



# 浙江开元酒店管理股份有限公司

ZHEJIANG NEW CENTURY HOTEL  
MANAGEMENT CO.,LTD.

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

Stock code : 1158

# 2020

ANNUAL REPORT



# CONTENTS

Corporate Information	2
Operating Data	3
Major Awards	7
Definitions and Glossary	8
Financial Highlights	11
Chairman’s Statement	12
Directors, Supervisors and Senior Management	15
Management Discussion and Analysis	24
Report of the Board of Directors	40
Report of the Supervisory Committee	57
Corporate Governance Report	58
Environmental, Social and Governance Report	72
Independent Auditor’s Report	84
Consolidated Statement of Comprehensive Income	89
Consolidated Balance Sheet	90
Consolidated Statements of Changes in Equity	92
Consolidated Statements of Cash Flows	94
Notes to the Consolidated Financial Statements	95
Five-Year Financial Summary	194



## 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 SUPERVISORY COMMITTEE

#### Supervisors

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

### AUDIT COMMITTEE

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

### NOMINATION COMMITTEE

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

### REMUNERATION COMMITTEE

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

### JOINT COMPANY SECRETARIES

Mr. Li Donglin  
Ms. Ng Wai Kam

### AUTHORIZED REPRESENTATIVE

Mr. Jin Wenjie  
Ms. Ng Wai Kam

### AUDITOR

PricewaterhouseCoopers  
*Certified Public Accountants and Registered PIE Auditor*

### LEGAL ADVISERS

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

### COMPANY NAME IN CHINESE

浙江開元酒店管理股份有限公司

### COMPANY NAME IN ENGLISH

Zhejiang New Century Hotel  
Management Co., Ltd.

### H SHARE REGISTRAR

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

### REGISTERED OFFICE

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

### PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

### LISTING EXCHANGE OF THE COMPANY'S H SHARES

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

### H SHARES ABBREVIATION

NC HOTEL

### STOCK CODE

01158

### WEBSITE

<http://www.kaiyuanhotels.com>

## OPERATING DATA

### HOTEL OPERATION SEGMENT

#### Operating data

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

Item	Year ended 31 December					
	Average Occupancy Rate (%)		ADR (RMB)		RevPAR (RMB)	
	2020	2019	2020	2019	2020	2019
Upscale business hotels	41.9	62.4	426.2	465.9	178.8	290.9
Upscale resort hotels	49.1	57.1	599.7	676.1	294.6	385.8
Mid-scale full service hotels	42.7	60.4	325.3	353.1	138.8	213.1
Mid-scale select service hotels	53.7	62.1	277.6	315.5	149.0	196.1

Due to the impact of the COVID-19 pandemic (the “pandemic”), the occupancy rate and average room rate of all types of hotels have declined significantly. As the impact of the pandemic relatively eased in the second half of 2020, the RevPAR of all types of hotels rebounded significantly in the second half of 2020 and reached the combined annual levels for each type of hotels as set out above. Among which, the RevPAR of upscale business hotels was RMB239.9 in the second half of 2020, representing an increase of 103.8% from RMB117.7 in the first half of 2020, the RevPAR of upscale resort hotels was RMB351.8 in the second half of 2020, representing an increase of 89.8% from RMB185.4 of the first half of 2020, and the RevPAR of mid-scale full service hotels was RMB181.5 in the second half of 2020, representing an increase of 88.5% from RMB96.3 of the first half of 2020.

#### F&B services

	Year ended 31 December	
	2020	2019
Average spending per customer (RMB)	128.6	129.4
Utilization rate of seats	51.7%	72.4%
Revenue per sq.m. of banquet rooms (RMB)	8,738.7	10,378.7

In 2020, as travelling was restricted due to the pandemic, the demand of conference decreased significantly. With easing of travelling restriction in the second half of 2020, wedding banquets and short and local trips significantly increased. In the second half of 2020, the utilization rate of seats was 67.18%, representing a decrease of just 6.06% from 73.24% in the second half of 2019 and a significant increase when compared to the year-on-year decrease of 34.9% recorded in the first half of 2020. Revenue per sq.m. of banquet rooms was RMB5,727.75 in the second half of 2020, representing an increase of 14.87% from RMB4,986.41 in the second half of 2019.

## OPERATING DATA

### HOTEL MANAGEMENT SEGMENT

During the Reporting Period, the Group recorded a revenue of approximately RMB189.7 million from the hotel management segment, representing a year-on-year decrease of approximately 20.3%. Although the number of managed hotels from new openings increased during the Reporting Period, after the outbreak of the pandemic, the Group proactively waived the management fees of all entrusted hotels from 24 January to 31 March 2020; and subsequently from 1 April to 30 June 2020, the performance of each hotel also dropped significantly, with the revenue of the hotel management segment recording a year-on-year decrease of 44.7% in the first half of 2020. In the second half of 2020, as the pandemic was gradually brought under control in the PRC, the performance of all hotels gradually recovered, and the revenue of the hotel management segment recovered to a year-on-year decrease of 2.9% for the Reporting Period.

The following table sets forth the number of hotels and hotel rooms in operation as at 31 December 2019 and 2020.

	As at 31 December 2020		As at 31 December 2019	
	No. of hotels	No. of hotel rooms	No. of hotels	No. of hotel rooms
Operated hotels	40	10,279	38	9,160
Managed hotels	271	48,952	178	35,625
Total	311	59,231	216	44,785

The following table sets forth the breakdown of hotels by hotel categories as at 31 December 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) under pipeline	No. of managed hotels (No. of hotel rooms) under pipeline	Total no. of hotels (No. of hotel rooms) in operation and under pipeline
Upscale business hotels	10(4,474)	42(14,041)	1(289)	35(10,251)	88(29,055)
Upscale resort hotels	4(830)	26(6,309)	–	39(8,034)	69(15,173)
Mid-scale full service hotels	10(2,707)	58(12,514)	–	78(17,634)	146(32,855)
Mid-scale select service hotels	16(2,268)	145(16,088)	1(150)	124(13,776)	286(32,282)
Total	40(10,279)	271(48,952)	2(439)	276(49,695)	589(109,365)

## OPERATING DATA

The following table sets forth a breakdown of our hotels by first-, new first-, second-, third-tier and other cities as at 31 December 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) under pipeline	No. of managed hotels (No. of hotel rooms) under pipeline	Total no. of hotels (No. of hotel rooms) in operation and under pipeline
First-tier cities	3(387)	7(1,750)	–	7(1,100)	17(3,237)
New first-tier cities	19(5,230)	89(14,093)	1(150)	62(10,157)	171(29,630)
Second-tier cities	11(2,349)	75(13,739)	1(289)	79(14,275)	166(30,652)
Third-tier cities	7(2,313)	62(12,300)	–	70(13,070)	139(27,683)
Others	–	38(7,070)	–	58(11,093)	96(18,163)
<b>Total</b>	<b>40(10,279)</b>	<b>271(48,952)</b>	<b>2(439)</b>	<b>276(49,695)</b>	<b>589(109,365)</b>

*Note:* Others include Aba Tibetan and Qiang Autonomous Prefecture, Anshun, Beihai, Bozhou, Chizhou, Chongzuo, Dazhou, Dali Bai Autonomous Prefecture, Danzhou, Dongying, Enshi Tujia and Miao Autonomous Prefecture, Fangchenggang, Fuzhou, Heze, Honghe Hani and Yi Autonomous Prefecture, Huaibei, Huainan, Huangshan, Huangshi, Jingdezhen, Jiuquan, Kaifeng, Lhasa, Leshan, Lijiang, Liaoyuan, Linzhi, Lu'an, Longnan, Pu'er, Qiandongnan Miao and Dong Autonomous Prefecture, Quzhou, Rizhao, Shaoyang, Shiyuan, Tongling, Tongren, Weinan, Wuzhou, Xining, Xishuangbanna Dai Autonomous Prefecture, Xiaogan, Xinyu, Suzhou, Xuancheng, Ya'an, Yingtan, Zaozhuang, Zhangjiajie and Zhumadian.

## OPERATING DATA

The following table sets forth a breakdown of our hotels by geographic locations as at 31 December 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) under pipeline	No. of managed hotels (No. of hotel rooms) under pipeline	Total no. of hotels (No. of hotel rooms) in operation and under pipeline
Zhejiang Province	27(6,935)	156(25,752)	1(150)	128(20,170)	312(53,007)
Jiangsu Province	3(771)	23(4,707)	1(289)	29(5,500)	56(11,267)
Anhui Province	–	10(1,508)	–	20(3,912)	30(5,420)
Jiangxi Province	1(168)	13(3,033)	–	13(2,572)	27(5,773)
Shandong Province	–	6(1,742)	–	13(1,976)	19(3,718)
Guangxi Zhuang Autonomous Region	–	4(915)	–	11(2,137)	15(3,052)
Henan Province	–	6(1,070)	–	9(2,202)	15(3,272)
Hubei Province	–	10(1,389)	–	5(1,139)	15(2,528)
Shanghai Municipality	3(387)	6(1,397)	–	5(808)	14(2,592)
Guizhou Province	–	5(1,189)	–	7(1,693)	12(2,882)
Fujian Province	–	5(711)	–	3(770)	8(1,481)
Sichuan Province	1(202)	3(428)	–	4(407)	8(1,037)
Hebei Province	–	4(925)	–	3(787)	7(1,712)
Others	5(1,816)	20(4,186)	–	26(5,622)	51(11,624)
<b>Total</b>	<b>40(10,279)</b>	<b>271(48,952)</b>	<b>2(439)</b>	<b>276(49,695)</b>	<b>589(109,365)</b>



## MAJOR AWARDS

In 2020, New Century Hotel Group ranked 18th in terms of scale among global hotel groups, maintaining the industry leading position of the global top 30 hotel groups for five consecutive years. The “New Century Hotel” brand was widely recognized by the market and the industry. During the Reporting Period, it has won numerous awards and the major awards are as follows:

- Ranked 18th among Global Hotel Groups  
– selected by the Hotels magazine of America
- Top 60 Hotel Groups in China  
– selected by China Tourist Hotel Association
- Zhejiang Province People’s Government Quality Award  
– selected by the People’s Government of Zhejiang Province
- 2020 Most Popular Hotel Group in China  
– selected by China’s top financial media “21st Century Business Herald”-Golden Pillow Award
- 2019 Outstanding Growth Listed Company in Cultural Tourism  
– selected by China Tourism Association and New Lvjie



## DEFINITIONS AND GLOSSARY

“Articles of Association”	Articles of Association of Zhejiang New Century Hotel Management Co., Ltd. (H shares)
“Birof by New Century”	Birof by New Century, a company incorporated in France on 11 December 2014, and is indirectly owned as to 83.9% by Mr. Chen Miaolin
“the Company”, “Company”, “we” or “us”	Zhejiang New Century Hotel Management Co., Ltd. (浙江開元酒店管理股份有限公司), a joint stock company with limited liability incorporated in the PRC on 28 June 2017, and except where the context indicates otherwise, includes (i) our predecessors and (ii) with respect to the period before our Company became the holding company of its present subsidiaries, the businesses operated by it and its present subsidiaries or (as the case may be) their predecessors
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and for the purposes of this Annual Report, means New Century Tourism, Mr. Chen Canrong, Mr. Chen Miaolin and Mr. Zhang Guanming
“Deed of Non-Competition”	a deed of non-competition dated 12 February 2019 executed by our Controlling Shareholders in favor of our Company (for itself and as trustee for the benefit of its subsidiaries)
“first-tier cities”	Beijing and Shanghai
“Group” or “the Group” or “New Century Hotel Group”	our Company and its subsidiaries or, in respect of the period before our Company became the holding company of such subsidiaries, the entities which carried on the business of the present Group at the relevant time
“H Share(s)”	overseas listed foreign shares in our ordinary share capital with a nominal value of RMB1.00 each, which were subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hotel Lease and Management Agreement(s)”	separate hotel lease and management agreement(s) in respect of each of the New Century REIT Hotel Properties entered into pursuant to the Master Hotel Lease and Management Agreement
“Independent Auditor’s Report”	the report of our independent auditors, the text of which is set out on pages 84 to 88 of this Annual Report
“Listing”	the listing of the H Shares on the Main Board of the Stock Exchange
“Listing Date”	11 March 2019, the date on which the H Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange

