



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

Interim Report **2020**

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CORPORATE INFORMATION

Second Board of Directors

Executive Directors

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

Non-executive Directors

Mr. Chen Canrong
Mr. Jiang Tianyi
Mr. Zhou Rong
Mr. Xie Bingwu

Independent non-executive Directors

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

Second Board of Supervisors

Supervisors

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

Audit Committee

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

Nomination Committee

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

Remuneration Committee

Mr. Zhang Rungang (*Chairperson*)
Mr. Zhou Rong
Ms. Qiu Yun

Joint company secretaries

Mr. Li Donglin
Ms. Chan Suet Lam

Authorized representatives

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 China

浙江開元酒店管理股份有限公司

Company name in English

Zhejiang New Century Hotel
Management Co., Ltd.

H Share Registrar

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

Registered office

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

Principal place of business in the PRC

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

Principal place of business in Hong Kong

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

Listing exchange for the Company's H Share

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

H Shares abbreviation

NC HOTEL

Stock code

01158

Website

<http://www.kaiyuanhotels.com>

OPERATING DATA

Hotel Operation Segment

During the Reporting Period, the Group's hotel operation segment recorded a revenue of approximately RMB489.0 million, representing a decrease of 39.3% as compared with approximately RMB806.3 million for the six months ended 30 June 2019. The decreased revenue was mainly due to the impact of COVID-19 epidemic (the "Epidemic") at the beginning of 2020.

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

Hotel Categories	2020		2019		2020		2019	
	Average occupancy rate (%)		ADR (RMB/per room)		RevPAR (RMB)			
Upscale business hotels	27.3	60.6	430.6	475.4	117.7			288.0
Upscale resort hotels	35.0	55.4	529.5	635.1	185.4			351.8
Mid-scale full service hotels	29.6	57.0	325.2	350.7	96.3			199.9
Mid-scale select service hotels	41.1	57.9	272.2	314.1	111.9			181.9

Due to the impact of the Epidemic, the occupancy rate and average room rate of all types of hotels have decline significantly.

F&B Services

	Six months ended 30 June	
	2020	2019
Average spending per customer (RMB)	139.0	131.7
Utilization rate of seats	35.2%	70.1%
Revenue per sq.m. of banquet rooms (RMB)	3,171.1	5,588.94

For F&B services, the average spending per customer (unit price) increased in the first half of the year. However, due to the impact of the Epidemic, the number of travelers recorded a significant decrease. The demand for wedding banquets and conference teams was cancelled due to restrictions. The utilization rate of seats and revenue per sq.m. of banquet rooms decreased by 34.9% and 43.3% respectively, as compared to the corresponding period last year.

Hotel Management Segment

During the Reporting Period, the Group recorded revenue of approximately RMB54.8 million from the hotel management segment, representing a decrease of approximately 44.7% as compared to approximately RMB99.0 million for the six months ended 30 June 2019. Although the number of managed hotels from new openings increased during the Reporting Period, after the outbreak of the epidemic, the Group proactively waived the management fees of all entrusted hotels from 24 January to 31 March 2020; and from April to June, the performance of each hotel also dropped significantly, resulting to a decrease in revenue from the management segment.

The following table shows the number of hotels and hotel rooms in operation as at 31 December 2019 and 30 June 2020.

In operation	As at 30 June 2020		As at December 2019	
	No. of Hotels	No. of Hotel Rooms	No. of Hotels	No. of Hotel Rooms
Operated hotels	41	10,474	38	9,160
Managed hotels	220	42,194	178	35,625
Total	261	52,668	216	44,785

The following table shows the number of hotels and hotel rooms of the Group by category, as at 30 June 2020.

	No. of operated hotels (No. of hotel rooms) in operation	No. of managed hotels (No. of hotel rooms) in operation	No. of operated hotels (No. of hotel rooms) in pipeline	No. of managed hotels (No. of hotel rooms) in pipeline	Total no. of hotels (No. of hotel rooms) in operation and in pipeline
Upscale business hotels	10 (4,474)	42 (14,175)	–	30 (8,720)	82 (27,369)
Upscale resort hotels	4 (830)	24 (5,943)	–	34 (7,251)	62 (14,024)
Mid-scale full service hotels	11 (2,902)	40 (9,000)	–	76 (17,956)	127 (29,858)
Mid-scale select service	16 (2,268)	114 (13,076)	1 (150)	110 (11,948)	241 (27,442)
Total	41 (10,474)	220 (42,194)	1 (150)	250 (45,875)	512 (98,693)

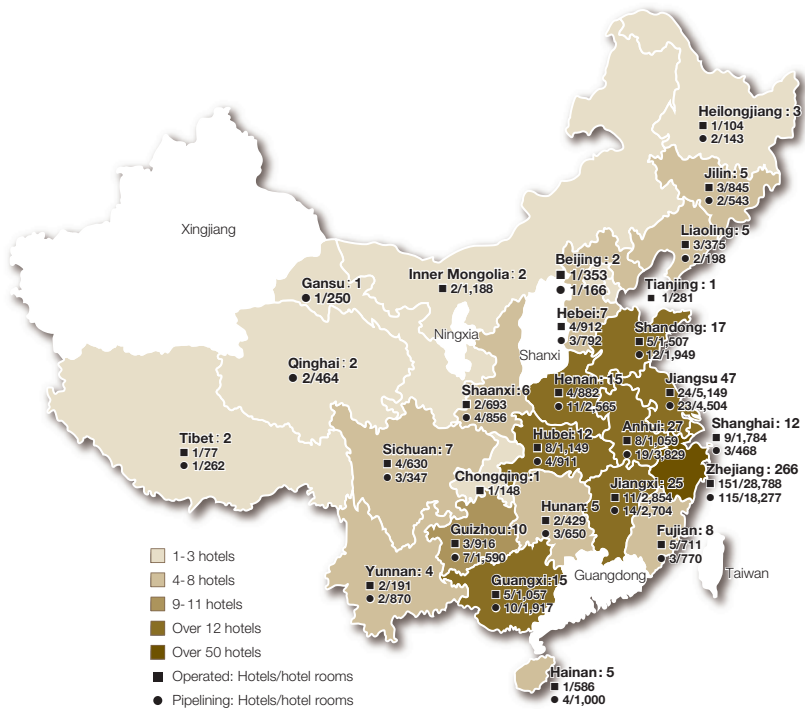
The following table is a breakdown of our hotels by first-, new first-, second-, third-tier and other cities, as at 30 June 2020.

	No. of operated hotels (No. of hotel rooms) in operation	No. of managed hotels (No. of hotel rooms) in operation	No. of operated hotels (No. of hotel rooms) in pipeline	No. of managed hotels (No. of hotel rooms) in pipeline	Total no. of hotels (No. of hotel rooms) in operation and in pipeline
First-tier cities	3 (387)	7 (1,750)	–	4 (634)	14 (2,771)
New first-tier cities	19 (5,230)	70 (11,410)	1 (150)	59 (10,185)	149 (26,975)
Second-tier cities	12 (2,544)	57 (11,633)	–	68 (12,167)	137 (26,344)
Third-tier cities	7 (2,313)	58 (12,163)	–	65 (12,222)	130 (26,698)
Others	–	28 (5,238)	–	54 (10,667)	82 (15,905)
Total	41 (10,474)	220 (42,194)	1 (150)	250 (45,875)	512 (98,693)

Note: Others include Anshun, Beihai, Bozhou, Chizhou, Chongzhou, Dazhou, Dali Bai Autonomous Prefecture, Danzhou, Dongying, Eushi Tujia and Miao Autonomous Prefecture, Fangchenggang, Fuzhou, Heze, Huainan, Huangshan, Huangshi, Jingdenzhen, Kaifeng, Lhasa, Leshan, Linzhi, Lu'an, Pu'er, Qiangongnan Miao and Dong Autonomous Prefecture, Quzhou, Shaoyang, Shiyuan, Suzhou, Wenchang, Xining, Xishuangbanna Dai Autonomous Prefecture, Xiaogan, Xinyu, Xuancheng, Weinan, Wuzhou, Ya'an, Yingtan, Zaozhuang, Zhangjiajie and Zhumadian.

The following table is a breakdown of our hotels by geographic location, as at 30 June 2020.

	No. of operated hotels (No. of hotel rooms) in operation	No. of managed hotels (No. of hotel rooms) in operation	No. of operated hotels (No. of hotel rooms) in pipeline	No. of managed hotels (No. of hotel rooms) in pipeline	Total no. of hotels (No. of hotel rooms) in operation and in pipeline
Zhejiang Province	27 (6,935)	124 (21,853)	1 (150)	114 (18,127)	266 (47,065)
Jiangsu Province	4 (966)	20 (4,183)	–	23 (4,504)	47 (9,653)
Anhui Province	–	8 (1,059)	–	19 (3,829)	27 (4,888)
Jiangxi Province	1 (168)	10 (2,686)	–	14 (2,704)	25 (5,558)
Shandong Province	–	5 (1,507)	–	12 (1,949)	17 (3,456)
Henan Province	–	4 (882)	–	11 (2,565)	15 (3,447)
Guangxi Zhuang Autonomous Region	–	5 (1,057)	–	10 (1,917)	15 (2,974)
Shanghai Municipality	3 (387)	6 (1,397)	–	3 (468)	12 (2,252)
Hubei Province	–	8 (1,149)	–	4 (911)	12 (2,060)
Guizhou Province	–	3 (916)	–	7 (1,590)	10 (2,506)
Fujian Province	–	5 (711)	–	3 (770)	8 (1,481)
Hebei Province	–	4 (912)	–	3 (792)	7 (1,704)
Sichuan Province	1 (202)	3 (428)	–	3 (347)	7 (977)
Others	5 (1,816)	15 (3,454)	–	24 (5,402)	44 (10,672)
Total	41 (10,474)	220 (42,194)	1 (150)	250 (45,875)	512 (98,693)



DEFINITIONS AND GLOSSARY

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

“Mid-scale Hotel”	mainly refers to three-and four-star hotels rated by the China Tourism Hotel Association’s China National Star Rating System, as well as hotels with similar product positioning and quality whose service quality and facilities are relatively comparable to those evaluated as three-and four-star
“New Century Tourism”	New Century Tourism Group Co., Ltd. (開元旅業集團有限公司), a company established in the PRC on 9 January 2001, and is one of our Controlling Shareholders and is indirectly owned as to 85.2% by Mr. Chen Miaolin, 8.5% by Mr. Chen Canrong and 6.3% by Mr. Zhang Guanming, respectively
“New Century Tourism Group”	New Century Tourism and its subsidiaries
“New first-tier cities”	Chengdu, Nanjing, Ningbo, Hangzhou, Suzhou, Tianjin, Xi’an, Wuhan, Chongqing, Qingdao, Zhengzhou and Changsha
“Prospectus”	the prospectus of the Company dated 26 February 2019
“Reporting Period”	From 1 January to 30 June 2020
“RMB” or “Renminbi”	the lawful currency of the PRC
“Second-tier cities”	Changzhou, Dalian, Fuzhou, Guiyang, Harbin, Haikou, Hefei, Jinan, Jiaxing, Jinhua, Lanzhou, Nanchang, Nanning, Nantong, Quanzhou, Shaoxing, Taizhou, Wenzhou, Wuxi, Xuzhou, Yantai, Changchun
“Share(s)”	ordinary shares of the Company with a nominal value of RMB1.00 each, including our Domestic Shares, Unlisted Foreign Shares and H Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Third-tier cities”	Baoding, Baotou, Cangzhou, Chuzhou, Fuyang, Guilin, Hohhot, Huzhou, Huaif’an, Jilin, Jining, Jiujiang, Lishui, Lianyungang, Linyi, Longyan, Ma’anshan, Nanping, Ningde, Qinhuangdao, Sanya, Sanming, Shangqiu, Shangrao, Tai’an, Taizhou, Tangshan, Wuhu, Weifang, Xinxiang, Xinyang, Suqian, Yancheng, Yichun, Yichang, Zhangzhou, Zhenjian, Zhoushan, Zhuzhou, Zunyi
“Upscale Hotel”	mainly refers to hotels considered as five-star by the China Tourism Hotel Association’s China National Star Rating System, as well as hotels with similar product positioning and quality, and service quality and comprehensive facilities comparable to those of five-star hotels

