabilities	**414,492**	**406,784**	**381,312**	**1,613,122**	**2,815,710**
	661,309	**406,784**	**381,312**	**1,613,122**	**3,062,527**
As at 31 December 2018					
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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

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

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, repurchase the Company's shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total interest-bearing debt divided by total assets. Total interest-bearing debts include total borrowings and total lease liabilities.

The gearing ratio as at 31 December 2019 and 2018 are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Total interest-bearing debts	**2,259,431**	190,500
Total assets	**4,492,126**	1,546,845
Gearing ratio	**50%**	12%

3.3 Fair value estimation

(a) Fair value hiearchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2019				
Financial Assets				
Financial assets at FVOCI	**–**	**–**	**2,053**	**2,053**
As at 31 December 2018				
Financial Assets				
Financial assets at FVOCI	–	–	–	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Fair value hiearchy (Continued)

- **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.

There were no transfers among different levels during the years ended 31 December 2019 and 2018.

The following table presents the changes in Level 3 instruments for the year ended 31 December 2019 and 2018:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Opening balance at 1 January	**–**	–
Additions (Note 20)	**2,053**	–
Recognised in profit or loss	**–**	–
Recognised in other comprehensive income	**–**	–
Closing balance at 31 December	**2,053**	–

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discounted rate; and;
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

All of the resulting fair value estimates as at 31 December 2019 are included in level 3.

(c) Fair value measurements using significant unobservable inputs (level 3)

The addition of financial assets at FVOCI reprensents the capital injection to a newly set up company. As at 31 December 2019, the fair value of the financial assets at FVOCI approximate to the carrying amount of original investment, RMB2,053,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated by the management of the Group. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Impairment of property, plant and equipment, right-of-use assets (including land use rights), intangible assets, investment in subsidiaries, associates, joint ventures and other non-financial assets

The Group tests whether property, plant and equipment, right-of-use assets (including land use rights), intangible assets, investments in subsidiaries, associates, joint ventures and other non-financial assets have suffered any impairment in accordance with the accounting policies stated in Note 2.12. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amounts of CGUs are predominantly determined based on value-in-use calculations which require the use of estimates.

(b) Useful lives of property, plant and equipment, right-of-use assets (including land use rights) and intangible assets

The Group determines the estimated useful lives for its properties, plant and equipment, land use rights and intangible assets (other than goodwill) based on the historical experience of the actual useful lives of property, plant and equipment, land use rights and intangible assets of similar nature and functions. The Group will revise the deprecation charges where useful lives are different from previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Current income taxes and deferred tax

The Group is subject to income taxes in different areas in the PRC. Significant judgement is required in determining the provision for income taxes in various jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(d) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rate. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's part history, existing market conditions as well as forward looking estimates at the end of each reporting periods.

5 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 comprise 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5 SEGMENT INFORMATION AND REVENUE (Continued)

(a) Segment revenues

The revenue of the Group for the years ended 31 December 2019 and 2018 is set out as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Hotel operation		
Room	**805,862**	743,744
Food and beverage	**600,198**	641,389
Ancillary services	**243,096**	207,082
Rental income	**40,925**	36,766
Subtotal of hotel operation	**1,690,081**	1,628,981
Hotel management	**237,899**	168,987
	1,927,980	1,797,968
Revenue from contracts with customers:		
– Recognised at a point of time	**706,114**	717,406
– Recognised over time	**1,180,941**	1,043,796
	1,887,055	1,761,202
Revenue from other resources:		
– Rental income	**40,925**	36,766

5 SEGMENT INFORMATION AND REVENUE (Continued)

(b) Segment information

The segment information provided to senior executive management for the business segments for the years ended 31 December 2019 and 2018 are as follows:

Business segments	Year ended 31 December 2019 Hotel operation RMB'000	Hotel management RMB'000	Total RMB'000
Revenue			
Segment revenue	**1,705,225**	**247,772**	**1,952,997**
Inter-segment revenue	**(15,144)**	**(9,873)**	**(25,017)**
Segment revenue from external customers	**1,690,081**	**237,899**	**1,927,980**
Cost of sales	**(1,335,094)**	**(27,868)**	**(1,362,962)**
Selling and marketing expenses	**(83,441)**	**(22,577)**	**(106,018)**
Administrative expenses	**(107,360)**	**(60,702)**	**(168,062)**
Finance expense of leasing liabilities	**(107,513)**	**(57)**	**(107,570)**
Net impairment losses on financial assets	**(1,436)**	**(1,205)**	**(2,641)**
Segment profit	**55,237**	**125,490**	**180,727**

Business segments	Year ended 31 December 2018 Hotel operation RMB'000	Hotel management RMB'000	Total RMB'000
Revenue			
Segment revenue	1,643,970	177,179	1,821,149
Inter-segment revenue	(14,989)	(8,192)	(23,181)
Segment revenue from external customers	1,628,981	168,987	1,797,968
Cost of sales	(1,319,981)	(9,837)	(1,329,818)
Selling and marketing expenses	(87,155)	(12,667)	(99,822)
Administrative expenses	(108,712)	(57,908)	(166,620)
Net impairment (losses)/gains on financial assets	(2,530)	1,989	(541)
Segment profit	110,603	90,564	201,167

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5 SEGMENT INFORMATION AND REVENUE (Continued)

(b) Segment information (Continued)

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.

(c) Contract liabilities

The Group has recognised the following liabilities related to contracts with customers:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Advances from customers	**209,822**	190,563
Customer loyalty program (Note 2.21)	**6,701**	3,631
	216,523	194,194

(i) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Advances from customers	**190,563**	187,086
Customer loyalty program	**3,631**	5,266
	194,194	192,352

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5 SEGMENT INFORMATION AND REVENUE (Continued)

(c) Contract liabilities (Continued)

(ii) Unsatisfied long-term franchise hotel contracts

The following table shows unsatisfied performance obligations resulting from fixed-price long-term franchise hotel contracts:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Aggregate amount of the transaction price allocated to long-term franchise hotel contracts that the performance obligations of which are partially or fully unsatisfied at the end of each year		
Expected to be recognised after next reporting year and beyond	**86,703**	43,777
Expected to be recognised within next reporting year	**12,594**	8,861
	99,297	52,638

The amount disclosed above does not include variable consideration which is constrained.

All other hotel management contracts are billed based on the actual performance of the managed hotels. For hotel operation services, they are rendered in short period of time and there is no unsatisfied performance obligation at the end of the respective periods.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

6 EXPENSES BY NATURE

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Employee benefit expenses (Note 9)	**530,314**	477,338
Costs of materials consumption	**403,728**	393,734
Depreciation of right-of-use assets (Note 16)	**319,671**	–
Utility cost	**94,144**	90,526
Depreciation of property, plant and equipment (Note 15)	**70,007**	54,404
Marketing and promotion expenses	**52,274**	52,744
Travelling and communication expenses	**29,387**	28,294
Repairs and maintenance	**23,148**	26,807
Laundry costs	**20,330**	16,996
Operating lease expenses	**16,693**	400,928
Out-sourcing service	**11,091**	5,629
Impairment for non-current assets (Notes 15, 16)	**10,121**	–
Taxes and levies	**9,494**	6,910
Amortisation of intangible assets (Note 18)	**5,170**	5,560
Professional fees	**4,095**	3,236
Bank charges	**3,996**	4,847
Uniform expenses	**3,193**	3,744
Transportation expenses	**3,128**	3,743
Net impairment losses on financial assets (Note 3.1(b))	**2,641**	541
Auditor's remuneration	**2,600**	800
Depreciation of investment properties	**15**	15
Amortisation of land use rights (Note 17)	**–**	1,188
Miscellaneous	**24,443**	18,817
Total cost of sales, selling and marketing expense, administrative expenses and net impairment losses on financial assets	**1,639,683**	1,596,801

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

7 OTHER INCOME

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Government grants	**39,016**	8,100
Investment income from financial asssets at FVPL	**1,283**	4,483
	40,299	12,583

(i) There are no unfulfilled conditions or other contingencies attaching to these grants. The Group did not benefit directly from any other forms of government assistance. For the year ended 31 December 2019, the government grants was mainly to Changxing Grand New Century Hotel Co., Ltd. of RMB25,000,000 for its grand opening.

(ii) The financial assets at FVPL are wealth management products, denominated in RMB, with expected rates of return ranging from 2.30% to 4.10% per annum for the years ended 31 December 2019 and 2018. They had initial terms ranging from 1 day to 94 days. The returns on all of these wealth management products are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore they are measured at FVPL. As at 31 December 2019 and 2018, the balance of financial assets at FVPL was Nil.

8 OTHER GAINS – NET

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Net losses on disposal of property, plant and equipment	**(178)**	(87)
Net gains on disposal of subsidiaries	**–**	10,794
Compensation income (a)	**–**	8,400
Waived payables due to third parties	**5,046**	2,600
Others	**108**	664
	4,976	22,371

(a) It represented the compensation payment received from a third party lessor who had early terminated the lease agreement with the Group in 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Wages, salaries and bonuses	**414,446**	367,480
Pension costs – defined contribution plan	**28,961**	28,927
Housing fund, medical insurance and other social insurance	**37,417**	33,474
Other employee benefits	**49,490**	47,457
	530,314	477,338

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2019 and 2018 included 1 (2018: 1) director whose emoluments are reflected in the analysis shown in Note 38. The emoluments payable to the remaining 4 individuals during the year are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Wages, salaries and bonuses	**5,448**	5,120
Pension costs – defined contribution plan	**36**	28
Housing fund, medical insurance and other social insurance and other employee benefits	**270**	203
	5,754	5,351

The number of highest paid non-director individuals whose remuneration fell within the following bands is set out below:

	Number of individuals	
	2019	2018
RMB1,000,001 – RMB1,500,000	**2**	4
RMB1,500,001 – RMB2,000,000	**2**	–
	4	4

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

10 FINANCE (COSTS)/INCOME – NET

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Finance income		
– Interest income derived from bank deposits	**8,990**	9,535
– Interest income derived from term deposits	**23,381**	–
– Unrealised foreign exchange gains	**9,183**	–
	41,554	9,535
Finance costs		
– Interest expenses on bank borrowings	**(3,173)**	(9,205)
– Finance expense of leasing liabilities (Note 16)	**(107,570)**	–
– Realised foreign exchange losses	**(1,252)**	–
	(111,995)	(9,205)
Finance (costs)/income – net	**(70,441)**	330

No finance costs have been capitalised on qualifying assets for the years ended 31 December 2019 and 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Investments in joint ventures (a)	128,006	118,440
Investments in associates (b)	3,094	3,124
	131,100	121,564

(a) Investment in joint ventures

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Opening balance at 1 January	118,440	112,297
Additions	4,050	–
Share of net profit	5,516	6,143
Closing balance at 31 December	128,006	118,440

(b) Investments in associates

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Opening balance at 1 January	3,124	6,091
Transferred from an associate to a subsidiary	–	(3,318)
Share of net (loss)/profit	(30)	487
Declaration of dividends	–	(136)
Closing balance at 31 December	3,094	3,124

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(c) Set out below are the joint ventures and associates of the Group as at 31 December 2019 and 2018. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business.