## DEFINITIONS AND GLOSSARY

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Master Hotel Lease and Management Agreement”	a framework agreement dated 14 June 2013 entered into between New Century Hotel Investment, New Century Hotel Management, New Century Tourism and New Century Asset Management Limited, which sets out the general guidelines and principles for the lease and management of the New Century REIT Hotel Properties
“Mid-scale Hotel”	mainly refer to the three and four star-rated hotels by rated by China Tourism Hotel Association’s China National Star Rating System, as well as the hotels which have similar product positioning and quality, service quality, and relatively comprehensive facilities as three and four Star-rated hotels rated by China National Star Rating System
“New Century Holdings”	New Century Holdings Group Ltd (開元控股集團有限公司), a company established in the PRC on 6 April 2004, and is owned as to 85.2% by Mr. Chen Miaolin, 8.5% by Mr. Chen Canrong and 6.3% by Mr. Zhang Guanming
“New Century Holdings Group”	New Century Holdings and its subsidiaries
“New Century Hotel Investment”	Zhejiang New Century Hotel Investment and Management Group Co., Ltd. (浙江開元酒店投資管理集團有限公司), a company established in the PRC on 30 November 2001 and owned as to 60.05% and 39.95% by Spearhead Investments Ltd and Sky Town Investment Ltd, respectively, both of which are indirectly whollyowned by New Century REIT
“New Century REIT”	New Century Real Estate Investment Trust, a Hong Kong collective investment scheme constituted as a unit trust and authorized under section 104 of the SFO, the units of which are listed on the Stock Exchange (Stock code: 1275), a connected person by virtue of being an associate of Mr. Chen Miaolin
“New Century REIT Group”	New Century REIT and its subsidiaries.
“New Century REIT Hotel Property(ies)”	New Century Grand Hotel Hangzhou (杭州開元名都大酒店), New Century Hotel Xiaoshan Zhejiang (浙江開元蕭山賓館), New Century Resort Qiandao Lake Hangzhou (杭州千島湖開元度假村), New Century Grand Hotel Ningbo (寧波開元名都大酒店) and New Century Grand Hotel Changchun (長春開元名都大酒店)
“New Century Tourism”	New Century Tourism Group Co., Ltd. (開元旅業集團有限公司), a company established in the PRC on 9 January 2001, and is one of our Controlling Shareholders and is indirectly owned as to 85.2% by Mr. Chen Miaolin, 8.5% by Mr. Chen Canrong and 6.3% by Mr. Zhang Guanming

## DEFINITIONS AND GLOSSARY

“New Century Tourism Group”	New Century Tourism and its subsidiaries
“new first-tier cities”	Chengdu, Dongguan, Hangzhou, Nanjing, Ningbo, Qingdao, Suzhou, Tianjin, Wuhan, Xi’an, Changsha, Zhengzhou, Chongqing
“Prospectus”	the prospectus for the Company dated February 26, 2019
“Reporting Period”	from 1 January 2020 to 31 December 2020
“RMB” or “Renminbi”	the lawful currency of the PRC
“second-tier cities”	Changzhou, Dalian, Fuzhou, Guiyang, Harbin, Haikou, Hefei, Jinan, Jiaying, Jinhua, Lanzhou, Nanchang, Nanning, Nantong, Quanzhou, Shaoxing, Taizhou, Wenzhou, Wuxi, Xuzhou, Yantai, Yangzhou, Changchun
“Share(s)”	ordinary shares of our Company with a nominal value of RMB1.00 each, including our Domestic Shares, Unlisted Foreign Shares and H Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“third-tier cities”	Anqing, Baoding, Cangzhou, Chuzhou, Fuyang, Guilin, Hohhot, Huzhou, Huai’an, Jilin, Jining, Jingzhou, Jiujiang, Lishui, Lianyungang, Liuzhou, Longyan, Ma’anshan, Nanping, Ningde, Qinhuangdao, Sanming, Sanya, Shangqiu, Shangrao, Tai’an, Taizhou, Tangshan, Wuhu, Xinxiang, Xinyang, Suqian, Yancheng, Yichang, Yichun, Zhangzhou, Zhenjiang, Zhoushan, Zhuzhou, Zunyi
“Upscale Hotel”	mainly refer to hotels by China National Star Rating System as five Star-rated hotels which are rated by China Tourism Hotel Association, as well as hotels which have similar product positioning and quality, service quality, and comprehensive facilities as the five Star-rated hotels rated by China National Star Rating System

## FINANCIAL HIGHLIGHTS

	2020 (RMB'000)	2019 (RMB'000)
<b>Items of Consolidated Statement of Comprehensive income</b>		
Revenue	1,597,716	1,927,980
Gross profit	334,597	565,018
Net profit and total comprehensive income	26,644	204,974
Profit attributable to owners of the Company	19,673	202,405
Earnings per share attributable to owners of the Company (in RMB)	0.07	0.76
<b>Items of Consolidated Balance Sheet</b>		
Total assets	4,564,983	4,492,126
Total liabilities	3,018,217	2,902,083
Total equity attributable to owners of the Company	1,486,162	1,578,471

## CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual results of Zhejiang New Century Hotel Management Co., Ltd. for the financial year ended 31 December 2020.

In 2020, the unanticipated outbreak of COVID-19 (the “pandemic”) spurred on a turbulent and transformative period for the world. As the pressure on economic growth increased, the tourism industry entered a cold winter, as trading conditions for parts of the tourism industry’s had declined drastically. Amid the persistent pandemic, the Group adhered to its development strategy and focused on the needs of property owners and customers. It faced the challenges head on in a reformative, open and innovative manner, and continued to strengthen its core competitiveness. Leveraging on its sound organization mechanisms and innovative advantages, the Group continued to maintain its leading position among hotel groups in China, and achieved operating results against adversities.

In 2020, the Group recorded a revenue of approximately RMB1,597.7 million, representing a year-on-year decrease of approximately 17.1%, and the gross profit was approximately RMB334.6 million, representing a year-on-year decrease of approximately 40.8%. Earnings before interest, tax, depreciation and amortization (“EBITDA”) was approximately RMB563.3 million, representing a year-on-year decrease of approximately 24.0%, which was mainly attributable to the significant decrease in revenue due to the impact of the pandemic. Profit attributable to owners of the Company was approximately RMB19.7 million, representing a year-on-year decrease of approximately 90.3% which was mainly attributable to the significant decrease in profit due to a significant decrease in revenue, while expenses such as depreciation and amortisation increased as the number of hotel increased. The Board has declared that no cash dividend will be paid and no capital reserve capitalisation and other forms of distribution will be made.

### **PROMOTING STRATEGIC INVESTMENT AND INCREASING PRESENCE IN MID-SCALE AND UPSCALE HOTEL MARKET**

During the Reporting Period, the Group made strategic investments in its hotel group to increase its presence and further expand its market share in the Mid-Scale and Upscale Hotel market, optimising its hotel portfolio. It also formed a joint venture with Zhejiang Fuchun Health Tourism Group Co., Ltd. (浙江富春山居健康旅遊集團有限公司) in September 2020 and established the new upscale “Found” brand to complement the top-end void in the “New Century Hotel” brand series and expand its market.

The domestic tourism and economy experienced volatile development under the impact of the lingering pandemic. The board of the Company and the management of the Group seized the window of investment opportunities in a timely manner during the pandemic to drive development by various means such as striving for strategic cooperation, establishing alliance and joint ventures, and capturing opportunities to merge and acquire assets or acquire equity interest in quality hotel management companies in an effort to enhance its comprehensive competitiveness.

During the Reporting Period, the Group had 147 newly contracted hotels in total. The number of contracted hotels decreased slightly as compared to the same period last year due to the impact of the pandemic, however the total amount of contracted hotels reflected a steady growth trend. As at the end of the Reporting Period, the Group had 311 hotels in operation with approximately 59,231 rooms, representing an increase of approximately 44.0% and approximately 32.3% respectively as compared to the end of last year, representing a further increased in the number of hotels and the extension of the Group’s brand matrix, fully covering mid-scale and high-scale resorts and commercial market.

## CHAIRMAN'S STATEMENT

### **EFFECTIVELY CONTROLLING COSTS, ENHANCING OPERATIONAL EFFICIENCY, AND MAINTAINING PROFITABILITY IN ADVERSITY**

In view of the normalisation of pandemic control measures, the Group directed its hotels to maintain low-cost operation according to customers' demand, and effectively controlled human resources and operating costs through reasonable utilization of labour, concentrating the scope of operation and focusing on hotel energy conservation management. At the same time, the Group continued to promote regional management, further integrated regional resources, implemented regional resource sharing and enhanced regional hotel efficiency. Through optimisation of digital organization capabilities, the Group steadily promoted digital platform research and development and construction, accelerated the transformation of digital platform, delivered more supportive services through online channels, and continued to build and improve management support system to reduce the demand for staff, and enhance the scale and effectiveness of our supportive services. The Group also strengthened the building of its middle and back office system and achieved the sharing of middle and back offices resources to promote the efficiency of middle and back offices.

With a series of measures to control costs and enhance operational efficiency, although the hotel industry in 2020 had suffered the outbreak of the pandemic, continuous implementation of control measures, and enormous losses, the Group managed to record a profit for the Reporting Period and achieved a net profit of approximately RMB26.6 million for 2020.

### **“KAIYUAN CARES” DELIVERS AND NEW BREAKTHROUGH IN GAINING BRAND REPUTATION**

In 2020, the Group launched “Kaiyuan Cares” (至美開元), a new corporate social responsibility plan, which focused on four major aspects, covering: (i) environmental protection, (ii) healthy living, (iii) cultural education, and (iv) talent development. The Group upholds sustainability and established public welfare partnership with World Wildlife Fund in March 2021. Continuous and close cooperation was carried out to communicate and manage our practice of corporate social responsibility and build the Group's reputation inside and outside of its industry.

Moreover, during the Reporting Period, the Group had received 15 awards and accolades including the Quality Award from the Zhejiang provincial government, gaining high social evaluation and market recognition. This has helped to spread and reinforced the Group's image of paying attention to customer experience, focusing on service quality and having excellent operation capability, which also laid the foundation for the Group's continuous and high quality expansion and the maintaining of its leading position in China and abroad.

### **ACCELERATED DEVELOPMENT OF TALENTS AND UPGRADING OF TRAINING SYSTEM**

During the Reporting Period, the Group effectively managed our basic human resources needs and requirements arising from the development of our hotel through the establishment of an online training platform, promotion of our human resources sharing center, digitalisation of talent recruitment and evaluation and talent database, and initiating “Caring Kaiyuan” among employees to create a positive internal culture to enhance the sense of belonging among externally recruited employees. These developments also provided us with experience for the Group's talent development in the future.