FINANCIAL HIGHLIGHTS

	Unaudited	
	For the six months ended 30 June	
	2020	2019
	(RMB'000)	(RMB'000)
Key Items from Condensed Consolidated Statement of Comprehensive Income		
Revenue	543,812	905,249
Gross profit	16,522	243,578
Net profit	(90,655)	80,925
(Loss)/profit attributable to Company shareholders	(92,203)	81,192
(Loss)/earnings per share attributable to the owners of the Company (in RMB)	(0.33)	0.32
	Unaudited	Audited
	As at	As at
	30 June	31 December
	2020	2019
	(RMB'000)	(RMB'000)
Key Items from Condensed Consolidated Balance Sheet		
Total assets	4,473,199	4,492,126
Total liabilities	3,073,424	2,902,083
Total equity attributable to the owners of the Company	1,374,268	1,578,471

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the interim results of Zhejiang New Century Hotel Management Co., Ltd. for the six months ended 30 June 2020.

The sudden emergence of COVID-19 in early 2020 was like a black swan which has struck a disrupting blow to all walks of life, and made a particularly deep impact on the hotel industry. As a benchmark private hotel enterprise in China, the Group upheld its mission of "meeting guest expectations and creating value for owners" during the Epidemic. It did so by rapidly implementing and continuously improving protective measures for owners, customers and employees, giving multifaceted support to the hotel industry's fast phased recovery, and contributing to the battle against the Epidemic.

Tackling epidemic prevention and fulfilling the role of a leading domestic hotel group

During the Epidemic, the Group continued as always to protect the rights and interests of multiple parties through the implementation of free refunds, changes and extension policies, providing free accommodation for medical staff in Hubei, and launching comprehensive support policies for owners. By implementing an employment policy of "no layoffs and no active reductions", the employee turnover rate was lower than that of the same period last year. This shows our strong commitment in building defenses against the coronavirus invasion.

As the Epidemic was brought gradually under control allowing work and production to restart in many regions, the Group responded to the government's call to strengthen epidemic prevention in the industry while promoting the resumption of work. Several marketing activities were consequently launched under the New Century "H" Plan in order to stimulate consumers' latent demand for travel. For example, the "311 New Century Super Brand Week" (311開元超級品牌週) attracted more than 120,000 orders with a total transaction volume of over RMB35 million, and gained high-profile market and industry recognition for the Group. At the same time, the adoption of new models and business formats such as "e-commerce + live broadcast" generated online customers and further warmed up the domestic tourism and hospitality market. Also, by making intelligent use of the government's various preferential support policies, implementing human resource allocation and cost controls, and providing catering takeaway services, the Group reduced its operating costs and found new revenue sources to help its performance rebound steadily.

Corporate social responsibility through the “Kaiyuan Cares”

In April 2020, the Group officially launched its “Kaiyuan Cares” (至美開元) charity plan. The campaign focuses on four major aspects covering environmental protection, healthy living, cultural education and talent development. The “Kaiyuan Cares” represents the solemn commitment of New Century Hotel Group to fulfill its corporate social responsibilities, and will guide the Group to use natural and human resources efficiently in its business activities and promote the sustainable development of the industry and society.

Bucking the trend to accelerate growth

Quickly recognising the tendency for “the weak to grow weaker while the strong get stronger” in the epidemic economy, the Group bucked the trend by capitalising on its cost leadership, astutely using flexible hotel operation and management mechanisms, adjusting its use of raised proceeds to rapidly grasp the opportunity in the acquisition of high-quality asset-light business targets, and cooperating with management companies with abundant hotel resources. During the Reporting Period, the Group effectively developed the hotel market. The number of opened and contracted hotels exceeded 500 in over 110 cities across the country, further expanding the Group’s market share of mid-to-upscale hotels, advancing its strategic footholds, and boosting the Group’s sustained and rapid development.

OUTLOOK

The year 2020 has been rich in challenge and opportunity. Although the macro economy is weak due to the impact of COVID-19, the Sino-US tensions and a wave of anti-globalisation sentiment, economic operations have steadily recovered along with improvements to epidemic prevention and control. The Board and management of the Group will continue to track market changes closely while using the “epidemic window” to accelerate development of traditional businesses, develop and expand the Group’s scale, enhance its overall competitiveness, and bring sustained long-term returns to shareholders.

Jin Wenjie
Chairman
Hangzhou, China
18 August 2020

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The sudden outbreak of COVID-19 at the beginning of 2020, the ongoing spread of the Epidemic overseas, a second outburst in Beijing and floods in south China all contributed to a sharp downturn at the start of the new decade. The social and economic impact of these events was huge and widespread, with the tourism and hotel industries being among the most seriously affected. During the first quarter of the Epidemic, domestic business and tourism activities fell into a state of complete stagnation. A large number of hotels were forced into a period of stasis, performance was sluggish, and the hotel industry fell into crisis. During the second quarter, the main front in the battle against the Epidemic shifted from the PRC to overseas. Domestic industries therefore gradually resumed work and production, resident tourism and business travel gradually recovered, and the domestic hotel industry showed signs of revival.

The Group responded to the massive impact of the Epidemic through the lens of “variables brought about by the impact – market end, consumer end and competition end” and “hidden invariants – providing unique value to customers and inspiring hidden demands”. With efforts in “restarting” reformation, it launched a series of major promotions and other marketing activities to stimulate potential consumer demand, and attempted to join in the new market direction stimulating online customer demand by selling products via live broadcast. These actions helped hotel performance to rebound steadily, and for the Group to achieve relatively good results among its peers.

During the Reporting Period, (i) the Group recorded a revenue of approximately RMB543.8 million, representing a decrease of approximately 39.9% as compared to the same period last year, (ii) the Group’s EBITDA was approximately RMB135.4 million, representing a decrease of approximately 57.6% as compared to the same period last year, and (iii) loss attributable to owners of the Company was approximately RMB92.2 million.

During the Reporting Period, the Group had 62 newly contracted hotels in total (January to June in 2019: 68). The decrease in the number of contracted hotels was affected by the Epidemic as compared to the same period last year, however the total scale reflected a steady growth trend. As at 30 June 2020, the Group’s hotel portfolio consisted of 261 hotels in operation (as at 31 December 2019: 216), with approximately 52,668 rooms (as at 31 December 2019: 44,785) throughout the PRC, representing an increase of approximately 20.8% and approximately 17.6% as compared to 31 December 2019, respectively. Among the 261 hotels in operation, 190 were under full service management agreements, 27 were under franchise agreements, two were owned hotels, three were hotels managed by third parties, and 39 were under lease agreements. As at 30 June 2020, the Group had 251 hotels in the pipeline with over 46,000 rooms, representing an increase of approximately 5.0% and 2.9% respectively as compared to 31 December 2019.

The following table shows the number of hotels and rooms in operation as 31 December 2019 and 30 June 2020.

In operation	As at 30 June 2020		As at 31 December 2019	
	No. of Hotels	No. of Hotel Rooms	No. of Hotels	No. of Hotel Rooms
Operated hotels	41	10,474	38	9,160
Managed hotels	220	42,194	178	35,625
Total	261	52,668	216	44,785

The following table shows the number of hotels and rooms of the Group by category as at 30 June 2020.

	No. of operated hotels (No. of hotel rooms) in operation	No. of managed hotels (No. of hotel rooms) in operation	No. of operated hotels (No. of hotel rooms) in pipeline	No. of managed hotels (No. of hotel rooms) in pipeline	Total no. of hotels (No. of hotel rooms) in operation and in pipeline
Upscale business hotels	10 (4,474)	42 (14,175)	–	30 (8,720)	82 (27,369)
Upscale resort hotels	4 (830)	24 (5,943)	–	34 (7,251)	62 (14,024)
Mid-scale full service hotels	11 (2,902)	40 (9,000)	–	76 (17,956)	127 (29,858)
Mid-scale select service	16 (2,268)	114 (13,076)	1 (150)	110 (11,948)	241 (27,442)
Total	41 (10,474)	220 (42,194)	1 (150)	250 (45,875)	512 (98,693)

Hotel Operation Segment

During the Reporting Period, the Group's revenue generated from the hotel operation segment amounted to approximately RMB489.0 million, representing a decrease of approximately 39.3% as compared to approximately RMB806.3 million for the six months ended 30 June 2019. The decrease in revenue was primarily due to the impact of the Epidemic.

The Group created a new driver for revenue growth by focusing on developing new hotel projects in upscale and mid-scale markets. During the Reporting Period, Hangzhou Boao Grand New Century Hotel and Inner Mongolia Grand New Century Hotel, two upscale full-service hotels leased and operated by the Group, were opened in February 2020 and June 2020, respectively. Nanchang Qingshan Lake Manju Hotel, a mid-scale select service hotel, commenced operation during April 2020 while New Century Yuyao Manju Hotel converted from entrustment to leased operation and New Century Manju Hotel Wanda Plaza Minhang Shanghai ceased operation due to property issues, increasing the number of operated hotels to 41 as at 30 June 2020.

Owned hotels

As at 30 June 2020, our "New Century Wonderland Resort" owned two hotels with 382 rooms, accounting for approximately 0.7% of the total hotel rooms in operation.

Leased hotels

During the first half of 2020, the Group sought opportunities for leasing hotel properties at reasonable rents to create a new driver for revenue and profit growth. This would also enhance brand value by rapidly expanding our national hotel network using a proven management model. Four new leased hotels therefore commenced operation during the Reporting Period. As at 30 June 2020, we had 39 leased hotels with 10,092 rooms, accounting for approximately 19.2% of the total number of 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:

Hotel Categories	Average occupancy rate (%)		Six months ended 30 June		RevPAR (RMB)	
	2020	2019	2020	2019	2020	2019
Upscale business hotels	27.3	60.6	430.6	475.4	117.7	288.0
Upscale resort hotels	35.0	55.4	529.5	635.1	185.4	351.8
Mid-scale full service hotels	29.6	57.0	325.2	350.7	96.3	199.9
Mid-scale select service hotels	41.1	57.9	272.2	314.1	111.9	181.9

Due to the impact of the aforementioned Epidemic, the occupancy rate and average room rate of all types of hotels have decline significantly.