Name of entities	Place of incorporation	Nature of relationship	Equity interest held by the Company As at 31 December 2019	2018	Voting rights held by the Company As at 31 December 2019	2018	Carrying amount 2019 RMB'000	2018 RMB'000
Beijing Gehua New Century Hotel Co., Ltd. (北京歌華開元大酒店有限公司, "Beijing Gehua")	Beijing, China	Joint Venture (1)	49%	49%	49%	49%	123,968	118,440
Hangzhou Zheqin New Century Hotel Co., Ltd. (杭州浙勤開元名都酒店有限公司, "Hangzhou Zheqin")	Zhejiang, China	Joint Venture (2)	45%	–	45%	–	4,038	–
Zhejiang Haogu Internet Technology Co., Ltd. (浙江皓谷網絡科技有限公司, "Zhejiang Haogu"))	Zhejiang, China	Associate (3)	20%	20%	20%	20%	3,094	3,124
Zhejiang Zheqin New Century Hotel Management Co., Ltd. (浙江浙勤開元酒店管理有限公司, "Zhejiang Zheqin")	Zhejiang, China	Joint Venture (4)	49%	–	49%	–	–	–
Hangzhou Kaibakaiba Commercial Management Co., Ltd. (杭州開巴開巴商業管理有限公司, "Kaibakaiba")	Zhejiang, China	Joint Venture (5)	51%	–	42%	–	–	–
Zhejiang Ziguang New Century Technology Co., Ltd. (浙江紫光開元科技有限公司, "Ziguang Technology")	Zhejiang, China	Associate (6)	20%	–	20%	–	–	–
Total investments accounted for using the equity method							131,100	121,564

(1) Beijing Gehua is a five-star hotel, located in Beijing. Revenue mainly comprises of room, food and beverage and ancillary services.

(2) Hangzhou Zheqin is a hotel, located in Hangzhou. Revenue mainly comprises of room, food and beverage and ancillary services.

(3) Zhejiang Haogu is a software development company. It is a strategic investment for the Group, since the hotel operating IT system of the Group is developed and maintined by Zhejiang Haogu.

(4) Zhejiang Zheqin is a hotel management company. It is a strategic investment for the Group to develop and expand incremental hotel assets.

(5) Kaibakaiba is a management and consulting service company. The main scope of services of Kaibakaiba is engaging in expanding of new brands and other non-residential hotel value-added extension business.

(6) Ziguang Technology is a technology and engineering company that could support the Group's hotel decoration.

Till 31 December 2019, the Group had not provided any funding to Zhejiang Zheqin, Kaibakaiba and Ziguang Technology (Note 33(c)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(c) (Continued)

(d) Summarised financial information for joint ventures:

	Beijing Gehua	
	31 December	
Summarised balance sheet	**2019**	2018
	RMB'000	RMB'000
Current assets	**70,864**	42,651
Including: Cash and cash equivalents	**61,186**	34,019
Non-current assets	**174,658**	192,227
Total assets	**245,522**	234,878
Current liabilities	**(44,533)**	(45,172)
Non-current liabilities	**(1)**	–
Total liabilities	**(44,534)**	(45,172)
Net assets	**200,988**	189,706
Reconciliation to carrying amount:		
Opening net assets	**189,706**	177,170
Net profit for the year	**11,282**	12,536
Closing net assets	**200,988**	189,706
Group's share in %	**49%**	49%
Group's share in RMB	**98,485**	92,957
Goodwill	**25,483**	25,483
Carrying amount	**123,968**	118,440

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(c) (Continued)

(d) Summarised financial information for joint ventures: (Continued)

	Beijing Gehua 31 December 2019 RMB'000	2018 RMB'000
Revenue	**139,269**	142,111
Interest income	**132**	48
Interest expense	**–**	(167)
Income tax	**(3,340)**	(2,920)
Net profit after tax and total comprehensive income	**11,282**	12,536
Share of net profit	**5,528**	6,143

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

12 INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Current income tax	**67,946**	61,313
Deferred income tax (Note 30)	**(4,303)**	(7,301)
Income tax expenses	**63,643**	54,012

The tax on the Group's profit before income tax differs from the theoretical amount that could arise using the statutory corporate income tax rate in the PRC is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before income tax	**268,617**	243,081
Tax calculated at statutory corporate income tax rate	**67,154**	60,770
Expenses not deductible for income tax purpose	**559**	1,050
Tax preferential on STE (a)	**(496)**	–
Accelerated tax deduction of R&D expenses	**(1,037)**	–
Temporary difference for which no deferred income tax assets were recognised	**254**	428
Recognisation of previous unrecognised for tax losses	**–**	(6,275)
Utilisation of previous unrecognised tax losses	**(1,419)**	(303)
Effect of exclusion of share of profit tax of joint ventures and associates	**(1,372)**	(1,658)
Income tax expense	**63,643**	54,012

(a) According to Preferential Tax Treatment for Small and Thin-profit Enterprises ("STE") (Notice 2019 (13)), the preferential income tax is summarised below:

Taxable income	Discount on taxable income	Corporate income tax rate
No more than RMB1 million (inclusive)	75%	20%
Between RMB1 million and RMB3 million (inclusive)	50%	20%

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 financial year. 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 years ended 31 December 2019 and 2018 are the same as the basic earnings per share as there is no dilutive potential share during the financial year.

	Year ended 31 December	
	2019	2018
Profit attributable to owners of the Company (in RMB'000)	**202,405**	186,787
Weighted average number of ordinary shares in issue or deemed to be in issue (in '000 shares)	**266,767**	210,000
Basic earnings per share (in RMB per share)	**0.76**	0.89

14 DIVIDENDS

On 15 June 2018, a final dividend of RMB41,238,000 was declared to all shareholders of the Company. The dividends were presented as dividends provided for or paid to the shareholders in the consolidated statements of changes in equity.

On 25 March 2019, a final dividend of RMB100,799,982 was declared to all shareholders of the Company. In July 2019, all dividends were paid to the shareholders. The dividends were presented as dividends provided for or paid to the shareholders in the consolidated statements of changes in equity.

On 20 March 2020, the Board of Directors ("Board") approved profit distribution plan for the year ended 31 December 2019. Cash dividends proposed was RMB0.40 per share (inclusive of tax), amounting to a toal dividend of RMB112 million calculated based on the total number of shares in issue of 280,000,000. The profit distribution plan is subject to shareholders' approval at the forthcoming annual general meeting of the Company.

On 20 March 2020, the Board also approved to transfer to all the shareholders of the Company the share premium of the capital reserve fund of the Company on the basis of the existing total number of shares in issue of 280,000,000. One additional share will be transferred to each eligible shareholder registered as at the record date. The capital reserve capitalisation is subject to shareholders' approval at the forthcoming annual general meeting and class general meeting of the Company and the approval of the Listing Committee of The Stock Exchange of Hong Kong Limited.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities RMB'000	Machinery and equipment RMB'000	Office and electronic equipment RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
As at 1 January 2018							
Cost	91,971	51,827	124,727	9,658	326,830	100,299	705,312
Accumulated depreciation	(7,809)	(31,116)	(80,753)	(5,831)	(171,750)	–	(297,259)
Net book amount	84,162	20,711	43,974	3,827	155,080	100,299	408,053
For the year ended 31 December 2018							
Opening net book amount	84,162	20,711	43,974	3,827	155,080	100,299	408,053
Additions	15,026	16,223	24,486	1,186	37,110	161,680	255,711
Acquisition of a subsidiary	–	592	1,102	1	9,969	–	11,664
Transferred from construction in progress	108,144	8,601	6,514	–	52,223	(175,482)	–
Disposals	–	(76)	(241)	(138)	–	–	(455)
Disposal of subsidiaries	–	(6,304)	(4,378)	(240)	(21,891)	–	(32,813)
Depreciation charge (Note 8)	(8,251)	(5,239)	(13,955)	(1,227)	(25,732)	–	(54,404)
Closing net book amount	199,081	34,508	57,502	3,409	206,759	86,497	587,756
As at 31 December 2018							
Cost	215,140	70,040	148,839	10,230	387,476	86,497	918,222
Accumulated depreciation	(16,059)	(35,532)	(91,337)	(6,821)	(180,717)	–	(330,466)
Net book amount	199,081	34,508	57,502	3,409	206,759	86,497	587,756
For the year ended 31 December 2019							
Opening net book amount	199,081	34,508	57,502	3,409	206,759	86,497	587,756
Additions	4,360	3,976	18,305	636	66,424	55,098	148,799
Acquisition of a subsidiary (Note 31)	–	–	2	–	–	–	2
Transferred from construction in progress	–	9,610	13,037	–	116,841	(139,488)	–
Disposals	–	(77)	(140)	(85)	–	–	(302)
Depreciation charge (Note 6)	(8,533)	(6,425)	(18,321)	(820)	(35,908)	–	(70,007)
Impairment loss (Note 6)	–	(614)	(467)	(6)	(3,998)	–	(5,085)
Closing net book amount	194,908	40,978	69,918	3,134	350,118	2,107	661,163
As at 31 December 2019							
Cost	219,500	82,429	178,367	10,055	555,264	2,107	1,047,722
Accumulated depreciation	(24,592)	(40,837)	(107,982)	(6,915)	(201,148)	–	(381,474)
Impairment loss	–	(614)	(467)	(6)	(3,998)	–	(5,085)
Net book amount	194,908	40,978	69,918	3,134	350,118	2,107	661,163

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

(i) As at 31 December 2019, the impairment loss of RMB5,085 thousand were provided for 2 loss making hotels. The impairment provison charge during the year was included in cost of sales in the consolidated statement of comprehensive income (As at 31 December 2018: Nil).