In terms of talent development, the Group continued to implement the “Hundred City & Thousand School into New Century” project, selected and nurtured potential talents to expand our talent reserve. Under the “3+1” Management Talents Training System, 36 management trainees were selected for the 2020 class, 173 middle management successors were selected, 17 internally trained, and 34 reserve senior management members were selected, and housekeeping and human resources module trainings were completed, providing an abundant pool of talent for the Group.

## CHAIRMAN'S STATEMENT

### CORPORATE STRATEGIES AND FUTURE DEVELOPMENT OUTLOOK

In 2020, affected by the lingering pandemic and revival of domestic tourism, new demand for tourism spending had accumulated continuously. Basing on our development strategy, the Group focused on the demand for local tourism and faced the challenges of the industry in a reformative, open and innovative manner, consolidating our core competitiveness. Looking ahead, there will continue to be challenges and opportunities for the hotel industry in China. The impact of the pandemic is extensive and far-reaching. Although the global economy is likely to see a general recovery in the near future, the external environment is still complex and volatile and the probability of a significant economic recovery is low. In terms of the domestic economy, as the 14th Five-year Plan begins, the PRC government's economic work will closely align with the targets and goals of the 14th Five-year Plan and China will strive to promote reform and innovation and accelerate the establishment of a new development landscape. Meanwhile, as the spending power of residents on tourism and the demand for diverse tourism cultural products continue to grow, it will be a challenge for the hotel industry to develop in both quality and scale, presenting an opportunity for the industry to increase its overall competitiveness.

The Company will adhere to its development strategy of "leading upscale development and winning in mid-scale market", facilitate project development through diversified cooperation, and strengthen strategic cooperations, joint ventures and alliances to promote regional development. The Company will improve channel construction, accelerate the establishment of presence throughout the country and expansion to strategic cities, improve the development of key brand projects and improve quality control, maintaining the Group's competitive edge in the Upscale hotel market and fully promote the rapid development of Mid-scale Hotels.

The Company believes the following competitive strengths will provide a solid foundation for the Group's rapid development in the future: (i) being one of the leading Upscale hotel groups in China with strong brand recognition; (ii) a broad and strong portfolio of hotel brands with extensive network in China and with strong pipeline of new hotel projects; (iii) distinct synergy in executing a business model combining both hotel operation and hotel management businesses; (iv) significant experience as a hotel group in China; (v) the Company's diverse and effective hotel reservation channels and loyalty program provides wide hotel guest exposure; and (vi) experienced and professional management team and a dedicated workforce.

The Company intends to seize market opportunities by implementing the following strategies: (i) adhere to and improve talent training strategies, especially the three-tier talent training plan; (ii) complete the coverage of key cities and improve the nationwide hotel network; (iii) rapidly expand Mid-scale Hotel business and targeted launch of Mid-scale Hotel with unique designs and experience offers so as to increase midscale market share; (iv) increase marketing activities and crossover marketing initiatives to maintain our strong brand recognition and expand our guests base; (v) further investment and development in innovative digital strategies and improving operational efficiency; and (vi) using our abundant financial resources to strategically develop the business of the Group through business acquisitions and cooperation. The Group will continuously innovate our products and services, improve operational and management efficiency, creating value for hotel owners while serving hotel guests to their satisfaction.

In the past year, the tourism industry suffered great losses due to the pandemic. The Company made profit in spite of the general losses recorded by hotels in China. This could not be achieved without the support of shareholders, landlords and business partners for the Company and the contribution of all employees, for which I would like to express my heartfelt thanks. In the future, we will always keep in mind our corporate mission of "Create good experience for its guests, create value for its owners, and lead the progress of the industry", adhere to the strategic direction of "leading upscale development and winning in mid-scale market", and strive to establish "New Century Hotel" as a brand that Chinese people would be proud of.

**Jin Wenjie**

*Chairman*

Hangzhou, China

15 March 2021

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## DIRECTORS

Name	Age	Date of joining our group	Date of appointment as director	Present position in our Company	Roles and responsibilities in our group	Relationship with other Directors, Supervisors or members of the senior management
<b>Executive directors</b>						
Mr. Jin Wenjie (金文杰)	52	10 August 2008	9 January 2017	Executive Director, and Chairman of the Board	Overall general management and strategic planning and development of our Group	None
Mr. Chen Miaoqiang (陳妙強)	58	17 December 2008	17 December 2008	Executive Director, and President	Overall management and operation of the hotels of our Group	None
<b>Non-executive directors</b>						
Mr. Chen Canrong (陳燦榮)	57	17 December 2008	17 December 2008	Non-executive Director	Provision of guidance for the overall development of our Group	None
Mr. Jiang Tianyi (江天一)	39	23 November 2016	23 November 2016	Non-executive Director	Provision of guidance for the overall development of our Group	None
Mr. Zhou Rong (周榮)	45	20 May 2020	20 May 2020	Non-executive Director	Provision of guidance for the overall development of our Group	None
Mr. Xie Bingwu (謝丙武)	50	20 May 2020	20 May 2020	Non-executive Director	Provision of guidance for the overall development of our Group	None
<b>Independent non-executive directors</b>						
Mr. Zhang Rungang (張潤鋼)	62	28 June 2017	28 June 2017	Independent non-executive Director	Provision of independent advice to our Board	None
Mr. Khoo Wun Fat William (丘煥法)	41	13 August 2018	13 August 2018	Independent non-executive Director	Provision of independent advice to our Board	None
Ms. Qiu Yun (邱斌)	58	28 June 2017	28 June 2017	Independent non-executive Director	Provision of independent advice to our Board	None



## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### EXECUTIVE DIRECTORS

**Mr. Jin Wenjie (金文杰)**, aged 52, joined the Group since August 2008 and is an executive director and chairman of the Board of Directors of the Company. Mr. Jin is also the chairman of the board of directors of Zhejiang New Century Manju Hotel Management Co., Ltd. (浙江開元曼居酒店管理有限公司). Mr. Jin has over 10 years of corporate finance experience and over 12 years of hotel operation and management experience. From October 2003 to October 2007, Mr. Jin served as the general manager of Goldbond Venture Management Limited; from November 2007 to June 2008, he served as a director of Piper Jaffray & Co.'s Shanghai office and the head of China corporate finance. Since May 2017, he has served as the chairman of the board of directors and non-executive director of New Century Asset Management Limited (the manager of New Century REIT). Mr. Jin obtained a bachelor's degree in energy engineering from Shanghai Jiao Tong University, a master's degree in law from Tongji University, and has his lawyer's qualification certificate of China. Interests in shares owned by Mr. Jin Wenjie are set out in the section headed "The interests or short positions of our Directors, Supervisors and chief executive in the Shares, underlying Shares or debentures of our Company or its associated corporation" in this Annual Report.

**Mr. Chen Miaoqiang (陳妙強)**, aged 58, currently acts as an executive director and president of our Company and joined the Group since December 2008. Mr. Chen is also the director of a number of subsidiaries of the Company. Mr. Chen resigned as the legal representative of Ningbo New Century Mingting Hotel Management Co., Ltd. in August 2020, resigned as the legal representative and executive director of Shanghai New Century Manju Hotel Management Co., Ltd. in November 2020 and resigned as the legal representative and chairman of Shanghai Yuege Hotel Operation Co., Ltd. in December 2020. The Zhuji Yaojiang New Century Hotel Co., Ltd. of Zhejiang New Century Hotel Management Co., Ltd. and the Changzhou Branch of Zhejiang New Century Hotel Management Co., Ltd., for which Mr. Chen had served as the person in charge, were deregistered in September 2020 and January 2021 respectively. Mr. Chen has approximately 28 years of experience in hotel operation and management. Mr. Chen was the manager of the facilities department at our Hangzhou Zhijiang Holiday Resort, the predecessor of Zhijiang New Century Resort, from January 1994 to February 1998. He served as the property investment supervision manager at New Century Tourism from May 1998 to March 1999. He was the general manager of our New Century Grand Hotel Ningbo from January 2000 to January 2004. Mr. Chen obtained a bachelor's degree in physics from Hangzhou Normal University and a master's degree in Executive Master of Business Administration from Zhejiang University. Mr. Chen is the brother of Mr. Chen Miaolin, the founder of the Group, one of the Controlling Shareholders of the Company. Interests in shares owned by Mr. Chen Miaoqiang are set out in the section headed "The interests or short positions of our Directors, Supervisors and chief executive in the Shares, underlying Shares or debentures of our Company or its associated corporation" in this Annual Report.

### NON-EXECUTIVE DIRECTORS

**Mr. Chen Canrong (陳燦榮)**, aged 57, is a non-executive director and a member of the Nomination Committee of the Company, and is one of the Controlling Shareholders, and joined the Group since December 2008. He is also the chief supervisor of the China Tourist Hotels Association and the deputy chairman of the Zhejiang Hotel Association. Mr. Chen has over 34 years of experience in hotel operation and management. From September 1987 to December 2000, Mr. Chen worked at Xiaoshan Guesthouse and held various positions including deputy general manager, executive deputy general manager and general manager. Since January 2000, he has successively served as Vice President, President and Director of New Century Tourism. Mr. Chen served as the director and chairman of Zhejiang New Century Property Management Co., Ltd., a company listed on the National Equities Exchange and Quotations (stock code: 831971), from July 2014 to May 2020. Mr. Chen obtained a master's degree in Business Administration from the Macau University of Science and Technology.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Mr. Jiang Tianyi (江天一)**, aged 39, is a non-executive director and a member of the Audit Committee of the Company and was appointed as a director of the Company since November 2016. Mr. Jiang has over 15 years of experience in private equity investment. Mr. Jiang was an analyst at Deutsche Bank in Hong Kong from May 2004 to August 2006; he served as a director of The Carlyle Group from August 2006 to March 2016; since April 2016, he has been a co-founder and partner of Ocean Link Partners Limited (“Ocean Link”, a private equity investment firm focusing on travel related sectors in China) and a director of Beijing Century Mind Education Technology Co., Ltd. (北京世紀明德教育科技有限公司), a company listed on the National Equities Exchange and Quotations (stock code: 839264), and a director of several portfolios of Ocean Link. Mr. Jiang obtained a bachelor’s degree in science from Columbia University.

**Mr. Zhou Rong (周榮)**, aged 45, was appointed as a non-executive director and a member of the Remuneration Committee of the Company in May 2020. Mr. Zhou has worked in the online travel services industry for over ten years. He has professional expertise and comprehensive experience in the management and operation of conventional and online travel services. Mr. Zhou joined Trip.com International Ltd (Trip.com, NASDAQ: CTRP, a leading online travel services company in China) as head of audit in August 2004. He worked as head of new business development at Trip.com Group from August 2008 to April 2010; as deputy general manager at Wing On Travel in Hong Kong from May 2010 to April 2013; as general manager at Tianhai Cruise (天海郵輪) from May 2013 to June 2015; as chief operating officer at eLong (currently known as Tongcheng-Elong Holdings Limited, listed on Stock Exchange since 26 November 2018 (Stock Code: 00780), a leading online travel services provider in China) from July 2015 to March 2018; and has been chief strategy officer at Trip.com–Large Accommodations Business (大住宿事業群) since April 2018. Mr. Zhou obtained a double master’s degree of business administration from Shanghai Jiao Tong University.