F&B Services

	Six months ended 30 June	
	2020	2019
Average spending per customer (RMB)	139.0	131.7
Utilization rate of seats	35.2%	70.1%
Revenue per sq.m. of banquet rooms (RMB)	3,171.1	5,588.94

For F&B services, the average spending per customer (unit price) increased in the first half of the year. However, due to the impact of the Epidemic, the number of travelers recorded a significant decrease. The demand for wedding banquets and conference teams was cancelled due to restrictions. The utilization rate of seats and revenue per sq.m. of banquet rooms decreased by 34.9% and 43.3% respectively, as compared to the corresponding period last year.

Hotel Management Segment

During the Reporting Period, the Group recorded revenue of approximately RMB54.8 million from the hotel management segment, representing a decrease of approximately 44.7% as compared to approximately RMB99.0 million for the six months ended 30 June 2019. Although the number of managed hotels from new openings increased during the Reporting Period, after the outbreak of the epidemic, the Group proactively waived the management fees of all entrusted hotels from 24 January to 31 March 2020; and from April to June, the performance of each hotel also dropped significantly, resulting to a decrease in revenue from the management segment.

Financial Review

Revenue

Comparison between the Group's financial information during the Reporting Period and that of the six months ended 30 June 2019:

	Six months ended 30 June			
	2020		2019	
	Revenue (Unaudited) RMB'000	% of total revenue	Revenue (Unaudited) RMB'000	% of total revenue
Hotel operation				
Rooms	198,002	36.4%	367,356	40.6%
Food and beverage	193,019	35.5%	309,054	34.1%
Ancillary services	81,296	14.9%	110,225	12.2%
Rental income	16,720	3.1%	19,615	2.2%
Subtotal of hotel operation	489,037	89.9%	806,250	89.1%
Hotel management	54,775	10.1%	98,999	10.9%
Total	543,812	100.0%	905,249	100%

Hotel Operation

For the six months ended 30 June 2020, revenue for the hotel operation segment decreased by approximately 39.3% from approximately RMB806.3 million for the six months ended 30 June 2019 to approximately RMB489.0 million for the Reporting Period. The decrease in revenue was primarily due to the impact of the Epidemic.

Hotel Management

For the six months ended 30 June 2020, revenue for the hotel management segment decreased by approximately 44.7% from approximately RMB99.0 million in the same period of 2019 to RMB54.8 million for the Reporting Period. The decrease was primarily due to the impact of the aforesaid epidemic.

Cost of Sales

During the Reporting Period, the cost of sales decreased by approximately 20.3%, from approximately RMB661.7 million for the six months ended 30 June 2019 to approximately RMB527.3 million for the Reporting Period, primarily due to the significant decrease in operating income, however, fixed expenses such as labor cost and rental still exist and cannot be reduced significantly.

Gross Profit and Gross Profit Margin

Based on the foregoing, during the Reporting Period, the Group's gross profit amounted to approximately RMB16.5 million, representing a decrease of approximately 93.2% over the same period of last year. The gross profit margin was approximately 3.0%, representing a decrease of 88.7% as compared to the gross profit margin of approximately 26.9% for the same period in 2019. This was mainly due to the significant decrease in operating income.

Other Income and Other Gains

During the Reporting Period, other income and other gains were approximately RMB14.8 million, representing a decrease of approximately RMB3.5 million as compared to approximately RMB18.3 million for the six months ended 30 June 2019.

Sales and Marketing Expenses

Sales and marketing expenses decreased by approximately 33.4%, from approximately RMB44.1 million for the six months ended 30 June 2019 to approximately RMB29.4 million for the Reporting Period.

Administrative Expenses

Administrative expenses decreased by approximately 11.1%, from approximately RMB82.5 million in the six months ended 30 June 2019 to approximately RMB73.4 million for the Reporting Period.

Taxation

The effective tax rate during the Reporting Period was approximately 23.1%, compared to approximately 16.8% over the same period of last year. The increased effective tax rate was primarily due to the recognition of deferred income tax assets due to losses during the Reporting Period.

Net Profit and Total Comprehensive Income

As a result of the foregoing, we recorded a net loss and total comprehensive loss of approximately RMB90.7 million for the Reporting Period as compared to a net profit and total comprehensive income of approximately RMB80.9 million for the same period of last year. We also recorded a net loss attributable to Company owners of approximately RMB92.2 million for the Reporting Period as compared to a profit attributable to Company owners of approximately RMB81.2 million for the same period of last year.

Total Cash and Cash Equivalents Balance

As at 30 June 2020, the Group's total cash and cash equivalents balance was approximately RMB254.7 million, representing a decrease of approximately RMB91.0 million from approximately RMB345.7 million as at 31 December 2019. There was also restricted cash of approximately RMB775.4 million (as at 31 December 2019: approximately RMB909.2 million).

Property, Plant and Equipment

The property, plant and equipment of the Group mainly include leasehold improvements, construction in progress, building and facilities, machinery and equipment, office and electronic equipment and vehicles. As at 30 June 2020, the property, plant and equipment of the Group was approximately RMB770.7 million, representing an increase of approximately RMB109.5 million as compared to approximately RMB661.2 million as at 31 December 2019, primarily attributable to the newly leased hotel projects by the Group during the Reporting Period and acquisition of the decoration and related mobile assets of the project.

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 30 June 2020, the Group's total trade receivables were approximately RMB211.8 million, representing an increase of approximately RMB17.3 million as compared to approximately RMB194.6 million as at 31 December 2019, primarily attributable to the increase of RMB 14.4 million in VAT recoverable on assets purchased and decoration by the new leased hotel projects.

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 30 June 2020, the total trade payables of the Group amounted to approximately RMB478.2 million, representing an increase of approximately RMB99.5 million as compared with that of approximately RMB378.7 million as at 31 December 2019, mainly attributable to the outstanding dividend payables of RMB112.0 million at that end of the period (such dividend has been paid on 31 July 2020).

Contract Liabilities

The Group's contract liabilities substantially comprised the advances from customers and reward points under the customer loyalty program. Advances from customers primarily represented prepayment received from prepaid card holders, advances from banquet customers and prepayment received from leasing agreements. Customer loyalty program primarily represented a promotion program under which customers accumulate points for hotel service purchases made, which entitle them to discounts on future hotel service purchases. The Group's contract liabilities increased from RMB216.5 million as at 31 December 2019 to RMB231.4 million as at 30 June 2020.

Liquidity and financial resources

The Group generally funds its growth from cash generated from operations and debt financings. For details related to the Group's cash and cash equivalents, please refer to the sub-section "Total Cash and Cash Equivalents Balance" above and note 18 to the interim condensed consolidated balance sheet. As at 30 June 2020, the Group had no bank borrowings (31 December 2019: no bank borrowings). As at 30 June 2020, the Group's gearing ratio, calculated by dividing total interest-bearing borrowings (including total borrowings and total lease liabilities) by total assets, was approximately 52% (31 December 2019: approximately 50%). The Group constantly monitors its cash flow position, maturity profile of borrowings, availability of banking facilities, gearing ratio and interest rate exposure.

Foreign exchange risk

The Group's exposure to foreign exchange risk relates principally to its cash and cash equivalents denominated primarily in United States dollar and Hong Kong dollar. For further details on the Group's exposure to foreign exchange risk, please refer to note 5 to the condensed consolidated interim financial information.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

On 21 January 2020, the Group subleased the Hilton Hangzhou Xiaoshan (the "Target Hotel") property "Zhongying Business Center" Building 1 located in the PRC and acquired all operating assets of the Target Hotel decoration, equipment, furniture, etc. Please refer to the discloseable transactions announcement dated 21 January 2020 published on the website of the Stock Exchange by the Company for the details of the aforementioned asset acquisition transactions.

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

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

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

H Shares of the Company were listed on the Main Board of the Stock Exchange on 11 March 2019. Calculated based on the offer price of HK\$16.5 per Share, the Company's proceeds from the Listing amounted to approximately HK\$1,155.0 million. As stated in the Company's Prospectus dated 26 February 2019, the amount of net proceeds earmarked was approximately HK\$1,120.0 million.

On 20 March 2020, the Board resolved to change the use of proceeds (the “**Reallocation**”) and was approved at the 2019 annual general meeting by way of an ordinary resolution on 20 May 2020. For details of the Reallocation, please refer to the announcement of the Company regarding the change in the use of proceeds dated 20 March 2020 and the circular of the 2019 annual general meeting of the Company dated 21 April 2020.

The net proceeds utilized by the Group from the Listing Date up to 30 June 2020 are as follows:

Use of net proceeds	Amount of net proceeds earmarked as at Listing Date	Amount of net proceeds as at Listing Date after reallocation		Utilised amount of net proceeds from the Listing Date up to 30 June 2020	Unutilized Net Proceeds as at 30 June 2020	Estimated Utilization Timetable ⁽⁵⁾
	(HK\$ million)	(HK\$ million)	(RMB million)*	(RMB million)	(RMB million)	
Development of our upscale business and resort hotels	280.0 ⁽¹⁾	171.5	146.8	146.8	0.0	N/A
Development of our mid-scale hotels	392.0 ⁽²⁾	111.6	95.6	10.8	84.8	On or before 31 December 2021
Brand building and promotion including but not limited to, engaging in marketing and promotional activities, sponsorship of industry events and advertising	112.0 ⁽³⁾	0.0	0.0	0.0	0.0	N/A
Recruitment of more talent and strengthening our implementation of training to our staff and recruitment programs for supporting our business expansion	56.0	56.0	48.0	1.2	46.8	On or before 31 December 2021
Development of our information technology system by upgrading existing operational and IT system infrastructure	168.0 ⁽⁴⁾	68.0	58.2	2.4	55.8	On or before 31 December 2021
General corporate purposes and working capital	112.0	414.0	354.4	93.3	261.1	On or before 31 December 2022
Strategical development of the Group’s business through business acquisition and business collaboration	-	298.9	255.9	0.0	255.9	On or before 31 December 2021
Total	1,120.0	1,120.0	958.9	254.5	704.4	

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

Notes:

- (1) The unutilized net proceeds of HK\$108.5 million were reallocated to the “strategic development of the Group’s business through business acquisitions and business cooperation”;
- (2) The unutilized net proceeds of HK\$190.4 million were reallocated to the “strategic development of the Group’s business through business acquisitions and business cooperation”, and HK\$90.0 million was reallocated to “general corporate purposes and working capital”;

- (3) The unutilized net proceeds of HK\$112.0 million were reallocated to “general corporate purposes and working capital”;
- (4) The unutilized net proceeds of HK\$100.0 million were reallocated to “general corporate purposes and working capital”;
- (5) The expected utilization time of the unutilized net proceeds is based on the Group’s assessment of future market conditions, and may vary according to the development of current and future market conditions.