(ii) As at 31 December 2018, buildings and facilities of RMB52,292,629 were pledged as collaterals for the Group's bank borrowings (Note 28). In 2019, the pledge were removed as the result of repayment of bank borrowings.

(iii) Depreciation of property, plant and equipment have been charged to profit or loss (Note 6) as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Administrative expenses	**2,159**	1,611
Selling and marketing expenses	**45**	–
Cost of sales	**67,803**	52,793
	70,007	54,404

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

16 LEASES

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 31 December 2019 RMB'000	As at 1 Janurary 2019 RMB'000
Right-of-use assets		
Properties	1,693,098	1,466,151
Equipment and others	398,494	496,901
Land use rights (Note 17)	43,766	44,954
Favorable operating lease (Note 18)	5,040	6,372
Less: impairment loss (Note 6)	(5,036)	–
	2,135,362	2,014,378
Lease liabilities		
Current	309,281	307,970
Non-current	1,950,150	1,824,298
	2,259,431	2,132,268

Additions to the right-of-use assets in 2019 mainly represent the property and equipment lease contracts for newly set up hotels. The total additions of right-of-use assets during the year ended 31 December 2019 were RMB445,691,000.

As at 31 December 2019, the impairment loss of RMB5,036 thousand were provided for 1 loss making hotel. The impairment provision charge during the year was included in cost of sales in the consolidated statement of comprehensive income (As at 31 December 2018: Nil).

(ii) Amounts recognised in the statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	2019 RMB'000
Depreciation charge of right-of-use assets (Note 6)	
Properties	216,700
Equipment and others	100,451
Land use rights	1,188
Favorable operating lease	1,332
	319,671

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

16 LEASES (Continued)

(ii) Amounts recognised in the statement of comprehensive income (Continued)

	2019 RMB'000	2018 RMB'000
Interest expense (included in finance cost) (Note 10)	**107,570**	–
Operating expenses (Note 6)	**16,693**	–
– relating to short-term leases (included in cost of goods sold and administrative expenses)	**11,701**	–
– relating to leases of low-value assets that are not shown above as short-term leases (included in cost of goods sold and administrative expenses)	**2,192**	–
– relating to variable lease payments not included in lease liabilities (included in administrative expenses)	**2,800**	–

The total cash outflow for leases for the year ended 31 December 2019 was RMB421,842,000.

(iii) The Group's leasing activities and how these are accounted for

The Group leases various land, buildings equipmentss and vehicle. Rental contracts are typically made for fixed periods of 2 to 40 years, but may have extension options as described in 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 other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(iv) Variable lease payments

Some property leases contain variable payment terms. Variable payment 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.

(v) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise optional 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

17 LAND USE RIGHTS

Land use rights represent prepaid operating lease payments for land located in the PRC, which are held on leases of 40 years. The net book values are analysed as below:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
In the PRC		
– Lease of 40 years	**–**	44,954

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Opening balance at 1 Janurary	**44,954**	46,142
Transfer to right-of-use assets (Note 16)	**(44,954)**	–
Amortisation charges (Note 6)	**–**	(1,188)
Closing balance at 31 December	**–**	44,954

As at 31 December 2018, no land use rights of RMB44,954,000 were pledged as collaterals for the Group's bank borrowings (Note 28). In 2019, the pledge were removed as the result of repayment of bank borrowings.

The amortisation of land use rights have been charged to profit or loss (Note 6) as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Cost of sales	**–**	1,188

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

18 INTANGIBLE ASSETS

	Computer software RMB'000	Favorable operating lease RMB'000	Goodwill RMB'000	Total RMB'000
As at 1 January 2018				
Cost	30,650	18,696	–	49,346
Accumulated amortisation	(23,317)	(10,992)	–	(34,309)
Net book amount	7,333	7,704	–	15,037
For the year ended 31 December 2018				
Opening net book amount	7,333	7,704	–	15,037
Additions	3,495	–	–	3,495
Acquisition of a subsidiary	–	–	2,132	2,132
Disposal of subsidiaries	(200)	–	–	(200)
Amortisation charge (Note 6)	(4,228)	(1,332)	–	(5,560)
Closing net book amount	6,400	6,372	2,132	14,904
As at 31 December 2018				
Cost	33,806	18,696	2,132	54,634
Accumulated amortisation	(27,406)	(12,324)	–	(39,730)
Net book amount	6,400	6,372	2,132	14,904
For the year ended 31 December 2019				
Opening net book amount	**6,400**	**6,372**	**2,132**	**14,904**
Transfer to right-of-use assets (Note 16)	**–**	**(6,372)**	**–**	**(6,372)**
Additions	**2,781**	**–**	**–**	**2,781**
Amortisation charge (Note 6)	**(5,170)**	**–**	**–**	**(5,170)**
Closing net book amount	**4,011**	**–**	**2,132**	**6,143**
As at 31 December 2019				
Cost	**36,519**	**–**	**2,132**	**38,651**
Accumulated amortisation	**(32,508)**	**–**	**–**	**(32,508)**
Net book amount	**4,011**	**–**	**2,132**	**6,143**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

18 INTANGIBLE ASSETS (Continued)

(i) The amortisation of intangible assets have been charged to profit or loss (Note 6) as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Administrative expenses	**2,008**	2,154
Selling and marketing expenses	**71**	–
Cost of sales	**3,091**	3,406
	5,170	5,560

(ii) Impairment tests for goodwill

The goodwill of the Group was allocated to the hotel operation segment. The goodwill represents the excess of cost of acquisition of Yuyao Manju over the fair value of the identified net assets acquired in 2018. The goodwill impairment assessment is based on recoverable amounts which are determined by their value in use.

The recoverable amounts of goodwill is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.There are a number of assumptions and estimates involved in the preparation of cashflow projections for the period covered by the approved budget.

The key assumptions used for value-in-use calculation in 2019 are as follows:

	Year ended 31 December	
	2019	2018
Annual daily room rate ("ADR")	**300.42**	305.94
Occupany rate on available room basis	**78.93%**	68.20%
Discount rate per annum	**13.38%**	13.38%

These assumptions have been used for the analysis of the CGUs. Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. Management estimates the discount rate using pre-tax rates that reflect market assessments of the time value of money and the specific risks relating to the CGU. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections.In view of the value-in-use of goodwill, no impairment loss is considered necessary.

19 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	Notes	Financial assets 2019 RMB'000	As at 31 December 2018 RMB'000
Financial assets			
Financial assets at amortised cost			
Trade and other receivables (excluding VAT recoverable and prepayments)	23	**110,225**	171,077
Restricted cash	24	**909,177**	68,000
Cash and cash equivalents	24	**345,746**	367,688
Financial assets at FVOCI	20	**2,053**	–
		1,367,201	606,765

	Notes	As at 31 December 2019 RMB'000	2018 RMB'000
Financial liabilities			
Financial liabilities at amortised cost			
Trade and other payables (excluding accrued expenses, tax payables and salary payable)	27	**246,817**	322,859
Borrowings	28	**–**	190,500
Lease liabilities	16	**2,259,431**	–
		2,506,248	513,359

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Opening balance at 1 January	**–**	–
Additions	**2,053**	–
Recognised in profit or loss	**–**	–
Recognised in other comprehensive income	**–**	–
Closing balance at 31 December	**2,053**	–

Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant. The addition of financial assets at of FVOCI in 2019 was the investment in Nanjing Shengkai Hotel Co. Ltd. (the "Nanjing Shengkai", 南京盛開酒店有限公司). The Group holds 4.35% equity interests of Nanjing Shengkai.

21 OTHER NON-CURRENT ASSETS

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Prepayment of operating lease expenses	**–**	3,170

22 INVENTORIES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Foods and beverage	**21,521**	20,093
Consumables, supplies and others	**9,743**	8,229
	31,264	28,322
Less: provision for inventory write-down	**–**	–
	31,264	28,322

23 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade receivables due from third parties	**92,891**	70,762
Trade receivables due from related parties (Note 34(c))	**6,347**	5,831
	99,238	76,593
Less: provision for impairment (Note 3.1(b))	**(4,934)**	(3,849)
Trade receivables – net	**94,304**	72,744
Deposits to suppliers	**4,211**	63,362
Other receivables due from related parties (Note 34(c))	**831**	21,376
VAT recoverable	**46,489**	39,947
Others	**15,247**	17,199
	66,778	141,884
Less: provision for other receivables (Note 3.1(b))	**(4,368)**	(3,604)
Other receivables – net	**62,410**	138,280
Prepayments	**37,838**	71,215
Total trade, other receivables and prepayments	**194,552**	282,239

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

23 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(a) Trade receivables

As at 31 December 2019 and 2018, the fair values of the trade receivables of the Group approximate to their carrying amount and 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:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
– Up to 3 months	**79,011**	66,153
– 3 months to 1 year	**12,900**	8,032
– 1 year to 2 years	**6,491**	697
– 2 years to 3 years	**24**	1,320
– Over 3 years	**812**	391
	99,238	76,593

Information about the loss allowance of trade receivables and other receivables of the Group and the Group's exposure to credit risk can be found in Note 3.1(b).

24 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Cash at bank and in hand	**1,254,923**	435,688
Less: restricted cash (a)	**(909,177)**	(68,000)
Cash and cash equivalents	**345,746**	367,688

24 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (Continued)

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Cash at bank and in hand:		
– RMB	**1,035,088**	435,688
– HKD	**962**	–
– USD	**218,873**	–
	1,254,923	435,688

(a) Restricted cash represents term deposits over three months, guaranteed deposits pledged as security deposits under certain lease agreements.

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Deposits pledged for issued letter of guarantee	**30,000**	66,000
Term deposits	**879,177**	2,000
	909,177	68,000

(b) 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.

(c) Term deposits with maturity period over 1 year will be classified as "non-current assets".

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

25 SHARE CAPITAL AND SHARE PREMIUM

	Share capital RMB'000	Share premium RMB'000	Total RMB'000
As at 1 January 2018 and 31 December 2018	210,000	–	210,000
As at 1 January 2019	210,000	–	210,000
Changes in the year	70,000	865,375	935,375
As at 31 December 2019	**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 HKD16.50 per share, and raised gross proceeds of approximately HKD1,155,000,000 (equivalent to RMB988,783,950). The proceeds received, netting off the share underwriting commissions and other related cost was HKD1,120,080,000 (equivalent to RMB958,889,600). And the net proceeds after deducting the other share issuance cost was HKD1,092,613,000 (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.