**Mr. Xie Bingwu (謝丙武)**, aged 50, was appointed as a non-executive director of the Company in May 2020. Mr. Xie has served as an independent director of GreenTree Hospitality Group Ltd. (NYSE: GHG) since 2017, and as a director of GreenTree Inns Hotel Management Group, Inc. since 2011. Mr. Xie is the founder and owner and has served as a director of Global Standard Investment Management Co., Ltd. since 2009 and as a director of ValueAlert Co, Ltd. since 2005. From 2014 to 2016, Mr. Xie served as a partner of Gopher Asset Management Limited and as the deputy chief investment officer of Noah Holdings (Hong Kong) Limited. From 2009 to 2014, Mr. Xie served as a managing director in the mergers and acquisitions department of ZEG Capital Management Co., Ltd. with Zhongzhi Enterprise Group, and as corporate vice president in charge of the real estate finance division of Zhongrong International Trust Co., Limited. From 2000 to 2009, Mr. Xie held various positions with Lehman Brothers in Japan and Hong Kong as a vice president and senior vice president of the investment management division, as a vice president in the fixed income division, and served as China country head of the real estate private equity division since December 2006. Mr. Xie received a bachelor’s degree in English for science and technology from Harbin Institute of Technology in 1993 and a master’s degree in international development (economics) from the International University of Japan in 1998.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Dr. Zhang Rungang (張潤綱)**, aged 62, is an independent non-executive director and the chairman of the Remuneration Committee and the Nomination Committee of the Company and acted as a director of the Company since June 2017. He is also a vice president of China Tourism Association. He has over 36 years of experience in the hospitality and tourism industry. From February 1985 to March 1995, Dr. Zhang served as the deputy general manager of Kunlun Hotel Beijing; from November 1996 to November 2000, he served as deputy general manager of the investment management department of Bank of China; from November 2000 to September 2004, he served as deputy director of the Quality Specification and Management Department of the China National Tourism Administration; from January 2005 to February 2016, he served as a director of BTG-Jianguo Hotel Management Co., Ltd.; from March 2014 to December 2015, he served as a director of Beijing Capital Tourism Group Co., Ltd.; since May 2017, he served as an independent director of Zhejiang Zhoushan Tourism Co., Ltd. (浙江舟山旅遊股份有限公司), formerly known as Putuoshan Tourism Development Co., Ltd. (普陀山旅遊發展股份有限公司). Dr. Zhang received a bachelor's degree from the International Institute of Politics and a doctoral degree in systems engineering from South China University of Technology in China. Dr. Zhang hold/held directorships in the following listed companies at present and in the past three years: served as the director of BTG Hotels Group Co., Ltd, a company listed on the main board of the Shanghai Stock Exchange (stock code: 600258) from May 2012 to June 2020; served as the independent director of the China Tourism Group Duty Free Corporation Limited, a company listed on the main board of the Shanghai Stock Exchange (stock code: 601888) from March 2017 to present.

**Mr. Khoo Wun Fat William (丘煥法)**, aged 41, is an independent non-executive director and a member of the Audit Committee and the Nomination Committee of our Company and acted as a director of the Company since August 2018. Mr. Khoo has over 13 years of experience in the legal industry. Mr. Khoo worked at P.C. Woo & Co.; he served as a trainee solicitor, a paralegal and an assistant solicitor of the firm, respectively, from July 2007 to April 2010; he was an assistant solicitor of Charltons from May 2010 to April 2011; he was an associate at DLA Piper Hong Kong from April 2011 to March 2014. In December 2014, Mr. Khoo founded Khoo & Co and served as a partner. From December 2017 to 1 March 2020, Mr. Khoo was an independent non-executive director of Alpha Professional Holdings Limited (formerly known as Z-Obee Holdings Ltd.), a company listed on the Main Board of the Stock Exchange (Stock code: 948), Mr. Khoo has been an independent non-executive director of Fameglow Holdings Limited (Stock code: 8603), a company listed on GEM operated by the Stock Exchange since September 2018. Mr. Khoo received a bachelor's degree in chemistry from the Chinese University of Hong Kong, a bachelor's degree in law from the City University of Hong Kong and a postgraduate certificate in law from the City University of Hong Kong and was admitted as a solicitor of the High Court of Hong Kong.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Ms. Qiu Yun (邱斌)**, aged 58, is an independent non-executive director and the chairman of the Audit Committee and a member of the Remuneration Committee of the Company and acted as a director of the Company since June 2017. She is also a professor in the principles of accounting and financial management at the Business School of Ningbo University. She served as a teaching assistant at the Business School of Ningbo University in July 1986, and became an associate professor in December 1999. Ms. Qiu worked as an associate professor in the principles of accounting and financial management and was the vice dean of the International College of Ningbo University (寧波大學國際交流學院) from January 2001 to March 2005, where she was then promoted to professor and then the dean of the college from April 2005 to June 2015. Ms. Qiu obtained her bachelor's degree in economic management from Fudan University (復旦大學) and a master's degree in business administration from the McGill University. Ms. Qiu was qualified as a professor in accounting by Provincial Normal High School Teacher Senior Technical Expert Qualifications Board (省普通高校教師高級專業技術資格評審委員會). Ms. Qiu has the relevant experience with internal controls and reviewing and analysing audited financial statements of listed companies; and possesses the appropriate accounting and related financial management expertise knowledge required under Rule 3.10(2) and Rule 3.21 of the Listing Rules. Ms. Qiu holds/held directorships in the following listed companies at present and in the past three years: served as the independent non-executive director and the chairman of Audit Committee of the Youngor Group Co., Ltd., a company listed on the main board of the Shanghai Stock Exchange (stock code: 600177) from May 2014 to 20 May 2020; served as the independent non-executive director and the chairman of Audit Committee of the Rongan Property Co., Ltd., a company listed on the main board of the Shenzhen Stock Exchange (stock code: 000517) from June 2014 to 1 July 2020; has served as the independent non-executive director and the chairman of Audit Committee of the Ningbo Powerway Alloy Material Company Limited, a company listed on the main board of the Shanghai Stock Exchange (stock code: 601137) from July 2015 to present.

### SUPERVISORS

Name	Age	Date of joining our group	Date of appointment as Supervisor	Present position in our Company	Roles and responsibilities in our group	Relationship with other directors, Supervisors or members of the senior management
Ms. Zha Xianghong (查向宏)	49	23 November 2016	23 November 2016	Supervisor	Presiding the work of the supervisory committee of our Company, supervision of the Board and the senior management of our Company	None
Mr. Guo Mingchuan (郭名川)	42	23 November 2016	23 November 2016	Supervisor	Supervision of the Board and the senior management of our Company	None
Ms. Liu Hong (劉虹)	51	1 October 2014	28 June 2017	Employee representative Supervisor	Supervision of the Board and the senior management of our Company	None

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Ms. Zha Xianghong (查向宏)**, aged 49, obtained MBA, is a certified public accountant in the PRC and senior accountant, and has been the chairman of the Board of Supervisors of our Company since 23 November 2016, being responsible for presiding the work of the Board of Supervisors and supervising the Board and the senior management of our Company. She has more than 23 years of experience in financial management. Ms. Zha has served as a supervising auditor, an audit manager, an audit director, an assistant to general manager of finance department and deputy general manager of finance department of New Century Tourism. She is currently responsible for overseeing the financial and auditing operations of New Century Tourism Group.

**Mr. Guo Mingchuan (郭名川)**, aged 42, has been a Supervisor of our Company since 23 November 2016, being responsible for overseeing the Board of Directors and senior management of our Company. He has more than 13 years of experience in private equity investment. Mr. Guo has served as an analyst at Morgan Stanley Private Equity, Deputy Director at American International Group Investment Corporation, Senior Investment Manager of The Carlyle Group, Investment Director of AGIC Capital (漢德資本) and supervisor and investment director at Shanghai Ocean Link Investment Management Co., Ltd. (上海鷗翎投資管理有限公司). Mr. Guo obtained his bachelor's degree in computer science and technology and a master's degree in computer science from Shanghai Jiao Tong University (上海交通大學) in June 2002 and in March 2005, respectively.

**Ms. Liu Hong (劉虹)**, aged 51, has been the employee representative supervisor of our Company since 28 June 2017, being responsible for overseeing the Board of Directors and senior management of our Company and has served as the director of human resources of our Company since October 2014. She has more than 33 years of experience in the hotel industry. Ms. Liu has served as the director of housekeeping of Xiaoshan Guesthouse, New Century City Hotel (開元城市酒店) and New Century Grand Hotel Hangzhou (杭州開元名都大酒店), the human resources director of New Century Grand Hotel Hangzhou, the deputy director of general office of the labor union of New Century Tourism and was appointed a director of New Century Manju (Hubei) Hotel Management Co., Ltd., a subsidiary of New Century Manju Hotel Management Holdings Co., Ltd. on 28 May 2019. Ms. Liu obtained her bachelor's degree in law from Zhejiang University in July 2000 and her qualification as a human resources manager of a first-class enterprise in December 2012.

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Present position in our Company	Date of appointment to present position	Roles and responsibilities in our group	Relationship with other Directors, Supervisors or members of the senior management
Mr. Hou Frank Feng (侯峰)	58	1 July 2010	Executive President	25 March 2019	Overseeing the development and operation of mid-scale select hotels of our Group	None
Mr. Li Donglin (李東林)	46	17 December 2008	Vice President and secretary to the Board	26 June 2017	Overseeing our Group's financial and accounting operations and secretarial matters of our Company	None
Ms. Ye Lv (葉綠)	49	17 December 2008	Vice President	26 June 2017	Overseeing the human resources of our Group	None
Ms. Zhao Huajuan (趙華娟)	48	17 December 2008	Chief Financial Officer	1 January 2014	Overseeing our Group's financial and accounting operations	None
Mr. Dai Jianping (戴建平)	49	17 December 2008	Vice president and general manager of the upscale business hotel development and management business division	26 October 2017	Overseeing the business development and management of our upscale business hotels	None
Mr. Chen Wenfang (陳文放)	43	1 January 2011	Vice president	26 October 2017	Overseeing the development of the Company's projects and technological development business	None
Mr. Zhu Mingsheng (朱明生)	51	25 September 2018	Vice president	25 March 2019	Overseeing the cross-industry cooperation and strategic development work of the Company	None

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Mr. Hou Frank Feng (侯峰)**, aged 58, has been an executive president of the Company and a president of Zhejiang New Century Manju Hotel Management Co., Ltd. (浙江開元曼居酒店管理有限公司) (“New Century Manju Management”) since 25 March 2019, being responsible for the operation of mid-scale select hotels of the Company and the management of the daily operations of our Group. Mr. Hou served as a vice president of our Company from July 2010 to March 2019. Mr. Hou has over 29 years of experience in the hotel industry. Mr. Hou has served as a trainee hotel manager, hotel audit manager, hotel finance deputy manager and director of the investment department at Wyndham Hotel Group LLC. Mr. Hou worked as deputy director of finance department of the Central America region in the headquarters of the Hilton Hotel Group in the United States of America. He was a director of finance department in AON Plc. in the United States, a finance analyst of the investment division of Morgan Stanley, and a president at Nanjing Jinling Hotel Management Company (南京金陵飯店酒店管理公司). Mr. Hou obtained his diploma in hotel management and tourism in Shanghai Institute of Tourism (上海旅遊高等專科學校) in July 1983 and obtained his master’s degree in hospitality management in Houston University in May 1993.