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

As at 30 June 2020, the interests or short positions of our Directors, Supervisors and chief executive in the Shares, underlying Shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) contained in Appendix 10 to the Listing Rules, are set out as follows:

Interest in Company Shares

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

Notes:

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

Save as disclosed above, as at 30 June 2020, neither any of the Directors, Supervisors nor Chief Executive had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2020, the interests or short positions of the following persons (other than Directors, Supervisors and chief executive of the Company) or corporations in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO are as follows:

Name of Shareholder	Nature of Interest	Class of Shares	Number of Shares	% in the relevant class of issued shares of the Company	% in total issued shares of the Company
New Century Tourism	Beneficial owner	Unlisted Shares ⁽⁷⁾	125,676,180	64.44	48.33
	Interest of a controlled corporation ⁽⁸⁾	Unlisted Shares ⁽⁷⁾	9,655,590		
			135,331,770		
Chen Miaolin	Interest of a controlled corporation ⁽⁸⁾⁽⁹⁾	Unlisted Shares ⁽⁷⁾	135,331,770	64.44	48.33
NC Hotels Investment Holding Pte. Ltd.	Beneficial owner ⁽¹⁰⁾	Unlisted Shares ⁽⁷⁾	40,482,540	19.28	14.46
Ctrip.com (Hong Kong) Limited	Beneficial owner ⁽¹¹⁾	H Shares	14,830,000	21.19	5.30
Rong Tong Fund Management Co., Ltd. represents: Rongtong Ronghai QDII No. 29 SMA (融通融海29號(QDII)單一資產管理計畫)	Investment Manager ⁽¹²⁾	H Shares	9,169,000	13.10	3.27
Rex Top Global Investments Limited	Beneficial owner ⁽¹³⁾	H Shares	6,059,400	8.66	2.16
GEM Holding	Beneficial owner ⁽¹⁴⁾	H Shares	3,800,000	5.43	1.36
Zhang Guangxin	Beneficial owner ⁽¹⁵⁾	H Shares	6,655,000	9.51	2.38

Notes:

6. All interests stated are long positions.
7. Unlisted shares include domestic shares and unlisted foreign shares. On the advice of our PRC Legal Adviser, holders of unlisted foreign shares and domestic shares are entitled to the same rights and will be treated as if they are in the same class of shares under the SFO upon Listing.
8. 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.
9. Mr. Chen Miaolin indirectly owns 85.2% of the equity interests in New Century Tourism and Mr. Chen Miaolin is deemed under the SFO to be interested in the shares held by New Century Tourism.
10. 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.
11. 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.
12. 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.
13. Yeung Lik David is the controller and director of Rex Top Global Investments Limited.
14. GEM Holding is ultimately controlled by Greenland Holdings Corporation Limited. Greenland Holdings Corporation Limited is deemed under the SFO to be interested in the Shares held by GEM Holding.
15. Zhang Guangxin is an individual substantial shareholder.

Save as disclosed above, as at 30 June 2020, Directors, Supervisors and Chief Executives of the Company were not aware of any other person or corporation having an interest or short position in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Changes in Directors and Supervisors' Biographical Details

Changes in directors and supervisors' biographical details subsequent to the date of the 2019 Annual Report, which are required to be disclosed pursuant to Rules 13.51(2) and 13.51B of the Listing Rules, are set out below:

- (1) Mr. Chen Canrong, a non-executive director of the Company, ceased to act as a director and chairman of the board of directors of Zhejiang New Century Property Management Co., Ltd. with effect from 8 May 2020.
- (2) Mr. Zhang Rungang, an independent non-executive director of the Company, resigned from his office as a director of Beijing BTG Hotels (Group) Co., Ltd. (a company listed on the Main Board of the Shanghai Stock Exchange, stock code: 600258) on 18 June 2020.
- (3) Due to the expiration of the term of office, Ms. Qiu Yun, an independent non-executive director of the Company, ceased to act as an independent non-executive director and chairman of the audit committee of Youngor Group Company Limited (a company listed on the Main Board of the Shanghai Stock Exchange, stock code: 600177) and an independent non-executive director and chairman of the audit committee of Rongan Property Co., Ltd. (a company listed on the Main Board of the Shenzhen Stock Exchange, stock code: 000517) with effect from 20 May 2020 and 1 July 2020, respectively.

Human Resources and Training

As at 30 June 2020, the Group had 5,135 employees. For the six months ended 30 June 2020, the total remuneration of employee, including the remuneration of the Directors (but excluding those who are independent non-executive directors), was approximately RMB186.1 million (for the six months ended 30 June 2019: RMB265.6 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.

The Group strongly emphasises the development of human resources, focusing on the long-term cultivation and training of management talent at all levels, including both specialised talents and junior employees. The Group strives to develop talent in line with Company strategy. During the Reporting Period, New Century University, the Company's internal training platform, responded quickly to the epidemic and organized 5 live online training sessions on the theme of "Fighting the Epidemic Side-by-side and Setting Sail", with the content involving human resources management, market branding, online marketing planning and hotel operations during the epidemic period. During the Epidemic, New Century University still attached great importance to the training and development of talents, organized and carried out online training for 2018 & 2019 reserved executives (69 people) and 2019 middle-level successors (105 people), and quickly adjusted the training content in accordance with the actual situation, as well as conducted internal learning and sharing by introducing high-quality courses such as the resumption of work series from Meituan University and Ctrip University to empower talent training and development.

Currently, the Company has no established share option schemes.

Corporate Governance

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

Model Code for Securities Transactions

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

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

The Company has also established written guidelines (the “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 Written Guidelines by the employees was noted by the Company.

Audit Committee

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

The Audit Committee has reviewed the Group’s interim results for the six months ended 30 June 2020 and recommended approval by the Board. The interim results of the Group for the six months ended 30 June 2020 were also reviewed by the Company’s external auditor, PricewaterhouseCoopers. With the Group’s management, the audit committee also reviewed the Group’s accounting principles and practices and discussed matters of internal control, risk management and financial reporting for the six months ended 30 June 2020.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities for the six months ended 30 June 2020.

Corporate Strategy and Development Outlook

During the Reporting Period, the COVID-19 pandemic imposed severe challenges on the hotel industry. By following the strategic guidance of “Thousand Hotels in Five Years”, the Group was precisely positioned to focus on key domestic regions and cities, steadily develop upscale hotels while rapidly developing mid-scale hotels, and buck the trend by rapidly expanding the national mid-to-upscale hotel market.

Looking to the future, with the ongoing recovery of the domestic economy, we will continue to focus on development strategies for key regions and cities, promote the growth of strategic projects and accelerate its business footprint across the nation. Meanwhile, we will continue channeling construction, refining and maintaining management and deeply excavating customer value to realise sustained and rapid development in the future.

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

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

Events after the Reporting Period

The Group does not have any significant event requiring disclosure under the Listing Rules that has taken place subsequent to 30 June 2020 and up to the date of this report.

Interim Dividend

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

Report on Review of Interim Financial Information

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

Introduction

We have reviewed the interim financial information set out on pages 29 to 78, which comprises the condensed consolidated balance sheet of Zhejiang New Century Hotel Management Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 August 2020

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

	Notes	Unaudited Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Revenue	6	543,812	905,249
Cost of sales	7	(527,290)	(661,671)
Gross profit		16,522	243,578
Selling and marketing expenses	7	(29,377)	(44,114)
Administrative expenses	7	(73,413)	(82,548)
Net impairment losses on financial assets	7	(856)	(3,026)
Other income	8	12,790	17,723
Other gains – net	9	2,035	618
Operating (loss)/profit		(72,299)	132,231
Finance income		19,673	18,847
Finance costs		(53,666)	(56,135)
Finance costs – net	10	(33,993)	(37,288)
Share of net (losses)/profits of associates and joint venture accounted for using the equity method	16	(11,593)	2,366
(Loss)/profit before income tax		(117,885)	97,309
Income tax credit/(expense)	11	27,230	(16,384)
(Loss)/profit for the half-year		(90,655)	80,925
Other comprehensive income for the half-year, net of income tax		–	–
(Loss)/profit and total comprehensive (loss)/income for the half-year		(90,655)	80,925
(Loss)/profit and total comprehensive (loss)/income attributable to:			
– Owners of the Company		(92,203)	81,192
– Non-controlling interests		1,548	(267)
		(90,655)	80,925
(Loss)/earnings per share for (loss)/profit attributable to the owners of the Company – Basic/Diluted (in RMB per share)	12	(0.33)	0.32

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

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

	Notes	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	14	770,702	661,163
Right-of-use assets	15	2,178,537	2,135,362
Investment properties	14	888	895
Intangible assets	14	14,314	6,143
Investments accounted for using the equity method	16	125,533	131,100
Financial assets at fair value through other comprehensive income	19	2,053	2,053
Deferred tax assets		109,398	74,671
Restricted cash	18	384,147	375,000
Total non-current assets		3,585,572	3,386,387
Current assets			
Inventories		29,868	31,264
Trade and other receivables and prepayments	17	211,827	194,552
Financial assets at fair value through profit or loss	20	201,687	-
Cash and cash equivalents	18	254,652	345,746
Restricted cash	18	189,593	534,177
Total current assets		887,627	1,105,739
Total assets		4,473,199	4,492,126
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital and share premium	21	1,145,375	1,145,375
Other reserves (Accumulated losses)/retained earnings	22	315,373 (86,480)	315,373 117,723
Total equity attributable to owners of the Company		1,374,268	1,578,471
Non-controlling interests		25,507	11,572
Total equity		1,399,775	1,590,043
Liabilities			
Non-current liabilities			
Lease liabilities	15	1,993,729	1,950,150
Deferred income		18,271	18,862
Deferred tax liabilities		2,944	246
Total non-current liabilities		2,014,944	1,969,258

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

As at 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

		Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Current liabilities			
Contract liabilities		231,436	216,523
Trade and other payables	23	478,184	378,662
Lease liabilities	15	338,525	309,281
Current income tax liabilities		9,149	27,173
Current portion of long-term liabilities		1,186	1,186
Total current liabilities		1,058,480	932,825
Total liabilities		3,073,424	2,902,083
Total equity and liabilities		4,473,199	4,492,126

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

The interim condensed consolidated financial information of the Company on pages 29 to 78 was approved by the Board of Directors on 18 August 2020 and was signed on its behalf.