Other share issuance costs paid and payable mainly include lawyers' fees, reporting accountant's fee and other related costs, which incremental costs directly attributable to the issuance of the new shares. Total share underwriting commissions and other share issuance 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 31 December 2019. the total authorised 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.

26 OTHER RESERVES

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Statutory reserve (a)	**44,062**	4,582
Capital reserve (b)	**247,851**	248,398
Share-based compensation reserve	**23,460**	23,460
Total	**315,373**	276,440

26 OTHER RESERVES (Continued)

(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 reserve before distributing any dividends. The statutory reserve can be used to offset accumulated losses, if any, and may be converted into share capital.

(b) Capital reserve

	RMB'000
As at 1 January 2018	243,895
Transactions with non-controlling interests	4,503
As at 31 December 2018	248,398
Transactions with non-controlling interests	(547)
As at 31 December 2019	247,851

In 2019, the Group acquired and disposed the equity interest of certain subsidiaries with non-controlling shareholders. The information about carrying amount of interests acquired and disposed, consideration received and paid, amount recognised in the transactions with non-controlling interests is summarised as below:

Hangzhou Kaiyuan Life Hotel Management Co., Ltd. ("Kaiyuan Life")

	31 December 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 equity	**(3)**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

26 OTHER RESERVES (Continued)

(b) Capital reserve (Continued)

Zhejiang Jinshanzi Network Technology Co., Ltd. ("Jinshanzi")

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

Beijing New Century Manju Hotel Management Co., Ltd. ("Beijing Manju")

	31 December 2019 RMB'000
Carrying amount of interests acquired	(219)
Consideration paid to non-controlling interests	(300)
Amount recognised in the transactions with non-controlling interests reserve within equity	(519)

Ningbo New Century Mingting Hotel Management Co., Ltd. ("Ningbo Mingting")

	31 December 2019 RMB'000
Carrying amount of interests acquired	3,326
Consideration paid to non-controlling interests	(3,900)
Amount recognised in the transactions with non-controlling interests reserve within equity	(574)

26 OTHER RESERVES (Continued)

(c) Distributable dividends

According to the Articles of Association of the Company, the dividends distributable by the Company to its shareholders is based on the lower of the retained earnings in the Company's statutory financial statements and in the Company's financial statements prepared in accordance with IFRS. As at 31 December 2019, the retained earnings in the Company's financial statements prepared in accordance with IFRS amounted to RMB206,670 thousand, which was the same as the retained earnings recorded in the Company's statutory financial statements.

27 TRADE AND OTHER PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade payables:		
– Due to third parties	**135,895**	178,715
– Due to related parties (Note 34(c))	**867**	22,709
	136,762	201,424
Other payables due to related parties (Note 34(c))	**10,219**	10,945
Payables for purchase of property, plant and equipment	**67,360**	73,318
Customers' deposits	**32,476**	37,025
Accrued expenses	**37,982**	33,506
Staff salaries and welfare payables	**87,900**	82,972
Accrued taxes other than income tax	**5,963**	3,744
Interest payables	**–**	147
	378,662	443,081

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

27 TRADE AND OTHER PAYABLES (Continued)

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

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

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
– Within 1 year	**131,724**	195,887
– 1 year to 2 years	**3,132**	3,446
– 2 years to 3 years	**971**	1,396
– Over 3 years	**935**	695
	136,762	201,424

28 BORROWINGS

	As at 31 December	
	2019	2018
	RMB'000	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

28 BORROWINGS (Continued)

The maturity of borrowings is as follows:

	As at 31 December	
	2019	2018
	RMB'000	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 carrying amounts of the Group's borrowings are all denominated in RMB. The bank borrowings with the principal amount of RMB190,000,000 and maturity on 31 December 2026 was early repaid in March, April and May 2019.

The weighted average effective interest rates for the years ended 31 December 2019 and 2018:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Borrowings – current		
– RMB	**4.78%**	4.79%
Borrowings – non-current		
– RMB	**4.88%**	4.87%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

28 BORROWINGS (Continued)

The fair values of current borrowings equal their carrying amounts as the discounting impact is not significant.

The carrying amounts and fair values of the non-current borrowings are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Carrying amount		
Bank borrowings	–	185,000
Fair value		
Bank borrowings	–	196,292

The fair value of bank borrowings are based on cash flows discounted using the annual interest rate published by the People's Bank of China for long-term bank loans prevailing at each balance sheet date and are within level 3 of the fair value hierarchy.

The Group has complied with the financial convenants of its borrowing facilities during the years ended 31 December 2019 and 2018.

The Group had the following undrawn bank borrowing facilities:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
RMB Facilities	–	120,000

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Secured by property, plant and equipment and land use rights	–	90,500

29 DEFERRED INCOME

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Non-current deferred income		
Assets related government grants (a)	**18,862**	20,048
Current portion of long-term liabilities		
Assets related government grants (a)	**1,186**	1,186
Total deferred income	**20,048**	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:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Opening balance at 1 January	**21,234**	22,420
Credited to profit or loss	**(1,186)**	(1,186)
Closing balance at 31 December	**20,048**	21,234

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

30 DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes related to the same tax authority. The net deferred income tax balance after offsetting are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Deferred income tax assets		
– To be recovered after more than 12 months	**3,579**	8,418
– To be recovered within 12 months	**71,092**	18,920
	74,671	27,338
Deferred income tax liabilities		
– To be recovered after more than 12 months	**(6)**	–
– To be recovered within 12 months	**(240)**	(442)
	(246)	(442)
	74,425	26,896

The movements on the net deferred income tax assets are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
As at 1 January 2019	**26,896**	19,423
Adjustment on adoption of IFRS16	**43,225**	–
As at 1 January 2019 (restated)	**70,121**	19,423
Credited to profit or loss (Note 12)	**4,303**	7,301
Acquisition of a subsidiary (Note 31)	**1**	172
As at 31 December 2019	**74,425**	26,896

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

30 DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITIES (Continued)

Movements in deferred tax assets and deferred tax liabilities for the year ended 31 December 2019 and 2018, without taking into consideration of offsetting of balance within the same jurisdiction, are as follows:

Deferred income tax assets	Tax losses carried forward RMB'000	Lease liabilities RMB'000	Provisions RMB'000	Depreciation difference between tax and accounting RMB'000	Other temporary differences RMB'000	Total RMB'000
As at 1 January 2018	–	10,244	2,420	7,635	244	20,543
Credited/(charged) to profit or loss	8,801	2,227	(557)	(237)	257	10,491
Acquisition of a subsidiary	–	–	–	172	–	172
As at 31 December 2018	8,801	12,471	1,863	7,570	501	31,206
As at 1 January 2019	8,801	12,471	1,863	7,570	501	31,206
Adjustment on adoption of IFRS16	–	533,989	–	–	–	533,989
As at 1 January 2019 (restated)	8,801	546,460	1,863	7,570	501	565,195
(Charged)/credited to profit or loss	(1,887)	40,485	2,992	(282)	237	41,545
Acquisition of a subsidiary (Note 31)	–	–	1	–	–	1
As at 31 December 2019	**6,914**	**586,945**	**4,856**	**7,288**	**738**	**606,741**

Deferred income tax liabilities	Rental revenue recognition difference between tax and accounting RMB'000	Depreciation difference between tax and accounting RMB'000	Right-of use assets	Other temporary differences RMB'000	Total RMB'000
As at 1 January 2018	(1,081)	–	–	(39)	(1,120)
(Charged)/credited to profit or loss	(494)	(2,735)	–	39	(3,190)
As at 31 December 2018	(1,575)	(2,735)	–	–	(4,310)
As at 1 January 2019	(1,575)	(2,735)	–	–	(4,310)
Adjustment on adoption of IFRS16	–	–	(490,764)	–	(490,764)
As at 1 January 2019 (restated)	(1,575)	(2,735)	(490,764)	–	(495,074)
Credited/(charged) to profit or loss	243	(2,052)	(32,136)	(3,297)	(37,242)
As at 31 December 2019	**(1,332)**	**(4,787)**	**(522,900)**	**(3,297)**	**(532,316)**

30 DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITIES (Continued)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets for the tax loss of RMB11,869,343 and RMB7,006,250 as at 31 December 2019 and 2018 in respect of losses amounting to RMB47,477,370 and RMB28,025,000 that can be carried forward against future taxable income.

31 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 summarises 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 (Note 30)	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)

31 BUSINESS COMBINATION (Continued)

(i) Acquisition-related costs

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

(ii) 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.

(iii) 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.

(iv) Revenue and profit contribution

The acquired business contributed approximately revenue of RMB55,594,678 and net profit of RMB 3,538,190 to the Group for the period from 10 April 2019 to 31 December 2019. If the acquisition had occurred on 1 January 2019, the consolidated revenue and profit after tax for the year would have been increased by RMB 7,814,527 and decreased by approximately RMB7,577, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

32 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before income tax	**268,617**	243,081
Adjustments for:		
– Depreciation of property, plant and equipment (Note 6)	**70,007**	54,404
– Depreciation of investment properties (Note 6)	**15**	15
– Depreciation of right-of-use assets (Note 6)	**319,671**	–
– Amortisation of land use rights (Note 6)	**–**	1,188
– Amortisation of intangible assets (Note 6)	**5,170**	5,560
– Net impairment losses on financial assets (Note 6)	**2,641**	541
– Impairment for non-current assets (Note 6)	**10,121**	–
– Investment income from financial assets at FVPL (Note 7)	**(1,283)**	(4,483)
– Share of investments accounted for using the equity method (Note 11)	**(5,486)**	(6,630)
– Net gains on disposal of subsidiaries (Note 8)	**–**	(10,794)
– Net losses on disposal of property, plant and equipment (Note 8)	**178**	87
– Net finance expenses, excluding interest income from bank deposits and realised foreign exchange losses (Note 10)	**78,179**	9,205
– Deferred income (Note 29)	**(1,186)**	(1,186)
– Other non-current assets	**–**	11,384
Change in working capitals:		
– Restricted cash (Note 24)	**36,000**	(66,000)
– Trade and other debtors	**(12,269)**	(32,437)
– Inventories (Note 22)	**(2,942)**	(1,770)
– Trade and other creditors	**55,568**	66,775
Cash generated from operations	**823,001**	268,940