**Mr. Li Donglin (李東林)**, aged 46, has been a vice general manager of our Company from January 2014 to June 2017, the secretary to the Board since January 2017 and a vice president since June 2017, being responsible for oversight of our Group’s financial and accounting operations and overall secretarial matters of our Company. Mr. Li has been one of the joint company secretaries of our Company in July 2018. Mr. Li served as an assistant to the Chief Financial Officer, Assistant to General Manager, Deputy General Manager, and Vice President of our Group. Mr. Li has over 26 years of experience in financial management. He was an accounting officer and a chief accountant at Hangzhou Xingyuan Filter Technology Co., Ltd. (杭州興源過濾機有限公司), and an accounting manager, audit manager and capital resources manager of Zhejiang Huafu Huafang Group (浙江華孚華紡集團); he has worked as the assistant to the financial general manager and the audit director of New Century Tourism and an assistant to the chief financial officer at New Century Hotel Investment. Mr. Li has been an international certified financial engineer of the American Certification Institute and also accredited as a qualified company secretary by the Shanghai Stock Exchange and the Shenzhen Stock Exchange. Mr. Li obtained a diploma of accounting from Jiangxi University of Finance and Economics (江西財經學院) in June 1995. He studied at the graduate school of Shanghai University of Finance and Economics (上海財經大學) from March 2001 to January 2003 and obtained a postgraduate diploma in corporate management. Mr. Li has been awarded the postgraduate diploma in corporate finance and investment management by The University of Hong Kong in February 2018.

**Ms. Ye Lv (葉綠)**, aged 49, has been a vice president of our Company since June 2017, and is in charge of human resources department since July 2018, being responsible for overseeing the human resources of our Group. Ms. Ye has over 24 years of experience in the hotel industry. Ms. Ye was a housekeeping director at the New Century Resort Hangzhou (杭州開元之江度假村) and a housekeeping director, an assistant to general manager, and a vice general manager of the Group. Ms. Ye obtained a diploma in economic management from Zhejiang University (浙江大學) in July 1999.

**Ms. Zhao Huajuan (趙華娟)**, aged 48, holds a bachelor degree. She is recognised as a leader in the accounting field in Hangzhou. She is a senior accountant, internationally certified internal auditor and an American certified management accountant. She has been the chief financial officer of our Company since January 2014, being responsible for overseeing our Group’s financial and accounting operations. Ms. Zhao has over 28 years of experience in financial management. Ms. Zhao served as an accountant in Xiaoshan Grocery Company of Sugar, Cigarette and Alcohol (蕭山糖業煙酒副食品公司), an audit officer at New Century Hotel Investment, and audit officer, assistant of financial officer, vice financial officer and chief financial officer at our Group.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Mr. Dai Jianping (戴建平)**, aged 49, has been the vice president and the general manager of upscale business hotel development and management business division of our Company since October 2017, being mainly responsible for the management and business development of our upscale business hotels. Mr. Dai has over 26 years of experience in hotel operation and management. Mr. Dai served as an assistant to general manager of Zhejiang Golden Horse Hotel (浙江金馬飯店), assistant to general manager of New Century Resort Hangzhou Zhijiang (杭州開元之江度假村), a deputy general manager of New Century Xiaoshan Guesthouse, the general manager of New Century Resort Hangzhou Zhijiang (杭州開元之江度假村), the general manager of Shaoxing Grand New Century Hotel (紹興開元名都大酒店) and the general manager of Shaoxing district of our Company. Mr. Dai obtained a professional certificate in tourism management in Zhejiang University (浙江大學) in January 2001 and a master's degree in hotel and tourism management in the Hong Kong Polytechnic University in October 2013.

**Mr. Chen Wenfang (陳文放)**, aged 43, has been the vice president of our Company since October 2017, being responsible for project development and technological development business of our Company. Mr. Chen served as sales director, marketing director of the Group, the general manager of Ningbo Shiqifang New Century Resort (寧波十七房開元度假村), and the general manager of New Century Resort Hangzhou Qiandao Lake (杭州千島湖開元度假村). Mr. Chen obtained an associate degree in tourism management from Shanghai Normal University (上海師範大學) in December 2002.

**Mr. Zhu Mingsheng (朱明生)**, aged 51, has been the vice president of our Company since March 2019, being responsible for the cross-industry cooperation and strategic development work of our Company. He served as the general manager of Information Department of Wanda Hotel Management, Vice President of Interstate China of Jinjiang Group and COO of WeHotel, Senior Vice President of Huazhu Hotels Group and COO of Hanting Business Department. Since September 2018, he has joined our Company as an assistant to the chairman. Mr. Zhu received his undergraduate degree in computer software from Beijing Institute of Technology in 1993. He obtained a master's degree in business administration from Nanjing University in 2005. He studied at the Purdue University in the United States of America from September to October 2006 as a Jinling Visiting Scholar.

### JOINT COMPANY SECRETARIES

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

**Ms. Ng Wai Kam (伍偉琴)** was appointed as one of the joint company secretaries of our Company in January 2021. Ms. Ng currently serves as a manager, corporate services division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Ng has over 9 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Ng is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly "The Institute of Chartered Secretaries and Administrators") in the United Kingdom. Ms. Ng holds a Bachelor's degree in Business Administration. Ms. Ng is currently the joint company secretary of Hebei Yichen Industrial Group Corporation Limited (河北翼辰實業集團股份有限公司) (stock code: 1596) and the company secretary of Genertec Universal Medical Group Company Limited (通用環球醫療集團有限公司) (stock code: 2666).



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

In 2020, the unanticipated outbreak of the pandemic spurred on a turbulent and transformative period for the world, resulting in a historic recession in the global economy pandemic. Despite the PRC economy being under domestic and international pressure, China was one of the first countries in the world to succeed in epidemic prevention and control and resumed economic and social development in 2020. A new development mode was taking shape in the PRC with domestic circulation as the mainstay and mutual promotion of the domestic and international “dual circulation”. Following stringent epidemic control measures in the first quarter, an effective recovery of the market demand in the hotel industry was driven by: highly efficient and accurate COVID-19 testing, resumption of domestic flights and flights to popular destinations, consumers’ confidence in travelling to nearby and cross-province destinations and travelling for business and small scale conferences and exhibitions, as well as the support mechanism implemented by governments for the prevention and control of epidemics and the promotion of the economic domestic circulation.

As one of the leading enterprises in the hotel industry of China, the Group actively responded and took appropriate measures in light of the pandemic and its continuing impact. On the one hand, the Group has always focused on the development strategy of the Company, clearly defined our development positioning, focused on our mission, implemented transformation, integrated internal and external resources, and achieved innovative chains in terms of space, management, services, marketing and business model. On the other hand, the Group has re-examined our corporate social responsibility development strategy and launched a new “Kaiyuan Cares” (至美開元) corporate social responsibility plan; strengthened its brand marketing and actively explored the model of selling products via live broadcast in our hotels to enhance their capacity of content-led trading. Leveraging its well-established organization mechanism and independent innovation advantages, the Group continued to maintain its leading position in the face of adversities.

During the Reporting Period, the Group recorded a revenue of approximately RMB1,597.7 million, representing a decrease of approximately 17.1% as compared to the same period of last year, which was mainly attributable to the impact of the pandemic, and the gross profit of the Group was approximately RMB334.6 million, representing a decrease of approximately 40.8% as compared to the same period of last year, and the EBITDA of the Group was approximately RMB563.3 million, representing a decrease of approximately 24.0% as compared to the same period of last year, which was mainly attributable to the significant decrease in revenue due to the impact of the pandemic. Profit attributable to owners of the Company was approximately RMB19.7 million, representing a decrease of approximately 90.3% as compared with the same period of last year, which was mainly attributable to the significant decrease in profit due to a significant decrease in revenue, while expenses such as depreciation and amortisation increased as the number of hotels increased.

In 2020, the Group had 147 newly contracted hotels in total (2019: 150). The number of contracted hotels decreased as compared to the same period last year due to the impact of the pandemic, however the total amount of contracted hotels reflected a steady growth trend, which reflected the increasing influence of the “New Century Hotel” brand throughout the country. As at 31 December 2020, the Group’s hotel portfolio consisted of 311 hotels in operation (as at 31 December 2019: 216), with approximately 59,231 rooms (as at 31 December 2019: 44,785) throughout the PRC, representing an increase of approximately 44.0% and approximately 32.3% as compared to 31 December 2019, respectively. Among the 311 hotels in operation, 228 were under full service management agreements, 40 were under franchise agreements, two were owned hotels, three were hotels managed by third parties, and 38 were under lease agreements. As at 31 December 2020, the Group had 278 hotels in the pipeline with over 50,000 rooms, representing an increase of approximately 16.3% and 12.0% respectively as compared to 31 December 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the number of hotels and hotel rooms in operation as at 31 December 2019 and 2020.

	As at 31 December 2020		As at 31 December 2019	
	No. of Hotels	No. Hotel Rooms	No. of Hotels	No. Hotel Rooms
Operated hotels	40	10,279	38	9,160
Managed hotels	271	48,952	178	35,625
<b>Total</b>	<b>311</b>	<b>59,231</b>	216	44,785

The following table sets forth the number of hotels and hotel rooms by hotel categories as at 31 December 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) under pipeline	No. of managed hotels (No. of hotel rooms) under pipeline	Total no. of hotels (No. of hotel rooms) in operation and under pipeline
Upscale business hotels	10(4,474)	42(14,041)	1(289)	35(10,251)	88(29,055)
Upscale resort hotels	4(830)	26(6,309)	–	39(8,034)	69(15,173)
Mid-scale full service hotels	10(2,707)	58(12,514)	–	78(17,634)	146(32,855)
Mid-scale select service hotels	16(2,268)	145(16,088)	1(150)	124(13,776)	286(32,282)
<b>Total</b>	<b>40(10,279)</b>	<b>271(48,952)</b>	<b>2(439)</b>	<b>276(49,695)</b>	<b>589(109,365)</b>

During the Reporting Period, with its “New Century Hotel” brand, the Group received 15 awards and accolades such as quality award from the Zhejiang provincial government, improving our public and market recognition. New Century hotel group ranked 18th in terms of scale among global hotel groups, maintaining the industry leading position of the global top 30 hotel groups for five consecutive years; ranked first in terms of scale of full-service hotels among China hotel groups, and being included in top 60 of China hotel groups for six consecutive years.

# MANAGEMENT DISCUSSION AND ANALYSIS

## HOTEL OPERATION SEGMENT

During the Reporting Period, the Group's revenue generated from the hotel operation segment amounted to approximately RMB1,408.0 million, representing a decrease of approximately 16.7% as compared to the previous year. In spite of the pandemic, the Group strived to create a new driver for revenue growth by focusing on developing new hotel projects in upscale and mid-scale markets. During the year, 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, and the leasing agreement of New Century Maison Changzhou Taihu Bay was terminated due to change in ownership of the hotel, which resulted in an increase in the number of operated hotels from 38 as at the end of 2019 to 40 at the end of 2020.

### Owned hotels

As at 31 December 2020, we owned two hotels with 382 hotel rooms, accounted for approximately 0.6% of the hotel rooms in operation.

### Leased hotels

In 2020, while enhancing the brand value by rapidly and continuously expanding the national hotel network rapidly with the entrusted management model, we actively sought opportunities of leasing hotels at reasonable rents to create a new driver for revenue and profit growth. Four new leased hotels commenced operation during the Reporting Period. As at 31 December 2020, we had 38 leased hotels with 9,897 hotel rooms, accounting for approximately 16.7% of the hotel rooms in operation.