Jin Wenjie
Chairman

Chen Miaoqiang
Executive Director

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

		Unaudited					
		Attributable to owners of the Company				Attributable to non-controlling interests	
Notes		Share capital and share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total 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	-	-	(121,810)	(121,810)	-	(121,810)
	Restated total equity at 1 January 2019	210,000	276,440	55,598	542,038	10,097	552,135
	Comprehensive income						
	Profit for the half-year	-	-	81,192	81,192	(267)	80,925
	Total comprehensive income for the half-year	-	-	81,192	81,192	(267)	80,925
	Transactions with owners in their capacity as owners						
	Capital injections from non-controlling interests	-	-	-	-	1,673	1,673
	Dividends provided for or paid	13	-	(100,800)	(100,800)	(2,097)	(102,897)
	Transactions with non-controlling interests	-	546	-	546	(2,491)	(1,945)
	Acquisition of a subsidiary	-	-	-	-	4,900	4,900
	Others						
	Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	21	935,375	-	935,375	-	935,375
	As at 30 June 2019	1,145,375	276,986	35,990	1,458,351	11,815	1,470,166

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

	Unaudited					
	Attributable to owners of the Company					
	Share capital and share premium RMB'000	Other reserves RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000	Attributable to non-controlling interests RMB'000	Total Equity RMB'000
As at 1 January 2020	1,145,375	315,373	117,723	1,578,471	11,572	1,590,043
Comprehensive loss (Loss)/profit for the half-year	-	-	(92,203)	(92,203)	1,548	(90,655)
Total comprehensive loss for the half-year	-	-	(92,203)	(92,203)	1,548	(90,655)
Transactions with owners in their capacity as owners						
Capital injections from non-controlling interests	-	-	-	-	6,720	6,720
Dividends provided for or paid	-	-	(112,000)	(112,000)	(521)	(112,521)
Acquisition of a subsidiary	-	-	-	-	6,188	6,188
As at 30 June 2020	1,145,375	315,373	(86,480)	1,374,268	25,507	1,399,775

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

	Notes	Unaudited Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations		141,878	302,361
Interest paid		(53,572)	(3,320)
Income tax paid		(22,842)	(29,227)
Net cash generated from operating activities		65,464	269,814
Cash flows from investing activities			
Payments for purchase of financial assets at fair value through profit or loss		(1,298,600)	–
Proceeds received from financial assets at fair value through profit or loss		1,099,598	–
Payments for property, plant and equipment and intangible assets		(156,383)	(108,072)
Proceeds from acquisition of a subsidiary, net of cash acquired	24(a)	7,462	1,630
Payment for acquisition of a business	24(b)	(23,549)	–
Payment for investments in joint ventures	16	(9,120)	–
Payments for the transaction with non-controlling interests		–	(1,945)
Proceeds from sale of property, plant and equipment	9, 14	424	113
Decrease/(increase) in restricted cash as term deposits		349,142	(861,991)
Net cash used in investing activities		(31,026)	(970,265)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

	Notes	Unaudited Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Cash flows from financing activities			
Payments of lease liabilities		(131,797)	(179,664)
Dividends paid to non-controlling interests		(521)	(2,097)
Proceeds from issuance of ordinary shares relating to the initial public offering, netting of listing expenses payment		–	951,764
Proceeds from bank borrowings		230,000	–
Repayment of bank borrowings		(230,000)	(190,500)
Proceeds from capital injection of non-controlling interests		6,720	1,673
Net cash (used in)/generated from financing activities		(125,598)	581,176
Net decrease in cash and cash equivalents		(91,160)	(119,275)
Cash and cash equivalents at beginning of the half-year	18	345,746	367,688
Exchange differences	10	66	4,833
Cash and cash equivalents at end of the half-year	18	254,652	253,246

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

1 General information

The Company, initially known as Zhejiang New Century Hotel Management Limited (浙江開元酒店管理有限公司, the “Company”) was incorporated in People’s Republic of China (the “PRC”) on 17 December 2008 as a limited liability company. On 28 June 2017, the Company was converted into a joint stock company with limited liabilities under the Company law of the PRC and changed its name to Zhejiang New Century Hotel Management Co., Ltd. (浙江開元酒店管理股份有限公司). The Company and its subsidiaries (together, the “Group”) are principally engaged in hotel operation and management business in the PRC. The parent company of the Group is New Century Tourism Group Co., Ltd. (開元旅遊集團有限公司), 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 interim condensed consolidated financial information are presented in Renminbi thousands (“RMB’000”), unless otherwise stated. This interim condensed consolidated financial information was reviewed by the Audit Committee and approved for issue by the Board of Directors (the “Board”) of the Company on 18 August 2020.

This interim condensed consolidated financial information has not been audited.

Significant change in the current reporting period

Since the outbreak of Coronavirus Disease 2019 (the “COVID-19”) outbreak in 2020, a series of relevant precautionary and control measures have been carried out in many regions which the Group’s hotels are situated in. Business and economic activities in some regions have been affected in various extents. Following the outbreak of COVID-19, many hotels of the Group has suspended operation for various periods. The overall performance has decrease compared with the same period of year 2019 due to occupancy rate decrease under the weak economic environment.

2 Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim condensed consolidated financial information is to be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), except for the adoption of new and amended standards as disclosed in Note 3 and any public announcements made by the Company during the interim reporting period.

As at 30 June 2020, the Group had net current liabilities of approximately RMB170,853 thousands, and for the six months ended 30 June 2020, the net loss of the Group was approximately RMB90,655 thousands. The directors of the Company are of the opinion that, with the gradual recovery of resident tourism and business travel resulted from successful control of the spread of COVID-19 in the PRC, and taking into account the anticipated cash flows generated from the Group’s operation, the Group will have adequate resources to continue its operations for the foreseeable future and to meet with its financial obligations as and when they fall due for a period that is not less than 12 months from the end of the reporting period. Accordingly, the directors of the Company have adopted the going concern basis in preparing the interim condensed consolidated financial information.

3 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2019, except for the adoption of “Amendments to IFRS 16” and the estimation of income tax and other adoption of new and amended standards as set out below.

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

3 Accounting policies *(continued)*

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

The following new and amended accounting standards and interpretations become applicable for annual reporting periods commencing on or after 1 January 2020, and have been adopted by the Group for the first time for its 2020 interim reports:

Amendments to IAS 1 and IAS 8	Definition of Materials
Amendments to IFRS 3	Definition of Business
Revised conceptual framework	Revised conceptual framework for financial reporting
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IFRS 16	Covid-19-related Rent Concessions

The Group has early adopted Amendment to IFRS 16 – Covid-19-Related Rent Concessions retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (b) any reduction in lease payments affects only payments due on or before 30 June 2021; and (c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions of RMB30,640 thousands have been accounted for as negative variable lease payments and recognised in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2020 (Note 7), with a corresponding adjustment to the lease liability. There is no impact on the opening balance of equity at 1 January 2020.

Except for the Amendment to IFRS 16 set out above, the Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

3 Accounting policies *(continued)*

(b) New standards and amendments of IFRS issued but are not yet effective for the financial year beginning on 1 January 2020 and have not been early adopted by the Group

		Effective for annual periods beginning on or after
IFRS 17	Insurance contracts	1 January 2023

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

4 Estimates

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied, to the consolidated financial statements for the year ended 31 December 2019.

5 Financial risk management and financial instruments

5.1 Financial risk factors

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

5 Financial risk management and financial instruments

(continued)

5.1 Financial risk factors (continued)

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019.

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

5.2 Foreign exchange risk

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

As at 30 June 2020, if RMB had weakened/strengthened by 1% against USD with all other variables held constant, post-tax profit for the six months ended 30 June 2020 would have been approximately RMB33 thousands higher/lower (six months ended 30 June 2019: RMB305 thousands) respectively, mainly as a result of foreign exchange gains/losses on translation of USD denominated cash and cash equivalents and restricted cash.

5.3 Liquidity risk

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

As at 30 June 2020 and 31 December 2019, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

	Less than 1 year RMB'000	Between 1-2 years RMB'000	Between 2-3 years RMB'000	Over 3 years RMB'000	Total RMB'000
As at 30 June 2020 (unaudited)					
Trade and other payables	366,404	-	-	-	366,404
Lease liabilities	439,971	412,893	392,413	1,689,034	2,934,311
	806,375	412,893	392,413	1,689,034	3,300,715
As at 31 December 2019 (audited)					
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

5 Financial risk management and financial instruments

(continued)

5.4 Fair value estimation

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

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1;

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

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2020 and 31 December 2019.

Note	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 30 June 2020				
(unaudited)				
Financial assets				
Financial assets at fair value through profit or loss ("FVPL")				
20	-	201,687	-	201,687
Financial assets at fair value through other comprehensive income ("FVOCI")				
19	-	-	2,053	2,053
Total financial assets				
	-	201,687	2,053	203,740
As at 31 December 2019				
(audited)				
Financial assets at FVOCI				
19	-	-	2,053	2,053
Total financial assets				
	-	-	2,053	2,053

There were no transfers among different levels during the period ended 30 June 2020 and 2019.

5 Financial risk management and financial instruments

(continued)

5.4 Fair value estimation *(continued)*

(a) Valuation techniques used to determine fair values

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- 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 30 June 2020 are included in level 2 and level 3.

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

The financial assets at FVOCI represents the investment in an unlisted company with a 4.35% equity interest. As at 30 June 2020, the fair value of the financial assets at FVOCI approximate to the carrying amount of original investment, RMB2,053 thousands.

6 Segment information and revenue

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

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

- Hotel operation; and
- Hotel management.

Revenue from hotel operations primarily comprises revenues from providing rooms, 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 (losses)/profits 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.

6 Segment information and revenue *(continued)*

(a) Segment revenue

The revenue of the Group for the six months ended 30 June 2020 and 2019 is set out as follows:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Hotel operation		
Rooms	198,002	367,356
Food and beverage	193,019	309,054
Ancillary services	81,296	110,225
Rental income	16,720	19,615
Subtotal of hotel operation	489,037	806,250
Hotel management	54,775	98,999
Total revenue	543,812	905,249
Revenue from contracts with customers:		
– Recognised at a point of time	221,095	352,907
– Recognised over time	305,997	532,727
	527,092	885,634
Revenue from other resources:		
– Rental income	16,720	19,615

6 Segment information and revenue *(continued)*

(b) Segment information

The segment information provided to the executive directors of the Company for the business segments for the six months ended 30 June 2020 and 2019 are as follows:

Business segments	Unaudited Six months ended 30 June 2020		Total RMB'000
	Hotel operation RMB'000	Hotel management RMB'000	
Revenue			
Segment revenue	497,612	63,274	560,886
Inter-segment revenue	(8,575)	(8,499)	(17,074)
Segment revenue from external customers	489,037	54,775	543,812
Cost of sales	(522,001)	(5,289)	(527,290)
Selling and marketing expenses	(17,577)	(11,800)	(29,377)
Administrative expenses	(45,600)	(27,813)	(73,413)
Net impairment losses on financial assets	(642)	(214)	(856)
Segment (loss)/profit	(96,783)	9,659	(87,124)

6 Segment information and revenue *(continued)*

(b) Segment information *(continued)*

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

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 interim financial information.

7 Expenses by nature

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Employee benefit expenses	186,062	265,614
Depreciation of right-of-use assets (Note 15)	171,770	144,133
Costs of materials consumption	131,336	208,777
Depreciation of property, plant and equipment (Note 14)	41,993	33,195
Utility cost	32,515	46,499
Impairment for long-term assets (Note 15)	24,027	-
Marketing and promotion expenses	15,550	17,774
Travelling and communication expenses	13,262	13,316
Repairs and maintenance	7,505	9,859
Operating lease expenses (Note 15)	6,572	10,031
Laundry costs	5,865	9,181
Out-sourcing service	4,749	4,817
Professional fees	2,683	2,584
Taxes and levies	2,323	4,035
Amortisation of intangible assets (Note 14)	1,698	2,552
Transportation expenses	994	1,413
Bank charges	922	1,968
Net impairment losses on financial assets (Note 17)	856	3,026
Uniform expenses	603	1,396
Depreciation of investment properties (Note 14)	7	7
COVID-19-related rent concessions (Note 3)	(30,640)	-
Miscellaneous	10,284	11,182
Total cost of sales, selling and marketing, administrative expenses and net impairment losses on financial assets	630,936	791,359

8 Other income

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Government grants	11,792	17,723
Income from financial assets at FVPL	998	–
	12,790	17,723

9 Other gains – net

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Net losses on disposal of property, plant and equipment	(79)	(31)
Fair value gain on financial assets at FVPL (Note 20)	1,687	–
Others	427	649
	2,035	618

10 Finance costs – net

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Finance income		
– Interest income derived from bank and term deposits	15,763	14,014
– Unrealised foreign exchange gains	160	4,833
– Realised foreign exchange gains	3,750	–
	19,673	18,847
Finance costs		
– Interest expenses on bank borrowings	(473)	(3,173)
– Finance expense of leasing liabilities (Note 15)	(53,099)	(52,962)
– Unrealised foreign exchange losses	(94)	–
	(53,666)	(56,135)
Finance costs – net	(33,993)	(37,288)

No finance costs have been capitalised on qualifying assets for the six months ended 2020 and 2019.