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

32 CASH FLOW INFORMATION (Continued)

(b) Proceeds from sale of property, plant and equipment

In the consolidated cash flow statements, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Net book amount (Note 15)	**302**	455
Net losses on disposal of property, plant and equipment (Note 8)	**(178)**	(87)
Proceeds from disposal of property, plant and equipment	**124**	368

(c) Net debt reconciliation

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Cash and cash equivalents	**345,746**	367,688
Restricted cash	**909,177**	68,000
Lease liabilities	**(2,259,431)**	
Borrowings – repayable within one year	**–**	(5,500)
Borrowings – repayable after one year	**–**	(185,000)
Net (debt)/assets	**(1,004,508)**	245,188
Cash and cash equivalents	**345,746**	367,688
Restricted cash	**909,177**	68,000
Gross debt – fixed interest rates	**(2,259,431)**	(500)
Gross debt – variable interest rates	**–**	(190,000)
Net (debt)/assets	**(1,004,508)**	245,188

32 CASH FLOW INFORMATION (Continued)

(c) Net debt reconciliation (Continued)

	Assets		Liabilities					
	Cash and cash equivalent RMB'000	Restricted cash RMB'000	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Loan due to a related party RMB'000	Lease liabilities RMB'000	Dividend payable RMB'000	Total RMB'000
As at 1 January 2018	424,109	–	(5,000)	(160,000)	–	–	–	259,109
Cash flows	(56,421)	68,000	4,500	(30,000)	(6,700)	42,897	22,276	
Dividend declared	–	–	–	–	–	–	(42,897)	(42,897)
Business combination	–	–	–	–	6,700	–	–	6,700
Reclassification	–	–	(5,000)	5,000	–	–	–	–
As at 31 December 2018	367,688	68,000	(5,500)	(185,000)	–	–	–	245,188
Recognised on adoption of IFRS 16	–	–	–	–	–	(2,132,268)	–	(2,132,268)
As at 1 Janurary 2019 (restated)	367,688	68,000	(5,500)	(185,000)	–	(2,132,268)	–	(1,887,080)
Cash flows	(21,942)	817,796	5,500	185,000	–	318,528	100,800	1,405,682
Acquisition – leases	(445,691)	(445,691)						
Interest accrued	–	23,381	–	–	–	–	–	23,381
Dividend declared	–	–	–	–	–	–	(100,800)	(100,800)
As at 31 December 2019	345,746	909,177	–	–	–	(2,259,431)	–	(1,004,508)

(d) Non-cash investing and financing activities

The Group had no significant non-cash investing and financing activities during the years ended 31 December 2019 and 2018, except for the increase in right-of-use assets and lease liabilities for the adoption of new IFRS 16 lease accounting.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

33 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

Capital expenditure contracted for at the end of year, but not yet incurred was as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Property, plant and equipment	**9,865**	–

(b) Operating lease commitments

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within one year	**2,172**	363,731
Later than one year but not later than five years	**85**	1,367,152
Later than five years	**–**	826,388
	2,257	2,557,271

(c) Commitment to provide funding in respect of associates and joint ventures

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Joint ventures	**27,050**	–
Associates	**2,000**	–
	29,050	–

(d) Contingent liabilities

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

34 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Controlling Shareholders

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

English name	Chinese name
New Century Tourism Group Co., Ltd.	開元旅業集團有限公司
New Century Holdings Group Co., Ltd.	開元控股集團有限公司
New Century Real Estate Investment Trust and other members of its group ("New Century REIT")	開元房地產投資信託基金
Hangzhou New Century Decorating Co., Ltd.	杭州開元裝飾工程有限公司
New Century Birotby Winery	Not applicable
Hangzhou New Century Zhijiang Cleaning Chain Co., Ltd. (Till August 2019)	杭州開元之江清洗連鎖有限公司
Taizhou New Century Hotel Co., Ltd.	台州開元大酒店有限公司
Hainan Hengshengyuan Qiziwan New Century Resort Co., Ltd.	海南恒盛元棋子灣開元度假村有限公司
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
Changjiang Hengshengyuan Qiziwan Tourism Real Estate Co., Ltd.	昌江恒盛元棋子灣旅遊置業有限公司
Xuzhou New Century Grand Hotel Co., Ltd.	徐州開元名都大酒店有限公司
New Century Grand Hotel Kaifeng Business Company Co., Ltd.	開封開元名都商務酒店有限公司
Shaoxing Yuzhuang New Century Hotel Management Co., Ltd.	紹興禹莊開元酒店管理有限公司
Hangzhou Jinjian Intelligent Technology Co., Ltd.	杭州金鍵智慧科技有限公司
Hangzhou New Century Tourism Development Co., Ltd.	杭州開元旅遊開發有限公司
New Century East Nursing Home, Jinnan District, Tianjin	天津市津南區開元東方養老院
Ningbo Jiulong Lake New Century Hotel Co., Ltd.	寧波九龍湖開元酒店有限公司
Ningbo Seventeen House New Century Hotel Co., Ltd.	寧波十七房開元觀堂有限公司
Hangzhou Ledu Property Services Co., Ltd.	杭州樂都物業服務有限公司
Wenzhou Wanxiang Real Estate Co., Ltd.	溫州萬享置業有限公司
Shanghai New Century Enterprise Operation Management Co., Ltd.	上海開元企業經營管理有限公司
Haining New Century Grand Real Estate Co., Ltd.	海寧開元名都置業有限公司
Hangzhou New Century Senbo Tourism Investment Co., Ltd.	杭州開元森泊旅游投資有限公司
Xuzhou New Century Grand Real Estate Co., Ltd.	徐州開元名都置業有限公司
Henan New Century Grand Real Estate Co., Ltd.	河南開元名都置業有限公司
Hangzhou New Century Real Estate Co., Ltd.	杭州開元世紀置業有限公司
Hangzhou New Century Yuege Restaurant Management Co., Ltd.	杭州開元悦閣餐飲管理有限公司

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

34 RELATED PARTY TRANSACTIONS (Continued)

(a) Name and relationship with related parties (Continued)

Controlling Shareholders (Continued)

English name	Chinese name
Ningbo Zhenhai New Century Heya Real Estate Co., Ltd.	寧波鎮海開元和雅置業有限公司
Deqing New Century Senbo Holiday Development Co., Ltd.	德清開元森泊度假開發有限公司
Ningbo New Century Hotel Co., Ltd.	寧波開元大酒店有限公司
Shanghai New Century Commercial Operation Management Co., Ltd.	上海開元商業經營管理有限公司
Hangzhou New Century Xixifan Hotel Co., Ltd.	杭州開元溪西畈酒店有限責任公司
Wenzhou New Century Grand Hotel Co., Ltd.	溫州開元名都大酒店有限公司
Shanghai Ruiri Enterprise Management Co., Ltd.	上海瑞日企業管理有限公司
Penglai New Century Hotel Co., Ltd.	蓬萊開元酒店有限公司
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
Hainan Hengshengyuan International Tourism Development Co., Ltd.	海南恆盛元國際旅遊發展有限公司
Haining New Century Grand Hotel Co., Ltd.	海寧開元名都大酒店有限公司
Deqing New Century Investment and Management Co., Ltd. New Century Business Hotel	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

34 RELATED PARTY TRANSACTIONS (Continued)

(a) Name and relationship with related parties (Continued)

English name	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
Shanghai Songjiang New Century Grand Hotel Co., Ltd. (from 13 June 2019)	上海松江開元名都大酒店有限公司

English name	Chinese name
Beijing Gehua	北京歌華開元大酒店有限公司

English name	Chinese name
Zhejiang Haogu	浙江皓谷網路科技有限公司
Yuyao New Century Manju Hotel Management Co., Ltd. (Till Augest 2018)	余姚開元曼居酒店管理有限公司

(b) Transactions with related parties

Hotel management revenue

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Beijing Gehua	8,973	9,722
Hangzhou Xianghu Senbo Tourism Investment Co., Ltd.	4,774	–
Xuzhou New Century Grand Hotel Co., Ltd.	4,234	5,603
Taizhou New Century Hotel Co., Ltd.	3,262	3,782
New Century Grand Hotel Kaifeng Business Company Co.,Ltd.	3,165	3,324
Shaoxing Yuzhuang New Century Hotel Management Co.,Ltd.	2,914	2,693
Haining New Century Grand Real Estate Co., Ltd.	2,834	708
Ningbo Jiulong Lake New Century Hotel Co., Ltd.	2,694	3,367
Ningbo New Century Hotel Co., Ltd.	2,334	704
Deqing New Century Senbo Holiday Development Co., Ltd.	2,237	273
Shanghai Songjiang New Century Grand Hotel Co., Ltd.	1,958	–
Hainan Hengshengyuan Qiziwan New Century Resort Co.,Ltd.	1,548	1,483
Hangzhou New Century Xixifan Hotel Co., Ltd.	1,483	376
Hangzhou New Century Tourism Development Co., Ltd.	1,325	1,339
Ningbo Seventeen House New Century Hotel Co., Ltd.	879	1,159
Wenzhou New Century Grand Hotel Co., Ltd.	627	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

34 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

Hotel management revenue (Continued)

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Wenzhou Wanxiang Real Estate Co., Ltd.	**566**	–
Haining New Century Grand Hotel Co., Ltd.	**316**	584
Penglai New Century Hotel Co., Ltd.	**275**	–
Hangzhou New Century Yuege Restaurant Management Co., Ltd.	**13**	120
Changjiang Hengshengyuan Qiziwan Tourism Real Estate Co., Ltd.	**–**	2,571
Yuyao New Century Manju Hotel Management Co., Ltd.	**–**	442
	46,411	38,250

Hotel operation revenue

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
New Century Tourism Group Co., Ltd.	**1,115**	1,377
Zhejiang New Century Property Management Co., Ltd.	**997**	1,047
Hangzhou New Century Real Estate Group Co., Ltd.	**662**	839
Others	**1,073**	–
	3,847	3,263

Rental income

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Hangzhou New Century Senbo Tourism Investment Co., Ltd.	**48**	–
New Century East Nursing Home, Jinnan District, Tianjin	**–**	166
	48	166