### Operating data

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

Item	Average Occupancy Rate (%)		ADR (RMB)		RevPAR (RMB)	
	2020	2019	2020	2019	2020	2019
Upscale business hotels	41.9	62.4	426.2	465.9	178.8	290.9
Upscale resort hotels	49.1	57.1	599.7	676.1	294.6	385.8
Mid-scale full service hotels	42.7	60.4	325.3	353.1	138.8	213.1
Mid-scale select service hotels	53.7	62.1	277.6	315.5	149.0	196.1

Due to the aforementioned impact of the pandemic, the occupancy rate and average room rate of all types of hotels have declined significantly. As the impact of the pandemic was relatively eased in the second half of the year, the RevPAR of all types of hotels rebounded significantly in the second half of 2020 and reached the combined annual level of the hotels as set out above. Among which, the RevPAR of upscale business hotels was RMB239.9 in the second half of the year, representing an increase of 103.8% from RMB117.7 of the first half, the RevPAR of upscale resort hotels was RMB351.8 in the second half of the year, representing an increase of 89.8% from RMB185.4 of the first half, and the RevPAR of mid-scale full service hotels was RMB181.5 in the second half of the year, representing an increase of 88.5% from RMB96.3 of the first half of 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

## F&B services

	2020	2019
Average spending per customer (RMB)	128.6	129.4
Utilization rate of seats	51.7%	72.4%
Revenue per sq.m. of banquet rooms (RMB)	8,738.7	10,378.7

In 2020, as travelling was restricted due to the pandemic, the demand of conference decreased significantly. With easing of travelling restriction in the second half of 2020, wedding banquets and short and nearby travelling significantly increased. In the second half of 2020, the utilization rate of seats was 67.18%, representing a decrease of just 6.06% from 73.24% in the second half of 2019 and a significant increase when compared to the year-on-year decrease of 34.9% recorded in the first half of 2020. Revenue per sq.m. of banquet rooms was RMB5,727.75 in the second half of 2020, representing an increase of 14.87% from RMB4,986.41 in the second half of 2019.

## Hotel Management Segment

During the Reporting Period, the Group recorded a revenue of approximately RMB189.7 million from the hotel management segment, representing a year-on-year decrease of approximately 20.3%. Although the number of managed hotels from new openings increased during the Reporting Period, after the outbreak of the pandemic, the Group proactively waived the management fees of all entrusted hotels from 24 January to 31 March 2020; and subsequently from 1 April to 30 June 2020, the performance of each hotel also dropped significantly, with the revenue of the hotel management segment recording a year-on-year decrease of 44.7% in the first half of the year. In the second half of the year, as the pandemic was gradually brought under control in the PRC, the performance of all hotels recovered gradually, and the revenue of the hotel management segment recovered to a year-on-year decrease of 2.9% for 2020.

## Information Technology

During the Reporting Period, the Group formulated a new set of digital strategy plans with clear definitions in respect of the direction, methods, organization and execution of digitalisation, and identified and enhanced the digital capability and construction direction of 2P (management middle platform, data middle platform), 5A (new marketing, new service, new management, smart hotel, new commerce), 2I (public component and infrastructure).

- I. The Group has developed the new New Century Tongbao (開元通寶) to serve as a management middle platform and distribution middle platform for the digital system of the Group. New Century Tongbao is connected with the human resources and project management systems of the Group. It has systems capable of organising structure, managing user authorisation, application management, configuring service network and third-party system access, providing users with convenient business access and management capabilities.
- II. The Group deepened and accelerated the development of official channels, and continued the iterative improvement of our calendar room booking system and member's online service experience, further improving the conversion rate from traffic to transaction through the establishment of the innovative “悅選小店” on the WeChat innovation ecosystem, and the effective integration of WeChat live streaming mini program, video account and social models. The Group upgraded the mobile tools for cultivation of and sales to offline hotel members, so that hotel staff can access users in a convenient way and cultivate members. In addition, the Group enhanced the direct connection with OTA technology, and completed the direct connection of promotion price with flagship hotels to achieve higher efficiency in direct connection.

## MANAGEMENT DISCUSSION AND ANALYSIS

- III. The Group completed the development and launching of the online hotel mini program on gycode.com (微管家), which realized the connection between online marketing and offline services, and to provide users with integrated online digital service capabilities covering services before check-in, after check-in and after check-out. The mini program provides service requests, activity booking, information recommendations and sales of commodities to all guests, which enhanced the customer service experience and hotel operation efficiency.
- IV. In collaboration with the business departments, the Group developed and implemented the PEP project management system, human resources system, financial sharing, and the New Century University online learning platform, quality management system and knowledge management system to achieve more efficient management and operation capabilities. At the same time, the Group has obtained a public security level data protection certificate, and further enhanced data security in areas such as network environment, hardware protection, data redundancy, software audit and management system.

In addition, the Group continued to recruit outstanding technical talent to enhance our digital organisation capability, optimise R&D project operating system, improve our system for cross-companies and cross-departments coordination; and established digital professional team comprising product managers, R&D engineers, quality engineers, UI exchange designers and data analysts.

### OVERVIEW OF FINANCIAL INFORMATION

#### Revenue

Comparison between the financial information of the Group during the Reporting Period and that of the corresponding period of 2019 is as follows:

	Year ended 31 December			
	2020		2019	
	RMB'000	% of total revenue	RMB'000	% of total revenue
<b>Hotel operation</b>				
Room	620,401	38.8%	805,862	41.8%
Food and beverage	534,154	33.4%	600,198	31.2%
Ancillary services	214,272	13.4%	243,096	12.6%
Rental income	39,181	2.5%	40,925	2.1%
<b>Subtotal of hotel operation</b>	<b>1,408,008</b>	<b>88.1%</b>	<b>1,690,081</b>	<b>87.7%</b>
<b>Hotel Management</b>	<b>189,708</b>	<b>11.9%</b>	<b>237,899</b>	<b>12.3%</b>
<b>Total</b>	<b>1,597,716</b>	<b>100.0%</b>	<b>1,927,980</b>	<b>100.0%</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## HOTEL OPERATION

During the Reporting Period, revenue for the hotel operation segment decreased by approximately 16.7% from approximately RMB1,690.1 million in 2019 to approximately RMB1,408.0 million in 2020, primarily due to (i) an approximately 23.0% decrease in revenue from accommodation services from approximately RMB805.9 million in 2019 to approximately RMB620.4 million in 2020; (ii) an approximately 11.8% decrease in the revenue from our ancillary services from approximately RMB243.1 million in 2019 to approximately RMB214.3 million in 2020; and (iii) an approximately 11.0% decrease in the revenue from F&B services from approximately RMB600.2 million in 2019 to RMB534.2 million in 2020.

The decrease in revenue for the hotel operation segment was largely due to travel restrictions related to the pandemic, which led to a 16.1 percentage points decrease in the room occupancy rate from 61.2% in 2019 to 45.1% in 2020, and a 9.2% decrease in ADR from RMB416.67 in 2019 to RMB378.29 in 2020. This also caused year-on-year decreases in revenues from F&B and ancillary services.

## HOTEL MANAGEMENT

During the Reporting Period, revenue for the hotel management segment decreased by approximately 20.3% from approximately RMB237.9 million in 2019 to approximately RMB189.7 million in 2020. Despite an increase of approximately 52.2% in the number of managed hotels from 178 to 271 (among which, the number of managed mid-scale select service hotels increased from 86 to 145, representing an increase of approximately 68.6%), the performance of hotels declined due to the impact of the pandemic, which resulted in a year-on-year decrease in the revenue for the hotel management segment.

## COST OF SALES

During the Reporting Period, the cost of sales decreased by approximately 7.3% from approximately RMB1,363.0 million in 2019 to approximately RMB1,263.1 million in 2020, primarily due to decrease in operating income.

## GROSS PROFIT AND GROSS PROFIT MARGIN

Based on the foregoing, during the Reporting Period, the gross profit of the Group was approximately RMB334.6 million, representing a decrease of approximately 40.8% over the same period of 2019, and the gross profit margin was approximately 20.9%, representing a decrease of 8.4 percentage points as compared to the gross profit margin for the same period in 2019, which was primarily due to a significant decrease in operating income, given costs such as asset depreciation and amortisation and maintenance increased as the number of leased hotels increased while the decrease in other costs did not match the significant decrease in operating income.

## SELLING AND MARKETING EXPENSES

Selling and marketing expenses decreased by approximately 16.9% from approximately RMB106.0 million in 2019 to approximately RMB88.1 million in 2020. The decrease was primarily due to the decrease in operating income.

## MANAGEMENT DISCUSSION AND ANALYSIS

### ADMINISTRATIVE EXPENSES

Administrative expenses decreased by approximately 2.1% from approximately RMB168.1 million in 2019 to approximately RMB164.5 million in 2020.

### OTHER INCOME AND OTHER GAINS

During the Reporting Period, other income and other gains were approximately RMB43.1 million, representing a decrease of approximately RMB2.2 million over 2019. The other income and other gains of the Company mainly represent the government grants received and gains on the structured deposits.

### TAXATION

During the Reporting Period, the effective tax rate was approximately 31.8%, as compared to approximately 23.7% over the same period of 2019, representing an increase of 8.1 percentage points, which was mainly due to the deferred income tax assets of some long-term loss making hotels not recognised in the year.

### NET PROFIT AND TOTAL COMPREHENSIVE INCOME

Due to the reasons mentioned above, during the Reporting Period, the net profit and total comprehensive income decreased by approximately 87.0% from approximately RMB205.0 million in 2019 to approximately RMB26.6 million in 2020. The profit attributable to the owners of the Company decreased by approximately 90.3% from approximately RMB202.4 million in 2019 to approximately RMB19.7 million in 2020.

### TOTAL CASH AND CASH EQUIVALENTS

As at 31 December 2020, our Group's total balance of cash and cash equivalents amounted to approximately RMB291.3 million (as at 31 December 2019: approximately RMB345.7 million). There was also fixed deposit of approximately RMB613.5 million (as at 31 December 2019: approximately RMB909.2 million). As at 31 December 2020, the liabilities of the Company were in Renminbi and there were no foreign currency liabilities.

### 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 31 December 2020, the property, plant and equipment of the Group was approximately RMB790.7 million, representing an increase of approximately RMB129.5 million from approximately RMB661.2 million as of 31 December 2019, primarily attributable to the Group's newly leased hotel project and the acquisition of its renovation and related mobile assets during the Reporting Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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, (ii) deposits to suppliers, (iii) receivables from related parties and (iv) others.

As at 31 December 2020, the Group's trade receivables were approximately RMB95.5 million, representing an increase of approximately RMB1.2 million from approximately RMB94.3 million as at 31 December 2019, primarily attributable to the newly increased hotels.

As at 31 December 2020, the Group's other receivables, other current assets and prepayments were approximately RMB119.2 million in total, representing an increase of approximately RMB19.0 million as compared to approximately RMB100.2 million as of 31 December 2019, primarily attributable to an increase of approximately RMB26.4 million in other receivables (mainly comprised: (i) increase in VAT recoverable of approximately RMB10.9 million for hotel renovation acquired during the year; and (ii) a payment of approximately RMB5.0 million as earnest money for a lease). Besides the amount mentioned above, the Company also recorded a long-term prepayment of RMB24.8 million for acquisition of an equity interest. The balance was recorded as a non-current asset.

## LOAN RECEIVABLE

The Group's loans receivable were mainly funds lent to independent third parties with the total principal amounting to RMB34.0 million. There was no such loans in 2019.

## TRADE AND OTHER PAYABLES

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

As at 31 December 2020, the total trade payables of the Group amounted to approximately RMB211.1 million, representing an increase of approximately RMB74.3 million as compared with that of approximately RMB136.8 million as at 31 December 2019, mainly attributable to outstanding rent payables of approximately RMB42.0 million.

As at 31 December 2020, the other payables of the Group amounted to approximately RMB231.0 million, representing a decrease of approximately RMB10.9 million as compared with that of approximately RMB241.9 million as at 31 December 2019, mainly attributable to a decrease of approximately RMB10.1 million in outstanding salaries and welfare payables as at the end of the year.