11 Income tax (credit)/expense

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Current income tax	4,799	18,051
Deferred income tax	(32,029)	(1,667)
Income tax (credit)/expense	(27,230)	16,384

(a) PRC corporate income tax

Enterprises incorporated in the PRC are subject to income tax rates of 25%. The income tax provision of the Group has been calculated at the applicable tax rate on the estimated assessable profits for the six months ended 30 June 2020 and 2019 based on existing legislations, interpretations and practices.

Income tax expense is recognised based on management's best estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 30 June 2020 is 23% (for the six months ended 30 June 2019 is 17%).

12 (Loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to the owners of the Company by the weighted average number of shares in issue or deemed to be in issue during the period. Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. The diluted (loss)/earnings per share for the six months ended 30 June 2019 and 2020 are the same as the basic (loss)/earnings per share as there is no dilutive potential share during the half-year.

	Unaudited Six months ended 30 June	
	2020	2019
(Loss)/profit attributable to owners of the Company (in RMB'000)	(92,203)	81,192
Weighted average number of ordinary shares in issue or deemed to be in issue (in'000 shares)	280,000	253,315
Basic/diluted (loss)/earnings per share (in RMB per share)	(0.33)	0.32

13 Dividends

The Board has not recommended any interim dividend for the six months ended 30 June 2020.

On 25 March 2019, a final dividend per share of of RMB0.36 (tax inclusive) per share, totaling RMB0.36 (before tax), totally RMB100,800 thousands, was declared to all shareholders of the Company. In July 2019, all dividends were paid to the shareholders.

On 20 May 2020, a final dividend of RMB0.40 (tax inclusive) per share, totaling per share of RMB0.40 (before tax), totally RMB112,000 thousands, was declared to all shareholders of the Company. In July 2020, all dividends were paid to the shareholders.

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

	Property, plant and equipment RMB'000	Investment properties RMB'000	Land use rights RMB'000	Intangible assets RMB'000
As at 1 January 2019 (audited)				
Cost	918,222	1,000	48,768	54,634
Accumulated depreciation/amortisation	(330,466)	(90)	(3,814)	(39,730)
Net book amount	587,756	910	44,954	14,904
For the six months ended 30 June 2019 (unaudited)				
Opening net book amount	587,756	910	44,954	14,904
Transfer to right of use assets	-	-	(44,954)	(6,372)
Additions	102,174	-	-	1,207
Acquisition of subsidiaries	2	-	-	-
Disposals	(144)	-	-	-
Depreciation/amortisation charge (Note 7)	(33,195)	(7)	-	(2,552)
Closing net book amount	656,593	903	-	7,187
As at 30 June 2019 (unaudited)				
Cost	1,008,348	1,000	-	37,078
Accumulated depreciation/amortisation	(351,755)	(97)	-	(29,891)
Net book amount	656,593	903	-	7,187
As at 1 January 2020 (audited)				
Cost	1,047,722	1,000	-	38,651
Accumulated depreciation/amortisation	(381,474)	(105)	-	(32,508)
Impairment loss	(5,085)	-	-	-
Net book amount	661,163	895	-	6,143
For the six months ended 30 June 2020 (unaudited)				
Opening net book amount	661,163	895	-	6,143
Additions	138,662	-	-	1,044
Acquisition of subsidiaries (Note 24)	13,373	-	-	8,825
Disposals	(503)	-	-	-
Depreciation/amortisation charge (Note 7)	(41,993)	(7)	-	(1,698)
Closing net book amount	770,702	888	-	14,314
As at 30 June 2020 (unaudited)				
Cost	1,192,421	1,000	-	49,207
Accumulated depreciation/amortisation	(416,634)	(112)	-	(34,893)
Accumulated impairment loss	(5,085)	-	-	-
Net book amount	770,702	888	-	14,314

As at 30 June 2020, the impairment loss is RMB5,085 thousands which related to 2 loss-making hotels, same as the impairment balance as at 31 December 2019.

15 Leases

(a) Amounts recognised in the condensed consolidated balance sheet

The condensed consolidated balance sheet shows the following amounts relating to leases:

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Right-of-use assets		
Properties	1,800,065	1,693,098
Equipment and others	356,432	398,494
Land use rights	43,151	43,766
Favorable operating lease	7,952	5,040
Less: impairment losses	(29,063)	(5,036)
	2,178,537	2,135,362
Lease liabilities		
Current	338,525	309,281
Non-current	1,993,729	1,950,150
	2,332,254	2,259,431

Additions to the right-of-use assets mainly represent the property and equipment lease contracts for newly set up hotels. The total additions of right-of-use assets during the six months ended 30 June 2020 were RMB238,972 thousands (for the six months ended 30 June 2019 were RMB334,187 thousands).

As at 30 June 2020, the impairment loss of RMB29,063 thousands were provided for 3 loss-making hotels (as at 31 December 2019: RMB5,036 thousands). The impairment provision charge of RMB24,027 thousands during the half year was included in cost of sales in the condensed consolidated statement of comprehensive income.

15 Leases (continued)

(b) Amounts recognised in the condensed consolidated statement of comprehensive income

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Depreciation charge of right-of-use assets (Note 7)		
Properties	116,896	97,832
Equipment and others	53,460	45,040
Land use rights	616	595
Favorable operating lease	798	666
	171,770	144,133
Impairment losses (Note 7)	24,027	–
	Unaudited	
	Six months ended 30 June 2020	
	2020	2019
	RMB'000	RMB'000
Interest expense (included in finance cost) (Note 10)	53,099	52,962
Operating expenses (Note 7)	6,572	10,031
– relating to short-term leases (included in cost of goods sold and administrative expenses)	4,898	6,645
– 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)	756	1,687
– relating to variable lease payments not included in lease liabilities (included in administrative expenses)	918	1,699

The total cash outflow for leases for the six months ended 30 June 2020 were RMB191,468 thousands (For the six months ended 30 June 2019 were RMB184,346 thousands).

16 Investments accounted for using the equity method

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Investments in joint ventures (a)	125,533	128,006
Investments in associates (b)	–	3,094
	125,533	131,100

(a) Investments in joint ventures

	Unaudited Six months ended 30 June 2020 RMB'000	2019 RMB'000
Beginning of the period	128,006	118,440
Share of net (loss)/profit	(11,593)	2,341
Addition	9,120	–
End of the period	125,533	120,781

Particulars of joint ventures of the Group as at 30 June 2020 and 31 December 2019, which is unlisted, are set out below:

Company Name	Place of establishment	Date of establishment	Principal activities	Equity interest held by the Company as at	
				30 June 2020	31 December 2019
Beijing Gehua New Century Hotel Co., Ltd. (北京歌華開元大酒店有限公司, "Beijing Gehua")	Beijing, China	19 September 2005	Hotel operation and management	49%	49%
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	20 December 2019	Hotel operation	45%	45%
Hangzhou Kaibakaiba Commercial Management Co., Ltd. (杭州開巴開巴商業管理有限公司, "Kaibakaiba")	Zhejiang, China	25 December 2019	Management and consulting service	51%	51%
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	15 November 2019	Hotel management	49%	49%

16 Investments accounted for using the equity method

(continued)

(b) Investments in associates

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Beginning of the period	3,094	3,124
Share of net profit	–	25
Transfer to investment in a subsidiary	(3,094)	–
End of the period	–	3,149

Particulars of the associates of the Group as at 30 June 2020 and 31 December 2019, which is unlisted, are set out below:

Company Name	Registered capital RMB	Date of establishment	Principal activities	Equity interest held by the Company as at	
				30 June 2020	31 December 2019
Zhejiang Haogu Internet Technology Co., Ltd. (Note 24(a)) (浙江皓谷網絡科技有限公司, "Zhejiang Haogu")	15,000,000	20 May 2016	Internet technology development	60%	20%
Zhejiang Ziguang New Century Technology Co., Ltd. (浙江紫光開元科技有限公司, "Ziguang Technology")	–	11 October 2019	Technology and engineering	20%	20%

Till 30 June 2020, the Group had not provided any funding to Ziguang Technology (Note 25(c)).

17 Trade and other receivables and prepayments

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Trade receivables due from third parties	99,738	92,891
Trade receivables due from related parties (Note 26)	8,091	6,347
	107,829	99,238
Less: provision for impairment	(5,797)	(4,934)
Trade receivables – net	102,032	94,304
Deposits to suppliers	–	4,211
Other receivables due from related parties (Note 26)	1,560	831
VAT recoverable	60,908	46,489
Others	25,973	15,247
	88,441	66,778
Less: provision for other receivables	(4,361)	(4,368)
Other receivables – net	84,080	62,410
Prepayments	25,715	37,838
Total trade and other receivables and prepayments	211,827	194,552

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

(a) Trade receivables

As at 30 June 2020 and 31 December 2019, 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:

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
– Up to 3 months	75,846	79,011
– 3 months to 1 year	25,209	12,900
– 1 year to 2 years	4,965	6,491
– 2 years to 3 years	973	24
– Over 3 years	836	812
	107,829	99,238

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

	Unaudited Six months ended 30 June 2020 RMB'000	2019 RMB'000
Beginning of the period	(4,934)	(3,849)
Additions	(863)	(1,340)
End of the period	(5,797)	(5,189)

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

(b) Other receivables

Other receivables are measured at amortised costs. Other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risks in initial recognition.

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Beginning of the period	(4,368)	(3,604)
Reversal/(additions)	7	(1,686)
Acquisition of a subsidiary	–	(12)
End of the period	(4,361)	(5,302)

18 Cash and cash equivalents and restricted cash

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
Cash at bank and in hand	828,392	1,254,923
Less: restricted cash (a)	(573,740)	(909,177)
Cash and cash equivalents	254,652	345,746

As at 30 June 2020 and 31 December 2019, all the cash at bank and in hand are denominated in the following currencies:

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
Cash at bank and in hand:		
– RMB	824,786	1,035,088
– HKD	346	962
– USD	3,260	218,873
	828,392	1,254,923

- (a) All cash at bank, except restricted cash, are deposits with original maturity within 3 months. The Group earns interest on cash at bank, including restricted cash, at floating bank deposit rates.

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

- (b) Restricted cash represents term deposits over 3 months and, guaranteed deposits held in separate reserve accounts pledged as security deposits under certain lease agreements.

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Deposits pledged for issued letter of guarantee	30,000	30,000
Term deposits	543,740	879,177
	573,740	909,177

19 Financial assets at FVOCI

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Opening balance	2,053	–
Additions	–	2,053
Charged to the condensed consolidated statement of comprehensive income	–	–
Closing balance	2,053	2,053

Equity investments 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 financial assets at FVOCI as at 30 June 2020 and 31 December 2019 was the fair value of 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.