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

34 RELATED PARTY TRANSACTIONS *(Continued)*

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

Sales of goods

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Taizhou New Century Hotel Co., Ltd.	**2,790**	3,123
Beijing Gehua	**2,751**	2,438
Shaoxing Yuzhuang New Century Hotel Management Co.,Ltd.	**2,686**	3,458
Zhejiang New Century Property Management Co., Ltd.	**2,021**	2,158
Haining New Century Grand Real Estate Co., Ltd.	**1,827**	628
Ningbo Jiulong Lake New Century Hotel Co., Ltd.	**1,306**	1,341
Shanghai Songjiang New Century Grand Hotel Co., Ltd.	**1,046**	–
Xuzhou New Century Grand Hotel Co., Ltd.	**977**	2,165
New Century Grand Hotel Kaifeng Business Company Co.,Ltd.	**975**	801
Ningbo New Century Hotel Co., Ltd.	**804**	1,673
Ningbo Seventeen House New Century Hotel Co., Ltd.	**813**	449
Hangzhou New Century Tourism Development Co., Ltd.	**681**	570
Hangzhou Xianghu Senbo Tourism Investment Co., Ltd.	**715**	–
Deqing New Century Senbo Holiday Development Co., Ltd.	**466**	–
New Century Tourism Group Co., Ltd.	**121**	245
Hangzhou New Century Real Estate Group Co., Ltd.	**116**	120
Hangzhou New Century Real Estate Co., Ltd.	**91**	50
Hangzhou New Century Yuege Restaurant Management Co., Ltd.	**61**	152
Henan New Century Grand Real Estate Co., Ltd.	**22**	84
Changjiang Hengshengyuan Qiziwan Tourism Real Estate Co., Ltd.	**–**	636
Others	**704**	1,048
	20,973	21,139

34 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

Other service income

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Hangzhou Xianghu Senbo Tourism Investment Co., Ltd.	**2,478**	–
Beijing Gehua	**1,707**	1,046
Haining New Century Grand Real Estate Co., Ltd.	**1,281**	287
Ningbo Jiulong Lake New Century Hotel Co., Ltd.	**1,212**	649
Shaoxing Yuzhuang New Century Hotel Management Co., Ltd.	**1,136**	912
Xuzhou New Century Grand Hotel Co., Ltd.	**1,021**	651
Hangzhou New Century Tourism Development Co., Ltd.	**867**	500
Taizhou New Century Hotel Co., Ltd.	**773**	403
New Century Grand Hotel Kaifeng Business Company Co.,Ltd.	**638**	252
Ningbo Seventeen House New Century Hotel Co., Ltd.	**611**	306
Deqing New Century Senbo Holiday Development Co., Ltd.	**578**	–
Zhejiang New Century Property Management Co., Ltd.	**457**	701
Shanghai Songjiang New Century Grand Hotel Co., Ltd.	**374**	–
Ningbo New Century Hotel Co., Ltd.	**340**	765
Xuzhou New Century Grand Real Estate Co., Ltd.	**187**	221
Ningbo Zhenhai New Century Heya Real Estate Co., Ltd.	**170**	170
Shanghai New Century Enterprise Operation Management Co., Ltd.	**119**	272
Shanghai Ruiri Enterprise Management Co., Ltd.	**119**	–
Hainan Hengshengyuan Qiziwan New Century Resort Co., Ltd.	**5**	199
Yuyao New Century Manju Hotel Management Co., Ltd.	**–**	98
Others	**537**	563
	14,610	7,995

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

34 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

Purchase of goods

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
New Century Birotby Winery	4,162	6,195
Zhejiang Haogu Internet Technology Co., Ltd.	–	433
Hangzhou Huang Chaoyi Printing Co., Ltd.	–	161
Others	68	457
	4,230	7,246

Purchase of Services

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Hangzhou New Century Zhijiang Cleaning Chain Co., Ltd.	5,106	9,056
Hangzhou Xianghu Senbo Tourism Investment Co., Ltd.	1,133	–
Zhejiang Haogu Internet Technology Co., Ltd.	809	–
Beijing Gehua	48	69
Shaoxing Yuzhuang New Century Hotel Management Co.,Ltd.	42	187
Ningbo New Century Hotel Co., Ltd.	4	1,907
Hangzhou Ledu Property Services Co., Ltd.	–	351
Others	259	364
	7,401	11,934

34 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

Purchase of non-current assets

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Hangzhou Jinjian Intelligent Technology Co., Ltd.	**25**	927
Hangzhou Xianghu Senbo Tourism Investment Co., Ltd.	**18**	–
Beijing Gehua New Century Hotel Co., Ltd.	**3**	–
Hangzhou Xiaoshan Chaoyi Carpet Co., Ltd.	**–**	161
	46	1,088

Rental expenses payable/paid to related parties

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
New Century REIT (a)	**1,824**	217,837
New Century Tourism Group Co., Ltd.	**688**	688
Zhejiang New Century Property Management Co., Ltd.	**–**	833
New Century Holdings Group Co., Ltd.	**–**	83
Hangzhou New Century Senbo Tourism Investment Co., Ltd.	**–**	65
	2,512	219,506

(i) The Group has adopted IFRS 16 from 1 January 2019. After that, the Group should disclose the following related party transactions (1) short-term/low-value/variable lease payment and finance expenses payment for existing lease contracts and (2) the acquisition of righ-of-use assets for new lease contracts. For comparasion purpose, the total rental consideration payable/paid to New Century REIT is RMB196,236,000 (tax exclusive) for the year ended 31 December 2019 (2018: RMB217,837,000), including the RMB1,824,000 short-term lease payments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

34 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

Lease finance expenses

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
New Century REIT	**30,778**	–

(c) Balances with related parties

Trade receivables from – trade in nature

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Beijing Gehua	**2,058**	1,282
Ningbo Seventeen House New Century Hotel Co., Ltd.	**551**	37
Hangzhou Xianghu Senbo Tourism Investment Co., Ltd.	**539**	95
Taizhou New Century Hotel Co., Ltd.	**468**	568
Shanghai Songjiang New Century Grand Hotel Co., Ltd.	**383**	865
Shaoxing Yuzhuang New Century Hotel Management Co.,Ltd.	**332**	486
Xuzhou New Century Grand Hotel Co., Ltd.	**279**	370
New Century Grand Hotel Kaifeng Business Company Co., Ltd.	**243**	200
Hangzhou New Century Tourism Development Co., Ltd.	**197**	73
Ningbo Jiulong Lake New Century Hotel Co., Ltd.	**186**	162
Deqing New Century Senbo Holiday Development Co., Ltd.	**164**	-
Haining New Century Grand Real Estate Co., Ltd.	**184**	806
Wenzhou New Century Grand Hotel Co., Ltd.	**108**	–
Hainan Hengshengyuan Qiziwan New Century Resort Co.,Ltd.	**107**	388
Hainan Hengshengyuan International Tourism Development Co., Ltd.	**–**	125
Others	**548**	374
	6,347	5,831

34 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties (Continued)

Other receivables from – trade in nature

	As at 31 December 2019 RMB'000	2018 RMB'000
New Century REIT	**423**	20,447
Others	**408**	929
	831	21,376

Prepayment to – trade in nature

	As at 31 December 2019 RMB'000	2018 RMB'000
New Century REIT	**297**	307
Hangzhou Jinjian Intelligent Technology Co., Ltd.	**–**	182
Others	**34**	49
	331	538

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

34 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties (Continued)

Trade payables to – trade in nature

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Hangzhou New Century Decorating Co., Ltd.	**324**	324
Shanghai Songjiang New Century Grand Hotel Co., Ltd.	**134**	–
Ningbo New Century Hotel Co., Ltd.	**124**	9
Beijing Gehua	**96**	65
Hangzhou Jinjian Intelligent Technology Co., Ltd.	**49**	63
New Century REIT	**–**	21,014
Hangzhou New Century Zhijiang Cleaning Chain Co., Ltd.	**–**	792
Others	**140**	442
	867	22,709

Leasing liabilities

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
New Century REIT	**575,831**	–

Advances due from

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Deqing New Century Investment and Management Co., Ltd. New Century Business Hotel	**680**	–
Hangzhou Jinjian Intelligent Technology Co., Ltd.	**145**	111
New Century Tourism Group Co., Ltd.	**117**	78
Haining New Century Grand Real Estate Co., Ltd.	**–**	303
Others	**104**	89
	1,046	581

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

34 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties (Continued)

Other payables – non-trade in nature

	As at 31 December 2019 RMB'000	2018 RMB'000
Hangzhou New Century Decorating Co., Ltd.	**2,737**	5,173
Hangzhou Xianghu Senbo Tourism Investment Co., Ltd.	**1,794**	–
Deqing New Century Investment and Management Co., Ltd. New Century Business Hotel	**760**	24
Beijing Gehua New Century Hotel Co., Ltd.	**740**	810
Hangzhou Jinjian Intelligent Technology Co., Ltd.	**573**	867
Shaoxing Yuzhuang New Century Hotel Management Co., Ltd.	**545**	356
Shanghai Songjiang New Century Grand Hotel Co., Ltd.	**522**	702
Hangzhou New Century Tourism Development Co., Ltd.	**450**	183
Hainan Hengshengyuan Qiziwan New Century Resort Co.,Ltd.	**374**	542
Ningbo Seventeen House New Century Hotel Co., Ltd.	**341**	202
Taizhou New Century Hotel Co., Ltd.	**287**	384
Ningbo Jiulong Lake New Century Hotel Co., Ltd.	**280**	140
Xuzhou New Century Grand Hotel Co., Ltd.	**222**	293
New Century Grand Hotel Kaifeng Business Company Co., Ltd.	**192**	283
Haining New Century Grand Real Estate Co., Ltd.	**–**	261
Ningbo New Century Hotel Co., Ltd.	**–**	467
Others	**402**	258
	10,219	10,945

(d) Key management compensation

	Year ended 31 December 2019 RMB'000	2018 RMB'000
Wages, salaries and bonuses	**9,554**	8,249
Pension fund, Housing fund, medical insurance and other social insurance and other employee benefits	**417**	312
	9,971	8,561

Key management represents executive and non-executive directors, supervisors, chief executive officer, vice presidents, chief-financial officer and board secretary of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