## CONTRACT LIABILITIES

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



## MANAGEMENT DISCUSSION AND ANALYSIS

The Group's contract liabilities increased from approximately RMB216.5 million as at 31 December 2019 to approximately RMB280.5 million as at 31 December 2020, primarily due to the advance receipts from general customer base of the newly increased hotels.

### LIQUIDITY AND FINANCIAL RESOURCES

The Group generally funds its growth from cash generated from operations and debt financings. For total details of the Group's cash and cash equivalent balances, please refer to the above sub-section headed "Total Balances of Cash and Cash Equivalents" and note 24 to the consolidated financial statements. As at 31 December 2019 and 2020, the Group has no bank borrowings. As at 31 December 2020, the Group's gearing ratio (calculated as total interest-bearing debt (including total borrowings and lease liabilities) divided by total assets) was approximately 49.1% (31 December 2019: approximately 50%). The Group monitors its cash flow position, maturity profile of borrowings, availability of banking facilities, leverage ratio and interest rate exposure on an ongoing basis.

### FOREIGN EXCHANGE RISKS MANAGEMENT

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

### SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

In September 2020, a joint venture company was established with Zhejiang Fuchun Health Tourism Group Co., Ltd. (浙江富春山居健康旅遊集團有限公司). The company is named Zhejiang Shanju New Century Hotel Management Co., Ltd. (浙江山居開元酒店管理有限公司), with a registered capital of RMB10 million, of which the shareholding of Zhejiang Fuchun Health Tourism Group is 51% and the shareholding of the Group is 49%. The joint venture was set up to combine the advantages and enhance the competitiveness of both parties in the luxury resort hotel market and to jointly explore the market.

In November 2020, the Zhejiang New Century Rongjing Hotel Management Co., Ltd. (浙江開元榮景酒店管理有限公司) was formed by joint venture with Zhejiang Rongjing Hotel Management Co., Ltd. (浙江榮景酒店管理有限公司), with a registered capital of RMB10 million, of which the shareholding of the Group is 60% and the shareholding of the Zhejiang Rongjing Hotel Management Co., Ltd. is 40%. This cooperation aims to accelerate development in the market of managed hotel projects.

In November 2020, an equity interest transfer agreement was signed with Xian Haoyue Hotel Management Group Co., Ltd. (西安哈月酒店管理有限公司) for our strategic investment in its wholly-owned subsidiary Jiangsu Haoyue Hotel Management Co., Ltd. (江蘇哈月酒店管理有限公司). After completion of the investment, the Group will hold 40% interest in Jiangsu Haoyue Hotel Management Co., Ltd. The investment aims to increase our strategic presence in the mid-scale market.

The Group did not make any significant investments during 2020, and save for those disclosed in this Annual Report, there were no other material acquisitions or disposals of subsidiaries during the year under review.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

Save for the use of raised proceeds as disclosed in the section titled “Use of Proceeds from Initial Public Offering” in this report, the Group currently has the following material investment or acquisition of capital asset plans.

In February 2021, an equity interest transfer agreement was signed with Ningbo Hecheng Hotel Management Co., Ltd. (寧波合呈酒店管理有限公司) to acquire the entire interest in Ningbo Hanya Hotel Management Company Limited (寧波漢雅酒店管理有限公司) held by it. The Group joined Ningbo Tourism Co., Ltd. (寧波旅遊股份有限公司) to become shareholders of Ningbo Hanya Hotel Management Company Limited, and the Group’s shareholding is 45%. The cooperation aims to accelerate market development in managed hotel projects.

The Group proposed to increase capital contribution to Jiangxi Aiyue Intelligent Technology Co., Ltd. (江西愛越智能科技有限公司) in March 2021. After the capital increase, the Group will hold 10% shares in Jiangxi Aiyue Intelligent Technology Co., Ltd. Jiangxi Aiyue Intelligent Technology Co., Ltd. engages in hotel intelligent upgrade and transformation, and its business can create synergy with the hotel operation and management of the Group. Its management team has deep understanding of hotel operation and is able to resolve difficult issues arising between customer and hotel, enhance accommodation experience of consumers as well as effectively reduces hotel operation costs, which can enhance the market competitiveness of the Group and enable the Group to capitalize on the opportunities currently available for the development of smart hotels and achieve intelligent innovation and changes in hotels.

Save as disclosed above, the Group currently does not have and the Board has not, as at the date of this Annual Report, authorised other plans for material investments or acquisition of capital assets.

## CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no contingent liabilities.

## USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The H shares of the Company were listed on the Main Board of the Stock Exchange on 11 March 2019. Based on the offer price of HK\$16.5 per share, the proceeds raised by the Company from the listing amounted to approximately HK\$1,155.0 million. As stated in the Company’s Prospectus dated 26 February 2019, the amount of net proceeds earmarked was approximately HK\$1,120.0 million.

## MANAGEMENT DISCUSSION AND ANALYSIS

On 20 March 2020, the Board resolved to change the use of proceeds (the “Reallocation”) and the Reallocation 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 31 December 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 31 December 2020	Unutilized Net Proceeds	Estimated Utilization Timetable <sup>(5)</sup>
	(HK\$ million)	(HK\$ million)	(RMB million)*	(RMB million)	(RMB million)	
Development of our upscale business and resort hotels	280.0 <sup>(1)</sup>	171.5	146.8	146.8	0.0	N/A
Development of our mid-scale hotels	392.0 <sup>(2)</sup>	111.6	95.6	13.0	82.6	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 <sup>(3)</sup>	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	2.4	45.6	On or before 31 December 2021
Development of our information technology system by upgrading existing operational and IT system infrastructure	168.0 <sup>(4)</sup>	68.0	58.2	2.9	55.3	On or before 31 December 2021
General corporate purposes and working capital	112.0	414.0	354.4	183.9	170.5	On or before 31 December 2022
Strategical development of the Group's business through business acquisition and business collaboration	–	298.9	255.9	24.8	231.1	On or before 31 December 2021
<b>Total</b>	<b>1120.0</b>	<b>1120.0</b>	<b>958.9</b>	<b>373.8</b>	<b>585.1</b>	

## MANAGEMENT DISCUSSION AND ANALYSIS

\* 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 RMB 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.

### MAJOR RISKS AND UNCERTAINTIES

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

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

The segments of the hotel industry in which we operate are subject to intense competition. Our principal competitors are other hotel groups, including other major hospitality chains with well-established and recognized brands. If we are unable to compete successfully, our revenues or profits may decline or our ability to maintain or increase our market share may be diminished. We compete for hotel guests based primarily on brand recognition and reputation, location, guest satisfaction, room rates, quality of service, amenities and quality of accommodations. Some of our competitors are larger than we are based on the number of properties they manage, franchise, lease or own, or based on the number of hotel rooms or geographic locations where they operate. Our competitors may also have greater financial and marketing resources than we do, which could allow them to improve their properties and expand and improve their marketing efforts in ways that could affect our ability to compete for guests effectively.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

### **The Group's operations may be affected by emergencies.**

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

## ENVIRONMENTAL POLICIES AND PERFORMANCE

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## COMPLIANCE WITH MAJOR LAWS AND REGULATIONS

To the best knowledge of the Board and the management, during the year ended 31 December 2020, the Company has complied with the laws and regulations that have a significant impact on the Company.

## IMPORTANT RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

## NEW PRODUCTS AND SERVICES WHICH HAVE BEEN LAUNCHED OR PUBLISHED

During the Reporting Period, the Group promoted the creation of new brand name and filled the top-end void in the New Century hotel brand series by formally launching the high-end brand “Found” in the market. The Group completed the refinement of the core values and distinctive selling points of the brand, planning of the brand symbols, visual identification systems, slogans, brand booklets and pre-opening promotion (trial operation). A simple, cute and easily recognised parent-child IP family image that fits the aesthetic of the current younger generation and customer base was incubated, which has become a new cultural symbol of New Century and strengthened its brand affinity. Meanwhile, all scenarios promotion was strengthened and parent-child themed rooms and related gifts and souvenirs were developed. The Group deepened the planning and design of its products and service brand, including Dragon Boat Festival dumpling, mooncakes, Biluo Wine and Spring Festival goods. Through organising the Flavors of Century Zhejiang Series delicacy promotion activity, the Group continued to build excellent reputation for its New Century Star Chef service.

## EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2020, the total number of employees of the Group was approximately 4,673. For the year ended 31 December 2020, the total remuneration of employees (including the remuneration of Directors of the Company, but excluding the remuneration of independent non-executive Directors) was approximately RMB443.6 million (2019: RMB530.3 million).

Employees’ compensations of the Company include basic wages, allowance and performance bonus. The company established a scientific and reasonable compensation distribution system where the income of the employees is directly proportional to the value created by them for the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

The Group puts great emphasis on human resources development, focussing on the long-term cultivation and training management talents at all levels, and commits to the close integration of our cultivation and training work with the actual developmental needs of our Group. During the Reporting Period, the number of participants and the scale of our reserve managerial training program and middle-level successor training increased significantly as compared with last year. With the aim to develop our middle to senior level managers to be outstanding, creative, skillful and at the same time equipped with international vision, the Group provided them with training that integrates theory and practice. During the Reporting Period, in order to achieve the objective of platform sharing and resources integration, the Group has established a human resources sharing service center to facilitate the allocation of personnel among hotels and improve the efficiency of human resources management of the Group. As at 31 December 2020, all units within the Group have commenced using the resources sharing system. The Company continued to implement the “Hundred City & Thousand School into New Century” project, and all 2019 management trainees who participated in the “dual election internship” have been promoted to managerial positions. Cooperation with educational institutions was deepened. A total of 36 candidates was admitted to the M36 elite class jointly organised by the Group and the Tourism College of Zhejiang, and both parties cooperated to apply for joining the Zhejiang Province Tourism Industry-Education Integration Alliance (浙江省旅遊產教聯盟) and jointly established the Kaiyuan Hotel Management College (開元酒店管理學院). The Group and the College of Tourism, Huangshan University agreed on intention to cooperate in activities such as launching “star chefs’ lectures in campus” and mutual recruitment of personnel. We have established cooperation with 50 universities and colleges by the end of 2020. In terms of the cultivation of professional talents within the Group, we have conducted various trainings during the Reporting Period, including marketing revenue management training camp, vacation partner training camp, training for senior banquet service officers, New Century star chef, New Century quality control officers, brand communication practice training camp, vitality experts and engineering exchange. Meanwhile, the Company actively responded to the policy of human resources and social security departments of the government on establishment of vocational skill level certification pilot unit. During the Reporting Period, the Company applied for and passed rating qualification for four types of work including waiter, Chinese cooking, room attendant and front office host. This will provide standardised basis for training and assessment of skilled employees of the Company. Our systematic internal training program has supplied us with a sufficient number of qualified managers and other employees to meet the continuous needs for skilled employees.

As at the date of this Annual Report, the Company has not established any share option schemes.

# MANAGEMENT DISCUSSION AND ANALYSIS

## SOCIAL RESPONSIBILITY

The Group has been focusing its corporate social responsibility on corporate culture and strategic development, and adhering to its commitment to society and carrying out sustainable operation. In order to achieve effective implementation of key social responsibility issues and promote the orderly implementation of corporate social responsibility, the Group formally established the Corporate Social Responsibility Committee on 16 March 2020 to clearly define the major areas of social responsibility of the Company and implement division of labour, thereby forming a sustainable and long-term effective mechanism for social responsibility management.

In the future, the Group will continue to invest resources and manpower to promote the full implementation of the “Kaiyuan Cares” corporate social responsibility plan and contribute more to the industry, society and the environment in which humans depend on.