20 Financial assets at FVPL

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Current assets		
Financial assets at FVPL		
– Principal	200,000	–
– Fair value change recognised in condensed consolidated statement of comprehensive income (Note 9)	1,687	–
	201,687	–

Financial assets that do not qualify for measurement at either amortised cost or FVOCI has recognised in this category. This represents a structured deposit with the fluctuant investment yield align with the exchange rate of EUR/USD.

21 Share capital and share premium

	Share capital RMB'000	Share premium RMB'000	Total RMB'000
As at 1 January 2019 (audited)	210,000	–	210,000
Changes in the half-year (unaudited)	70,000	865,375	935,375
As at 30 June 2019 (unaudited)	280,000	865,375	1,145,375
As at 1 January 2020 (audited)	280,000	865,375	1,145,375
Changes in the half-year (unaudited)	–	–	–
As at 30 June 2020 (unaudited)	280,000	865,375	1,145,375

Upon the completion of the global initial public offering, the Company issued 70,000,000 H shares of RMB1.00 each at HK\$16.50 per share, and raised gross proceeds of approximately HK\$1,155,000 thousands (equivalent to RMB988,784 thousands). The net proceeds received, netting off the share issuance cost was HK\$1,092,613 thousands (equivalent to RMB935,375 thousands). The respective share capital amount was RMB70,000 thousands and share premium arising from the issuance was approximately RMB865,375 thousands.

As at 30 June 2020, the total authorised and issued number of ordinary shares is 280,000,000 shares with a par value of RMB1.00 per share. All issued shares are fully paid.

22 Other reserves

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Statutory reserve (a)	44,062	44,062
Capital reserve (b)	247,851	247,851
Share-based compensation reserve	23,460	23,460
Total	315,373	315,373

(a) Statutory reserve

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

(b) Capital reserves

	RMB'000
As at 1 January 2019 (audited)	232,625
Transactions with non-controlling interests	546
As at 30 June 2019 (unaudited)	233,171
As at 1 January 2020 (audited)	247,851
Transactions with non-controlling interests	–
As at 30 June 2020 (unaudited)	247,851

23 Trade and other payables

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Trade payables:		
– Due to third parties	162,883	135,895
– Due to related parties (Note 26)	967	867
	163,850	136,762
Other payables due to related parties (Note 26)	11,564	10,219
Payables for purchase of property, plant and equipment	48,845	67,360
Customers' deposits	30,145	32,476
Accrued expenses	54,803	37,982
Dividend payables	112,000	–
Staff salaries and welfare payables	51,914	87,900
Accrued taxes other than income tax	5,063	5,963
	478,184	378,662

As at 30 June 2020 and 31 December 2019, all trade and other payables of the Group were non-interest bearing. Their fair values approximated to their carrying amounts.

As at 30 June 2020 and 31 December 2019, trade and other payables were all denominated in RMB.

As at 30 June 2020 and 31 December 2019, the aging analysis of the trade payables of the Group based on invoice date were as follows:

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
– Within 1 year	154,280	131,724
– 1 year to 2 years	7,670	3,132
– 2 years to 3 years	848	971
– Over 3 years	1,052	935
	163,850	136,762

24 Business combination

(a) Acquisition of Zhejiang Haogu Internet Technology Co., Ltd

On 19 January 2020 (“Acquisition Date”), the Company completed its acquisition of additional 40% equity interest of Zhejiang Haogu Internet Technology Co., Ltd. (“Zhejiang Haogu”), a company engaged in hotel operation (As at 31 December 2019, the Company held a 20% equity interest of Zhejiang Haogu). 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
Intangible asset (Note 14)	2,331
Property, plant and equipment (Note 14)	28
Trade and other receivables and prepayments	147
Cash and cash equivalents	13,650
Current income tax liabilities	(19)
Deferred tax liabilities	(1)
Trade and other payables	(666)
Net identifiable assets acquired of Zhejiang Haogu	15,470
Less: non-controlling interest	(6,188)
Less: investment accounted for using the equity method (Note 16(b))	(3,094)
Net assets acquired	6,188
Net cash inflow arising on acquisition:	
Cash consideration	6,188
Cash and cash equivalent in the subsidiary acquired	(13,650)
	(7,462)

(i) **Acquisition-related costs**

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

(ii) **Acquired receivables**

The fair value of acquired trade receivable is RMB147 thousands. The gross contractual amount for trade receivables due is RMB157 thousands 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.

24 Business combination *(continued)*

(a) Acquisition of Zhejiang Haogu Internet Technology Co., Ltd *(continued)*

(iv) Revenue and profit contribution

The acquired equity contributed approximately revenue of RMB560 thousands and net profit of RMB136 thousands to the Group for the period from 19 January 2020 to 30 June 2020.

If the acquisition had occurred on 1 January 2020, there is no material impacts on consolidated pro-forma revenue and profit for the period from 1 January 2020 to 30 June 2020.

(b) Business combination of Yuyao Manju Hotel

On 1 January 2020 ("Acquisition Date"), the Company completed acquisition of business of Yuyao Manju Hotel from Yuyao branch of Zhejiang Anzhuo Hotel Management Consulting Co., Ltd. The combination has been accounted for using absorption method.

The following table summarises the consideration paid, the net assets acquired, also the net cash outflow arising on the business combination:

	Unaudited Fair value RMB'000
Property, plant and equipment (Note 14)	13,345
Right-of-use asset	3,710
Net identifiable assets acquired	17,055
Goodwill (Note 14)	6,494
Total consideration for the business combination satisfied by cash and net cash outflow arising from the business combination	23,549
Net cash inflow arising on acquisition:	
Cash consideration	23,549

(i) Acquisition-related costs

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

(ii) Right-of-use asset

The fair value of right-of-use asset is RMB3,710 thousands which representing the fair value of a favorable contractual operating lease agreement arising from the acquisition.

(iii) Goodwill

The difference between the cash consideration and the fair value of property, plant and right-of-use asset is recognised as a goodwill. The goodwill recognised on the business combination is RMB6,494 thousands.

24 Business combination *(continued)*

(b) Business combination of Yuyao Manju Hotel *(continued)*

(iv) Revenue and profit contribution

The acquired business contributed approximately revenue of RMB3,376 thousands and net profit of RMB261 thousands to the Group for the period from 1 January 2020 to 30 June 2020.

25 Commitments and contingent liabilities

(a) Capital commitments

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

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Property, plant and equipment	7,855	9,865

(b) Operating lease commitments

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Within one year	358	2,172
Later than one year but not later than five years	2,900	85
Later than five years	3,413	–
	6,671	2,257

(c) Commitment to provide funding in respect of associates and joint ventures

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Joint ventures	39,350	27,050
Associates	2,000	2,000
	41,350	29,050

(d) Contingent liabilities

As at 30 June 2020 and 31 December 2019, the Group did not have any significant contingent liabilities.

26 Related party transactions

(a) Name and relationship with related parties

Controlling Shareholders

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

Controlled by the Controlling Shareholders	Chinese name
Xuzhou New Century Grand Hotel Co., Ltd.	徐州開元名都大酒店有限公司
Taizhou New Century Hotel Co., Ltd.	台州開元大酒店有限公司
Shaoxing Yuzhuang New Century Hotel Management Co., Ltd.	紹興禹莊開元酒店管理有限公司
New Century Grand Hotel Kaifeng Business Company Co., Ltd.	開封開元名都商務酒店有限公司
Ningbo Jiulong Lake New Century Resort Co., Ltd.	寧波九龍湖開元酒店有限公司
Hangzhou New Century Tourism Development Co., Ltd.	杭州開元旅遊開發有限公司
Ningbo Seventeen House New Century Resort Co., Ltd.	寧波十七房開元觀堂有限公司
Ningbo New Century Hotel Co., Ltd. (Till August 2019)	寧波開元大酒店有限公司
Hangzhou New Century Yuege Restaurant Management Co., Ltd.	杭州開元悅閣餐飲管理有限公司
Hainan Hengshengyuan International Tourism Development Co., Ltd.	海南恒盛元國際旅遊發展有限公司
Changjiang Hengshengyuan Qiziwan Tourism Real Estate Co., Ltd.	昌江恒盛元棋子灣旅遊置業有限公司
Hangzhou New Century Senbo Hotel Co., Ltd. (formerly known as "Hangzhou Xianghu Senbo Tourism Investment Co., Ltd.")	杭州開元森泊酒店有限公司(原名「杭州湘湖開元森泊文化旅遊開發有限公司」)
Zhejiang New Century Mitu Cultural Tourism Development Co., Ltd.	浙江開元秘途文化旅遊發展有限公司
Shanghai Ruir Management Co., Ltd.	上海瑞日企業管理有限公司
Deqing New Century Investment and Management Co., Ltd. New Century Business Hotel	德清開元投資管理有限公司開元商務酒店
Penglai New Century Real Estate Co., Ltd.	蓬萊開元置業有限公司
Zhejiang New Century New Wall Material Co., Ltd.	浙江開元新型牆體材料有限公司
Deqing New Century Senbo Holiday Development Co., Ltd.	德清開元森泊度假開發有限公司

26 Related party transactions *(continued)*

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

Controlled by the Controlling Shareholders	Chinese name
Haining New Century Grand Real Estate Co., Ltd.	海寧開元名都置業有限公司
Haining New Century Grand Hotel Co., Ltd.	海寧開元名都大酒店有限公司
Hangzhou New Century Xixifan Hotel Co., Ltd.	杭州開元西溪飯店酒店有限責任公司
New Century Tourism Group Co., Ltd.	開元旅業集團有限公司
Hangzhou New Century Real Estate Group Co., Ltd.	杭州開元物產集團有限公司
Zhejiang New Century Property Management Co., Ltd. (Till April 2020)	浙江開元物業管理股份有限公司
Shanghai New Century Enterprise Operation Management Co., Ltd.	上海開元企業經營管理有限公司
Hangzhou New Century Senbo Tourism Investment Co., Ltd.	杭州開元森泊旅遊投資有限公司
New Century Birotby Winery	開元碧蘿酒莊
New Century REIT	開元房地產投資信託基金
New Century Holdings Group Co., Ltd.	開元控股集團有限公司
Zhejiang New Century Hotel Investment and Management Group Co., Ltd.	浙江開元酒店投資管理集團有限公司
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
Hangzhou New Century Decorating Co., Ltd.	杭州開元裝飾工程有限公司
Hangzhou Jinjian Intelligent Technology Co., Ltd. (Till April 2020)	杭州金鍵智能科技有限公司
Hangzhou New Century Yiyang Management Services Ltd.	杭州開元頤養管理服務有限公司
Wenzhou Wanxiang Real Estate Co., Ltd.	溫州萬享置業有限公司
Deqing Yixin Investment and Management Co., Ltd	德清益新投資管理有限公司
Shaoxing Yuzhuang New Century Hotel Management Co., Ltd.	紹興禹莊開元酒店管理有限公司
Shanghai Songjiang New Century Grand Hotel Co., Ltd. (from June 2019)	上海松江開元名都大酒店有限公司

Associates of the Group

English name	Chinese name
Zhejiang Haogu Internet Technology Co., Ltd. (Till January 2020)	浙江皓谷網絡科技有限公司

26 Related party transactions *(continued)*

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

Joint ventures of the Group	Chinese name
Beijing Gehua	北京歌華
Hangzhou Zheqin New Century Grand Hotel Co., Ltd.	杭州浙勤開元名都酒店有限公司