35 PRINCIPAL SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of subsidiaries	Date of establishment	Place of establishment	Principal activities	Registered capital (RMB)	Equity interest held by the Company As at 31 December 2019	2018	Directly/ Indirectly held
Ninghai Jinhai Grand New Century Hotel Co., Ltd. (寧海金海開元名都大酒店有限公司)	2012-03-23	Zhejiang, China	Hotel operation	10,000,000	100%	100%	Directly
Hangzhou New Century Hotel Supplies Co., Ltd. (杭州開元酒店用品有限公司)	1998-09-09	Zhejiang, China	Hotel supplies sales	10,000,000	100%	100%	Directly
Hangzhou Biluo Wine Co., Ltd. (杭州壁蘿酒業有限公司)	2015-02-12	Zhejiang, China	Wine sales	1,000,000	100%	100%	Indirectly
Hangzhou New Century Information Technology Co., Ltd. (杭州開元信息技術有限公司)	2009-12-24	Zhejiang, China	Computer software, hardware and network products	5,000,000	100%	100%	Directly
Jinshanzi (浙江金扇子網絡科技有限公司)	2013-11-06	Zhejiang, China	Computer software, hardware and network design and development	12,500,000	90% (Note 26)	80%	Directly
Changxing New Century Grand Hotel Co., Ltd. (長興開元名都大酒店有限公司)	2018-07-09	Zhejiang, China	Hotel operation	50,000,000	100%	100%	Directly
Changxing New Century Mayart Hotel Co., Ltd. (長興開元美途酒店有限公司)	2018-08-24	Zhejiang, China	Hotel operation	5,000,000	100%	100%	Directly
Hangzhou New Century Chuanqi Property Leasing Co., Ltd. (杭州開元傳祺房屋租賃有限公司)	2013-04-24	Zhejiang, China	Property service & lease of property	26,800,000	100%	100%	Directly
Changxing New Century Wonderland Resort Co., Ltd. (長興開元芳草地酒店有限公司)	2014-12-24	Zhejiang, China	Hotel operation	30,000,000	100%	100%	Directly
Jiande New Century Wonderland Resort Co., Ltd. (建德開元芳草地酒店有限公司)	2015-12-10	Zhejiang, China	Hotel operation	80,000,000	100%	100%	Directly
Haining Yanguan Ancient City New Century Resort Hotel Co., Ltd. (海寧鹽官古城開元度假酒店有限公司)	2014-03-28	Zhejiang, China	Hotel operation	50,000,000	100%	100%	Directly
Ningbo Mingting (寧波開元名庭酒店管理有限公司)	2017-02-20	Zhejiang, China	Hotel management	10,000,000	90% (Note 26, 31)	–	Directly
Shanghai Yuege Hotel Operation Co., Ltd. (上海悅閣酒店經營有限公司)	2010-01-21	Shanghai, China	Hotel operation	12,000,000	99.9999%	99.9999%	Directly
Shanghai Ruiyue Hotel Co., Ltd. (上海瑞悦酒店有限公司)	2010-05-07	Shanghai, China	Hotel operation	5,000,000	99.9999%	99.9999%	Indirectly
Zhejiang Meizhen Hotel Management Co., Ltd. (浙江美鎮酒店管理有限公司)	2017-12-12	Zhejiang, China	Hotel management & consulting service	10,000,000	- (Note (c))	60%	Directly

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

35 PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiaries	Date of establishment	Place of establishment	Principal activities	Registered capital (RMB)	Equity interest held by the Company As at 31 December 2019	2018	Directly/ Indirectly held
Tianjin Ruiwan New Century Hotel Management Co., Ltd. (天津瑞灣開元酒店管理有限公司)	2012-12-28	Tianjin, China	Hotel management & consulting service	10,000,000	**100%**	100%	Directly
Tianjin Manju Hotel Management Co., Ltd. (天津曼居酒店管理有限公司)	2016-12-08	Tianjin, China	Hotel management and operation	200,000	**100%**	100%	Indirectly
Ningbo New Century Grand Hotel Co., Ltd. ("Ningbo New Century") (寧波開元名都大酒店有限公司)	2019-09-20	Zhejiang, China	Hotel operation	5,000,000	**100% (Note (b))**	–	Directly
Ningbo Ningdong Grand New Century Hotel Co., Ltd. (Ningbo Ningdong") (寧波寧東開元大酒店有限公司)	2019-10-15	Zhejiang, China	Hotel operation	5,000,000	**100% (Note (b))**	–	Directly
Ningbo New Century Hotel Management Co., Ltd. ("Ningbo Management") (寧波開元酒店管理有限公司)	2019-11-15	Zhejiang, China	Hotel management	2,000,000	**100% (Note (b))**	–	Directly
Hangzhou Chancellery Hotel Management Co., Ltd. (Hangzhou Chancellery") (杭州香舍裡酒店有限公司)	2019-12-16	Zhejiang, China	Hotel management	1,000,000	**100% (Note (b))**	–	Directly
Neimenggu New Century Hotel Co., Ltd. ("Neimenggu New Century") (內蒙古開元名都大酒店有限公司)	2019-12-17	Neimenggu, China	Hotel operation	5,000,000	**100% (Note (b))**	–	Directly
Zhuji Yaojiang New Century Hotel Co., Ltd. ("Zhuji Yaojiang") (諸暨耀江開元名都大酒店有限公司)	2019-12-19	Zhejiang, China	Hotel operation	5,000,000	**100% (Note (b))**	–	Directly
Qinhuangdao Harbour New Century Hotel Management Co., Ltd. (秦皇島河港開元酒店管理有限公司, "Qinhuangdao Harbour")	2019-04-02	Hebei, China	Hotel management	5,000,000	**51% (Note (b))**	–	Directly
Zhejiang New Century Manju Hotel Management Co., Ltd. ("Manju Management") (浙江開元曼居酒店管理有限公司)	2010-09-20	Zhejiang, China	Hotel management	100,000,000	**70% (Note (d))**	100%	Directly
Beijing Manju (北京開元曼居酒店管理有限公司)	2017-06-21	Beijing, China	Hotel management	10,000,000	**100% (Note 26)**	70%	Indirectly
Ningbo New Century Manfei Hotel Management Co., Ltd. (寧波開元曼菲酒店管理有限公司)	2018-05-02	Zhejiang, China	Hotel management and operation	5,000,000	**100%**	100%	Indirectly
Chengdu Liju Hotel Management Co., Ltd. (成都麗居酒店管理有限公司)	2018-03-20	Sichuan, China	Hotel management and operation	5,000,000	**100%**	100%	Indirectly
Hunan Manju Hotel Management Co., Ltd. (湖南曼居酒店管理有限責任公司)	2018-01-24	Hunan, China	Hotel management and operation	5,000,000	**100%**	100%	Indirectly
Dalian New Century Manju Hotel Management Co., Ltd. (大連開元曼居酒店管理有限公司)	2017-11-13	Liaoning, China	Hotel management and operation	5,000,000	**100%**	100%	Indirectly
Zhoushan New Century Manju Hotel Management Co., Ltd. (舟山開元曼居酒店管理有限公司)	2017-03-23	Zhejiang, China	Hotel management and operation	5,000,000	**100%**	100%	Indirectly
Ningbo New Century Manju Hotel Management Co., Ltd. (寧波開元曼居酒店管理有限公司)	2016-03-09	Zhejiang, China	Hotel management and operation	5,000,000	**100%**	100%	Indirectly

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

35 PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiaries	Date of establishment	Place of establishment	Principal activities	Registered capital (RMB)	Equity interest held by the Company As at 31 December 2019	2018	Directly/ Indirectly held
Shanghai New Century Manju Hotel Management Co., Ltd. (上海開元曼居酒店管理有限公司)	2017-04-24	Shanghai, China	Hotel management	5,000,000	70%	70%	Indirectly
Shanghai Yueshang Hotel Management Co., Ltd. (上海閲尚酒店管理有限公司)	2017-09-29	Shanghai, China	Hotel management and operation	500,000	70%	70%	Indirectly
Chongqing New Century Manju Hotel Management Co., Ltd. (重慶開元曼居酒店管理有限公司)	2017-06-13	Chongqing, China	Hotel management	3,000,000	70%	70%	Indirectly
Yuyao Manju (余姚開元曼居酒店管理有限公司)	2015-11-23	Zhejiang, China	Hotel management and operation	3,000,000	55.67%	55.67% (Note 32)	Indirectly
New Century Manju (Hubei) Hotel Management Co.,Ltd. ("Hubei Manju") (開元曼居(湖北)酒店管理有限公司)	2019-05-28	Hubei, China	Hotel management	10,000,000	51% (Note (b))	–	Indirectly
Nanchang Manyue Hotel Management Co., Ltd. ("Nanchang Manyue") (南昌曼悦酒店管理有限公司)	2019-04-28	Jiangxi, China	Hotel management	5,000,000	100% (Note (b))	–	Indirectly
Yuyao Manyue Hotel Management Co., Ltd. ("Yuyao Manyue") (余姚曼悦酒店管理有限公司)	2019-12-23	Zhejiang, China	Hotel management	5,000,000	100% (Note (b))	–	Indirectly
Kaiyuan Life (杭州開元頤居酒店管理有限公司)	2014-08-18	Zhejiang, China	Hotel management and consulting services investment management	5,000,000	51% (Note 26, (e))	55%	Directly (2019)/ Indirectly (2018)
Huaibei Fenghuang Mountain Life Hotel Business Management Co., Ltd. ("Fenghuang Mountain Life") (淮北鳳凰山頤居商業管理)	2019-12-05	Anhui, China	Hotel management	28,000,000	51% (Note (b))	–	Indirectly

(a) All subsidiaries of the Group are registered as sino-foreign equity joint venture enterprises under PRC Law.

(b) Newly established subsidiaries

In 2019, the Company newly established six wholly-owned subsidiaries, including Ningbo New Century, Ningbo Ningdong, Ningbo Management, Hangzhou Chancellery, Neimenggu New Century and Zhuji Yaojiang and one 51% equity interest subsidiary, Qinhuangdao Harbour to expand its brand and business in related cities.

In 2019, the Company's subsidiary Manju Management established two wholly-owned subsidiaries, Nanchang Manyue and Yuyao Manyue and one 51% equity interest subsidiary Hubei Manju to expand its brand and business in these cities.

In 5 December 2019, the Company's subsidiary Kaiyuan Life established one 51% equity interest subsidiary, Fenghuang Mountain Life.

(c) On 17 June 2019, the Company terminated the operation of a 60% equity interest subsidiary Zhejiang Meizhen Hotel Management Co., Ltd.. The Group paid RMB951,000 operating retained earning to non-controlling interests due to this termination.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

35 PRINCIPAL SUBSIDIARIES (Continued)

(d) On 9 December 2019, the Company, one third party and director of Manju Management ("all parties") entered into a capital increase agreement pursuant to which all parties agreed to increase the registered capital of Manju Management by RMB73,000,000 from RMB27,000,000 to RMB100,000,000. Upon the completion of the capital injection, the proportion of shareholding interst of the Company and the two directors in Manju Management will be 70% and 30%, respectively. However, all parties have not injected the capital.

(e) In March 2019, Manju Management transferred its 51% interest of Kaiyuan Life to the Company and 4% to a third-party. And Kaiyuan Life changed to a directly held equity interest of the Company.

36 EVENT OCCURRING AFTER THE REPORTING PERIOD

(a) Following the outbreak of Coronavirus Disease 2019 (the "COVID-19 outbreak) in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country, including postponement of work resumption after the Chinese New Year holiday in some regions, certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in all public place and etc.

To fulfill the Group's social responsibility, the Group has taken measures such as free refund, exemption of management fees, appropriate settlement of the hotels requisitioned and closed due to the epidemic situation, closely monitoring the health conditions of our employees, strengthening disinfection and cleaning of our hotels and etc.

As a result, the business in hotel operation and management have weakened significantly from late January and onwards. The Group will pay close attention to the development of the COVID-19 outbreak and its impact on the hotel business, and will continue to perform relevant assessments and take proactive measures.

Upon the date of this issuance of financial statements, for the leased hotels, the Group has received downward adjustment of rental expenses from related party and third party lessees for the year ending 31 December 2020.

(b) On 20 March 2020, the Board of Directors approved the profit distribution plan for the year ended 31 December 2019. Pursuant to the profit distribution plan, the statutory surplus reserve of RMB20.7 million was appropriated for the year ended 31 December 2019, and the cash dividends proposed was RMB0.4 (before tax) per share, amounting to a total dividend of RMB112 million calculated based on the total number of shares in issue of 280,000,000. The profit distribution plan is subject to shareholders' approval at the incoming annual general meeting.

(c) On 20 March 2020, the Board also approved to transfer to all the shareholders of the Company the share premium of the capital reserve fund of the Company on the basis of the existing total number of shares in issue of 280,000,000. One additional share will be transferred to each eligible shareholder registered as at the record date. The capital reserve capitalisation is subject to shareholders' approval at the forthcoming annual general meeting of the Company and the approval of the Listing Committee of The Stock Exchange of Hong Kong Limited.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

36 EVENT OCCURRING AFTER THE REPORTING PERIOD (Continued)

(d) On 21 January 2020, the Group entered into an asset purchase agreement to acquire all operating assets of Hilton Hotel Hangzhou Xiaoshan with the total consideration of RMB135.6 million and also a change of lease subject agreement in respect of the sublease of the Hilton Hotel Hangzhou Xiaoshan, commencing from 20 January 2020 to 20 March 2038, with the annual rental payable of approximately RMB11.69 million.

37 BALANCE SHEET AND RESERVES MOVEMENTS OF THE COMPANY

		As at 31 December	
	Note	**2019**	2018
		RMB'000	RMB'000
Assets			
Non-current assets			
Property, plant and equipment		**117,685**	111,040
Leasing assets		**1,177,131**	–
Investment properties		**895**	910
Intangible assets		**2,155**	2,988
Investments in subsidiaries		**340,303**	316,744
Investments accounted for using the equity method	*11*	**131,100**	121,564
Financial assets at fair value through other comprehensive income		**2,053**	–
Other non-current assets		**–**	2,459
Deferred tax assets		**32,012**	3,695
Restricted cash		**374,989**	–
Total non-current assets		**2,178,323**	559,400
Current assets			
Inventories		**12,074**	12,893
Trade, other receivables and prepayments		**406,518**	362,280
Cash and cash equivalent		**125,280**	110,420
Restricted cash		**534,175**	68,000
Total current assets		**1,078,047**	553,593
Total assets		**3,256,370**	1,112,993

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

	Notes	As at 31 December 2019 RMB'000	2018 RMB'000
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	*(a)*	280,000	210,000
Share premium	*(a)*	865,375	–
Other reserves	*(a)*	300,303	260,782
Retained earnings	*(a)*	206,670	229,183
Total equity		1,652,348	699,965
Liabilities			
Non-current liabilities			
Borrowings		–	100,000
Lease liabilities		1,062,739	–
Total non-current liabilities		1,062,739	100,000
Current liabilities			
Borrowings		–	500
Trade and other payables		255,030	209,755
Contract liabilities		53,517	82,164
Current income tax liabilities		21,966	20,609
Lease liabilities		210,770	–
Total current liabilities		541,283	313,028
Total liabilities		1,604,022	413,028
Total equity and liabilities		3,256,370	1,112,993

The balance sheet of the Company was approved by the Board of Directors on 20 March 2020 and was signed on its behalf:

Jin Wenjie
Chairman and Executive Director

Chen Miaoqiang
Executive Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

37 BALANCE SHEET AND RESERVES MOVEMENTS OF THE COMPANY (Continued)

Notes (a) Reserves movements of Company

	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000
Balance at 1 January 2018	210,000	–	256,200	87,217
Profit for the year	–	–	–	187,786
Dividends provided for or paid	–	–	–	(41,238)
Appropriation to statutory reserve	–	–	4,582	(4,582)
Balance at 31 December 2018	210,000	–	260,782	229,183
Changes in accounting policy – IFRS 16	–	–	–	(89,243)
Balance at 1 January 2019	**210,000**	**–**	**260,782**	**139,940**
Profit for the year	–	–	–	207,010
Acquisition under common control		–	41	–
Dividends provided for or paid	–	–	–	(100,800)
Appropriation to statutory reserve	–	–	39,480	(39,480)
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	70,000	865,375	–	–
Balance at 31 December 2019	**280,000**	**865,375**	**300,303**	**206,670**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

38 DIRECTORS' EMOLUMENTS

The emoluments paid or payable to the directors and chief-executive of the Company (including the emoluments for services as employee/director of the group entities prior to becoming the directors of the Company) by entities comprising the Group during the years ended 31 December 2019 and 2018 are disclosed below:

	Year ended 31 December 2019				
	Directors'/ Supervisors' fee RMB'000	Salaries and bonuses RMB'000	Pension costs – defined contribution plan RMB'000	Other employee benefits RMB'000	Total RMB'000
Executive directors					
Mr. Jin Wenjie	–	300	33	496	829
Mr. Chen Miaoqiang	–	1,718	32	209	1,959
Non-executive directors					
Mr. Chen Miaolin	–	–	–	–	–
Mr. Chen Canrong	–	–	–	–	–
Mr. Jiang Tianyi	–	–	–	–	–
Mr. Zhang Chi	–	–	–	–	–
Independent non-executive directors					
Mr. Zhang Rungang	120	–	–	–	120
Mr. Qiu Yun	120	–	–	–	120
Mr. Khoo Wun Fat William	133	–	–	–	133
	373	2,018	65	705	3,161
Supervisors					
Ms. Zha Xianghong	–	–	–	–	–
Mr. Guo Mingchuan	–	–	–	–	–
Ms. Liu Hong	–	527	12	23	562
	–	527	12	23	562
Total	373	2,545	77	728	3,723

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

38 DIRECTORS' EMOLUMENTS (Continued)

	Year ended 31 December 2018				
	Directors'/ Supervisors' fee RMB'000	Salaries and bonuses RMB'000	Pension costs – defined contribution plan RMB'000	Other employee benefits RMB'000	Total RMB'000
Executive directors					
Mr. Jin Wenjie	–	300	21	265	586
Mr. Chen Miaoqiang	–	1,718	48	95	1,861
Non-executive directors					
Mr. Chen Miaolin	–	–	–	–	–
Mr. Chen Canrong	–	–	–	–	–
Mr. Jiang Tianyi	–	–	–	–	–
Mr. Zhang Chi	–	–	–	–	–
Independent non-executive directors					
Mr. Zhang Rungang	120	–	–	–	120
Mr. Li Zhiqiang (i)	80	–	–	–	80
Mr. Qiu Yun	120	–	–	–	120
Mr. Khoo Wun Fat William (ii)	33	–	–	–	33
	353	2,018	69	360	2,800
Supervisors					
Ms. Zha Xianghong	–	–	–	–	–
Mr. Guo Mingchuan	–	–	–	–	–
Ms. Liu Hong	–	341	33	114	488
	–	341	33	114	488
Total	353	2,359	102	474	3,288

(i) Resigned from non-executive directors since August 2018.

(ii) Appointed as non-executive directors since August 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

38 DIRECTORS' EMOLUMENTS (Continued)

(a) Directors' termination benefits

No directors' retirement or termination benefits subsisted at the end of the year or at any time during the years ended 31 December 2019 and 2018.

(b) Directors' benefits and interests

No directors' benefits and interests subsisted at the end of the year or at any time during the year (2018: Nil).

(c) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available directors' services subsisted at the end of the year or at any time during the year (2018: Nil).

(d) Information about loans, quasi-loans and other dealings in favor of directors, controlling bodies corporate by and connected entities with such directors

No loans, quasi-loans or other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of the year or at any time during the year (2018: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2018: Nil).

Five-Year Financial Summary

	2019	2018	2017	2016	2015
Items of Consolidated Statement of Comprehensive Income					
(RMB'000)					
Revenue	**1,927,980**	1,797,968	1,664,643	1,602,006	1,522,082
Profit attributable to owners of the Company	**202,405**	186,787	163,042	84,324	30,107
Earnings per share attributable to owners of the Company (RMB)	**0.76**	0.89	0.78	0.4	0.14
Items of Consolidated Balance Sheet					
(RMB'000)					
Total assets	**4,492,126**	1,546,845	1,312,651	1,252,985	1,134,853
Total liabilities	**2,902,083**	872,900	783,558	935,956	871,879
Total equity	**1,590,043**	673,945	529,093	317,029	262,974
Total equity attributable to owners of the Company	**1,578,471**	663,848	513,796	310,414	256,090
Items of Consolidated Statements of Cash Flows					
(RMB'000)					
Net cash generated from operating activities	**647,880**	198,282	268,073	168,931	97,442
Relevant Financial Information					
Proposed dividend (RMB'000)	**112,000**	100,800	41,238		
Proposed dividend per share (RMB)	**0.40**	0.36	0.196		
Earnings before interests, taxes, depreciation and amortization (RMB'000)	**741,852**	303,918	287,905	178,022	110,666
Total equity per share (RMB)	**5.68**	3.21	2.52		
Total equity per share attributable to the owners of the Company (RMB)	**5.64**	3.16	2.45		
Gearing ratio (total interest-bearing liabilities divided by total assets)	**50%**	12%	13%	28%	27%