(b) Transactions with related parties

Hotel management revenue

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Beijing Gehua	3,513	3,283
Xuzhou New Century Grand Hotel Co., Ltd.	990	2,064
Haining New Century Grand Hotel Co., Ltd.	951	1,102
Hangzhou New Century Senbo Hotel Co., Ltd.	901	1,851
Deqing New Century Senbo Holiday Development Co., Ltd.	893	-
Ningbo Jiulong Lake New Century Resort Co., Ltd.	795	1,020
Shanghai Songjiang New Century Grand Hotel Co., Ltd.	782	-
Taizhou New Century Hotel Co., Ltd.	727	1,688
Shaoxing Yuzhuang New Century Hotel Management Co., Ltd.	675	1,524
Ningbo Seventeen House New Century Resort Co., Ltd.	567	489
New Century Grand Hotel Kaifeng Business Company Co., Ltd.	366	1,429
Hangzhou New Century Tourism Development Co., Ltd.	299	571
Wenzhou Wanxiang Real Estate Co., Ltd.	71	-
Hangzhou New Century Xixifan Hotel Co., Ltd.	25	-
Hangzhou Zheqin New Century Grand Hotel Co., Ltd.	15	-
Hainan Hengshengyuan International Tourism Development Co., Ltd.	-	781
Ningbo New Century Hotel Co., Ltd.	-	320
Deqing Yixin Investment and Management Co., Ltd.	-	185
Hangzhou New Century Yuege Restaurant Management Co., Ltd.	-	59
	11,570	16,366

26 Related party transactions *(continued)*

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

Hotel operation revenue

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Zhejiang New Century Property Management Co., Ltd.	429	717
New Century Tourism Group Co., Ltd.	228	479
Hangzhou New Century Real Estate Group Co., Ltd.	213	351
Zhejiang New Century Mitu Cultural Tourism Development Co., Ltd.	58	19
Hangzhou New Century Xixifan Hotel Co., Ltd.	54	25
Others	193	614
	1,175	2,205

26 Related party transactions *(continued)*

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

Sales of goods

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Zhejiang New Century Property Management Co., Ltd.	896	864
Shaoxing Yuzhuang New Century Hotel Management Co., Ltd.	831	1,398
Shanghai Songjiang New Century Grand Hotel Co., Ltd.	755	–
Taizhou New Century Hotel Co., Ltd.	489	1,290
Hangzhou Jinjian Intelligent Technology Co., Ltd.	467	–
Ningbo Jiulong Lake New Century Resort Co., Ltd.	379	404
Beijing Gehua	357	1,210
Hangzhou New Century Senbo Hotel Co., Ltd.	235	209
Haining New Century Grand Hotel Co., Ltd.	180	–
Deqing New Century Senbo Holiday Development Co., Ltd.	165	75
New Century Tourism Group Co., Ltd.	129	51
Ningbo Seventeen House New Century Resort Co., Ltd.	125	191
Hangzhou New Century Real Estate Group Co., Ltd.	115	43
Hangzhou New Century Tourism Development Co., Ltd.	114	200
New Century Grand Hotel Kaifeng Business Company Co., Ltd.	105	200
Zhejiang New Century New Wall Material Co., Ltd.	85	59
Haining New Century Grand Real Estate Co., Ltd.	75	1,380
Xuzhou New Century Grand Hotel Co., Ltd.	24	250
Ningbo New Century Hotel Co., Ltd.	–	718
Others	286	311
	5,812	8,853

26 Related party transactions *(continued)*

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

Other service income

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Hangzhou New Century Senbo Hotel Co., Ltd.	807	876
Deqing New Century Senbo Holiday Development Co., Ltd.	572	17
Haining New Century Grand Hotel Co., Ltd.	265	250
Shaoxing Yuzhuang New Century Hotel Management Co., Ltd.	248	375
Ningbo Jiulong Lake New Century Resort Co., Ltd.	247	234
Shanghai Songjiang New Century Grand Hotel Co., Ltd.	212	–
Beijing Gehua	177	470
Xuzhou New Century Grand Hotel Co., Ltd.	169	304
Ningbo Seventeen House New Century Resort Co., Ltd.	147	147
Hangzhou New Century Tourism Development Co., Ltd.	146	230
Changjiang Hengshengyuan Qiziwan Tourism Real Estate Co., Ltd.	127	182
Zhejiang New Century Property Management Co., Ltd.	126	418
Shanghai Ruiji Management Co., Ltd.	119	–
Taizhou New Century Hotel Co., Ltd.	103	206
Shanghai New Century Enterprise Operation Management Co., Ltd.	87	119
Ningbo New Century Hotel Co., Ltd.	–	291
Hangzhou New Century Senbo Tourism Investment Co., Ltd.	–	158
Haining New Century Grand Real Estate Co., Ltd.	–	136
Others	203	439
	3,755	4,852

26 Related party transactions *(continued)*

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

Purchase of goods

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
New Century Birotby Winery	673	1,613
New Century Tourism Group Co., Ltd.	4	42
Zhejiang Haogu Internet Technology Co., Ltd.	–	286
Others	17	–
	694	1,941

Purchase of Services

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Hangzhou New Century Senbo Hotel Co., Ltd.	279	439
Shaoxing Yuzhuang New Century Hotel Management Co., Ltd.	118	–
Hangzhou New Century Tourism Development Co., Ltd.	52	29
Beijing Gehua	24	24
Ningbo Seventeen House New Century Resort Co., Ltd.	17	21
Hangzhou New Century Zhijiang Cleaning Chain Co., Ltd.	–	4,911
Others	402	28
	892	5,452

26 Related party transactions *(continued)*

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

Rental expenses payable/paid to related parties

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
New Century REIT	918	–
Zhejiang New Century Property Management Co., Ltd.	659	–
New Century Holdings Group Co., Ltd.	25	–
New Century Tourism Group Co., Ltd.	–	350
	1,602	350

Leasing finance expenses

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
New Century REIT	12,755	16,161

26 Related party transactions *(continued)*

(c) Balances with related parties

Trade receivables due from – trade in nature

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Shanghai Songjiang New Century Grand Hotel Co., Ltd.	1,555	383
Hangzhou New Century Senbo Hotel Co., Ltd.	758	539
Beijing Gehua	752	2,058
Deqing New Century Senbo Holiday Development Co., Ltd.	644	164
Haining New Century Grand Hotel Co., Ltd.	621	–
Shaoxing Yuzhuang New Century Hotel Management Co., Ltd.	526	332
Taizhou New Century Hotel Co., Ltd.	517	468
Ningbo Seventeen House New Century Resort Co., Ltd.	515	551
Hangzhou New Century Tourism Development Co., Ltd.	451	197
Ningbo Jiulong Lake New Century Resort Co., Ltd.	418	186
Xuzhou New Century Grand Hotel Co., Ltd.	329	279
New Century Grand Hotel Kaifeng Business Company Co., Ltd.	261	243
Hainan Hengshengyuan International Tourism Development Co., Ltd.	135	107
Changjiang Hengshengyuan Qizhwan Tourism Real Estate Co., Ltd.	125	–
Wenzhou Wanxiang Real Estate Co., Ltd.	76	108
New Century Tourism Group Co., Ltd.	71	72
Haining New Century Grand Real Estate Co., Ltd.	–	184
Others	337	476
	8,091	6,347

26 Related party transactions *(continued)*

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

Other receivables

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Hangzhou Zheqin New Century Grand Hotel Co., Ltd.	568	–
New Century REIT	493	423
Shanghai Songjiang New Century Grand Hotel Co., Ltd.	98	13
Hangzhou New Century Xixifan Hotel Co., Ltd.	96	12
Hainan Hengshengyuan International Tourism Development Co., Ltd.	55	–
Penglai New Century Real Estate Co., Ltd	54	–
Haining New Century Grand Hotel Co., Ltd.	40	–
New Century Tourism Group Co., Ltd.	31	19
Hangzhou New Century Senbo Hotel Co., Ltd.	26	–
Ningbo Seventeen House New Century Resort Co., Ltd.	24	24
Others	75	340
	1,560	831

Prepayment due from – trade in nature

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Hangzhou Zheqin New Century Grand Hotel Co., Ltd.	250	–
New Century REIT	–	297
Others	–	34
	250	331

26 Related party transactions *(continued)*

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

Trade payables due to – trade in nature

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Hangzhou New Century Decorating Co., Ltd.	324	324
Shanghai Songjiang New Century Grand Hotel Co., Ltd.	315	134
Beijing Gehua	73	96
Hangzhou New Century Senbo Hotel Co., Ltd.	66	23
Shaoxing Yuzhuang New Century Hotel Management Co., Ltd.	43	9
Ningbo New Century Hotel Co., Ltd.	–	124
Hangzhou Jinjian Intelligent Technology Co., Ltd.	–	49
Others	146	108
	967	867

Leasing liabilities

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
New Century REIT	506,468	575,831

26 Related party transactions *(continued)*

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

Other payables due to – trade in nature

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Hangzhou New Century Senbo Hotel Co., Ltd.	2,370	1,794
Hangzhou New Century Decorating Co., Ltd.	2,054	2,737
Deqing New Century Senbo Holiday Development Co., Ltd.	1,782	760
Shaoxing Yuzhuang New Century Hotel Management Co., Ltd.	833	545
Shanghai Songjiang New Century Grand Hotel Co., Ltd.	655	522
Hangzhou New Century Xixifan Hotel Co., Ltd.	644	–
Ningbo Jiulong Lake New Century Resort Co., Ltd.	598	280
Ningbo Seventeen House New Century Resort Co., Ltd.	446	341
Hangzhou New Century Tourism Development Co., Ltd.	364	450
Xuzhou New Century Grand Hotel Co., Ltd.	346	222
Hangzhou New Century Yiyang Management Services Ltd.	339	–
Hainan Hengshengyuan International Tourism Development Co., Ltd.	260	374
Beijing Gehua	249	740
Taizhou New Century Hotel Co., Ltd.	242	287
Haining New Century Grand Hotel Co., Ltd.	237	–
New Century Grand Hotel Kaifeng Business Company Co., Ltd.	103	192
Hangzhou Jinjian Intelligent Technology Co., Ltd.	–	573
Others	42	402
	11,564	10,219

26 Related party transactions *(continued)*

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

Advances due from:

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Deqing New Century Senbo Holiday Development Co., Ltd.	736	–
Penglai New Century Real Estate Co., Ltd	324	–
Hangzhou New Century Xixifan Hotel Co., Ltd.	56	–
Haining New Century Grand Hotel Co., Ltd.	55	–
New Century Tourism Group Co., Ltd.	39	117
Xuzhou New Century Grand Hotel Co., Ltd.	37	–
Deqing New Century Investment and Management Co., Ltd.		
New Century Business Hotel	–	680
Hangzhou Jinjian Intelligent Technology Co., Ltd.	–	145
Others	42	104
	1,289	1,046

(d) Key management compensation

	Unaudited Six months ended 30 June 2020 RMB'000	2019 RMB'000
Wages, salaries and bonuses	5,895	4,502
Pension fund, Housing fund, medical insurance and other social insurance and other employee benefits	59	76
	5,954	4,578