## CORPORATE STRATEGY AND FUTURE DEVELOPMENT OUTLOOK

The Company believes the following competitive strengths will provide a solid foundation for the Group’s rapid development in the future: (i) being one of the leading upscale hotel groups in China with strong brand recognition; (ii) a broad and strong portfolio of hotel brands with extensive network in China and with strong pipeline of new hotel projects; (iii) distinct synergy in executing a business model combining both hotel operation and hotel management businesses; (iv) significant experience as a hotel group in China; (v) the Company’s diverse and effective hotel reservation channels and loyalty program provides wide hotel guest exposure; and (vi) experienced and professional management team and a dedicated workforce.

Looking ahead, challenge and opportunity will still co-exist for the hotel industry in China. The impact of the pandemic is extensive and far-reaching. Although the global economy is likely to see a general recovery in the near future, the external environment is still complex and volatile and the probability of a significant economic recovery is low. In terms of the domestic economy, as the 14th Five-year Plan begins, the government’s economic work will closely align with the targets and goals of the 14th Five-year Plan and China will strive to promote reform and innovation and accelerate the establishment of a new development landscape. Meanwhile, as the spending power of residents on tourism and the demand for diverse tourism cultural products continue to grow, it will be a challenge for the hotel industry to develop in both quality, presenting an opportunity for the industry to increase its overall competitiveness.

The Company will adhere to its development strategy of “leading upscale development and winning in mid-scale market”, facilitate project development through diversified cooperation, and strengthen strategic cooperation, joint venture and alliance to promote regional development. The Company will improve channel construction, accelerate the establishment of presence throughout the country and expansion to strategic cities, improve the development of key brand projects and improve quality control, maintain the Group’s competitive edge in the upscale hotel market and fully promote the rapid development of Mid-scale Hotels.

The Company intends to seize market opportunities by implementing the following strategies: (i) adhere to and improve talent training strategies, especially the three-tier talent training plan; (ii) complete the coverage of key cities and improve the nationwide hotel network; (iii) rapidly expand Mid-scale Hotel business and targeted launch of Mid-scale Hotels with unique designs and experience offers so as to increase mid-scale market share; (iv) increase marketing activities and crossover marketing initiatives to maintain our strong brand recognition and expand our guests base; (v) further investment and development in innovative digital strategies and improving operational efficiency; and (vi) using our abundant financial resources to strategically develop the business of the Group through business acquisitions and cooperation. The Group will continuously innovate our products and services, improve operational and management efficiency, serving hotel guests to their satisfaction while creating value for hotel owners.



## REPORT OF THE BOARD OF DIRECTORS

The Board of Directors is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

### PRINCIPAL BUSINESS

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

### BUSINESS REVIEW

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

- (1) “Business Review” in the section headed “Management Discussion and Analysis”; and
- (2) Review of corporate social responsibilities and environmental policies and performance in “Environmental, Social and Governance Report”.

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

### FINANCIAL REVIEW

The annual results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of comprehensive income on page 89 of this Annual Report. The management discussion and analysis regarding financial review is set out on pages 24 to 39 of this Annual Report. The financial summary of the Group for the years ended 31 December 2019 and 2020 are set out on page 11 of this Annual Report.

### SHARE CAPITAL

As at 31 December 2020, the number of each class of shares of the Company is:

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

## REPORT OF THE BOARD OF DIRECTORS

### DIVIDEND

The Board proposed that no cash dividend will be paid in respect of the year ended 31 December 2020 and no capital reserve capitalisation and other forms of distribution will be made (2019: RMB0.40 per share (tax included) for a total dividend of RMB112 million).

### RESERVES

Details in reserves of the Group as at 31 December 2020 are set out in note 26 to the consolidated financial statements of this Annual Report.

#### Distributable reserves

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

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

As at 31 December 2020, based on the calculation made in accordance with the China Accounting Standards for Business Enterprises, relevant PRC Laws, and the Articles of Association, the distributable reserves of the Company amounted to RMB199.25 million.

### PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment of the Group for the years ended 31 December 2020 and 2019 are set out in note 15 to the consolidated financial statements.

### MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, the Group's five largest customers in aggregate accounted for 8.8% of the Group's total revenue. The largest customer of the Group, accounted for 3.9% of the total revenue of the Group during the Reporting Period. The Group's customers primarily comprise hotel owners, travel agencies, online travel agencies and corporate clients. One of the five largest customers includes the relevant close associate of Mr. Chen Miaolin, one of our Controlling Shareholders. Save as disclosed and Ctrip.com International, Ltd. which is one of the Company's shareholder, to the knowledge of our Directors, none of our Directors, their respective close associates or any shareholder who owns more than 5.0% of the Company's issued share capital, had any interest in any of the five largest customers of the Group during the Reporting Period. The Company accept payments by hotel guests (including those for F&B services) by way of cash and credit cards, Alipay or WeChat. Payments from travel agencies and corporate hotel guests are generally made to us by bank transfer and by cash upon the hotel guests' departure. Certain corporate guests, hotel reservation websites maintained by third-party online travel agencies and travel agencies are generally granted a credit period of 30 to 90 days.

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

## REPORT OF THE BOARD OF DIRECTORS

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

For the year ended 31 December 2020, the Group’s depreciation of right-of-use assets and financial costs generated by the top five largest lessor suppliers in aggregate accounted for 20.7% of the Group’s total cost of sales and financial expenses. During the Reporting Period, to the knowledge of the Directors, save for New Century REIT (which is a close associate of Mr. Chen Miaolin, one of our Controlling Shareholders and also the largest supplier, the depreciation of relevant right-of-use assets and financial expenses accounted for 14.5% of the Group’s total cost of sales and financial expenses), none of the Directors, their respective close associates or any shareholder who owns more than 5.0% of the Company’s issued share capital, had any interest in any of the Group’s five largest lessor suppliers.

For the year ended 31 December 2020, the Group’s top five largest other suppliers in aggregate accounted for 3.8% of the Group’s total cost of sales. During the Reporting Period, to the knowledge of the Directors, none of our Directors, their respective close associates, or any shareholders who owns more than 5.0% of the Company’s issued share capital had any interest in any of the Group’s five largest other suppliers.

### CHARITABLE DONATION

For the year ended 31 December 2020 and 2019, the Group made no charitable donations.

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

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

#### Executive Directors

Mr. Jin Wenjie (*chairman*)

Mr. Chen Miaoqiang (*president*)

#### Non-executive Directors

Mr. Chen Canrong

Mr. Jiang Tianyi

Mr. Zhou Rong (*appointed on 20 May 2020*)

Mr. Xie Bingwu (*appointed on 20 May 2020*)

Mr. Chen Miaolin (*retired with effect from 20 May 2020*)

Mr. Zhang Chi (*retired with effect from 20 May 2020*)

#### Independent non-executive Directors

Mr. Zhang Rungang

Mr. Khoo Wun Fat William

Ms. Qiu Yun

## REPORT OF THE BOARD OF DIRECTORS

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

Ms. Zha Xianghong (*chairman*)

Mr. Guo Mingchuan

Ms. Liu Hong

### SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

According to the requirements of the Articles of Association of the Company, all Directors (including non-executive directors) are elected by the Shareholders' meeting, each for a term of three years. Upon expiration of the term of office of the Directors, they may be re-elected. Since the Company has entered into a service agreement (for the purpose of executive Directors and non-executive Directors) or a letter of appointment (for the purpose of independent non-executive directors) with each of the Directors which will expire on 19 May 2023, and they are subject to re-election in accordance with the provisions of the Articles of Association, therefore no Director is subject to re-election at the forthcoming annual general meeting of the Company.

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

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

### INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

## REPORT OF THE BOARD OF DIRECTORS

### CONTINUING CONNECTED TRANSACTIONS

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

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

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

Details of the abovementioned connected transactions have been set out in pages 44 to 51 of this Annual Report and have also been set out in the related party transactions disclosed in the note 34 to the consolidated financial statements for the year ended 31 December 2020. All related party transactions that constitute connected transactions or continuing connected transactions (other than those referred to in the section headed “Continuing Connected Transactions” of the Listing Rules) are exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. Save as otherwise specified in the context, all the following terms have the same meaning as defined in the Prospectus.

#### (i) Full Service Management Services Framework Agreement

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

Date of the agreement: 12 February 2019

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

Term: from 11 March 2019 to 31 December 2021.

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

## REPORT OF THE BOARD OF DIRECTORS

### *Pricing policy*

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

The historical amount of continuing connected transactions under the Full Service Management Services Framework Agreement for each of the five years ended 31 December 2020, and the relevant annual cap for the year ended 31 December 2021 are as follows:

Item	Historical amounts (RMB'000,000)				Annual caps (RMB'000,000)	
	For the year ended 2016	For the year ended 2017	For the year ended 2018	For the year ended 2019	For the year ended 2020	For the year ended 2021
Fees charged by the Group according to the Full Service Management Services Framework Agreement for the relevant periods	23.9	29.2	34.9	50.3	43.4	57.0

### **(ii) Sale of Goods and Services Framework Agreement**

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

Date of the agreement: 12 February 2019

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

Term: from 11 March 2019 to 31 December 2021.

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

## REPORT OF THE BOARD OF DIRECTORS

### *Pricing policy*

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

The historical amount of continuing connected transactions under the Sale of Goods and Services Framework Agreement for each of the five years ended 31 December 2020, and the relevant annual cap for the year ended 31 December 2021 are as follows:

Item	Historical amounts (RMB'000,000)				Annual caps (RMB'000,000)	
	For the year ended 2016	For the year ended 2017	For the year ended 2018	For the year ended 2019	For the year ended 2020	For the year ended 2021
Fees charged by the Group according to the Sale of Goods and Services Framework Agreement for the relevant periods	15.8	14.2	18.7	18.2	16.0	28.0

### (iii) Supply of Hotel Services and Goods Framework Agreement

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

Date of the agreement: 12 February 2019

Parties to the agreement: (i) the Group as the receiver; and  
(ii) New Century Tourism as the supplier.

Term: from 11 March 2019 to 31 December 2021.

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

## REPORT OF THE BOARD OF DIRECTORS

### *Pricing policy:*

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

The historical amount of continuing connected transactions under the Supply of Hotel Services and Goods Framework Agreement for each of the five years ended 31 December 2020, and the relevant annual cap for the year ended 31 December 2021 are as follows:

Item	Historical amounts (RMB'000,000)				Annual caps (RMB'000,000)	
	For the year ended 2016	For the year ended 2017	For the year ended 2018	For the year ended 2019	For the year ended 2020	For the year ended 2021
Fees paid by the Group according to the Supply of Hotel Services and Goods Framework Agreement for the relevant periods	11.7	12.0	13.0	6.7	3.4	15.0

New Century Tourism is one of our Controlling Shareholders and therefore is a connected person of our Company under the Listing Rules. New Century Holdings is owned as to 85.2% by Mr. Chen Miaolin, our non-executive Director (retired with effect from 20 May 2020) and one of our Controlling Shareholders and therefore is an associate of Mr. Chen Miaolin and hence a connected person of our Company under the Listing Rules. Accordingly, the transactions under the Full Service Management Services Framework Agreement, Sale of Goods and Services Framework Agreement and Supply of Hotel Services and Goods Framework Agreement constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules.



## REPORT OF THE BOARD OF DIRECTORS

### (iv) Supply of Wine Products Framework Agreement

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

Date of the agreement: 12 February 2019

Parties to the agreement: (i) the Group as the receiver; and  
(ii) Birot by New Century as the supplier.

Term: from 11 March 2019 to 31 December 2021.

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

#### *Pricing policy*

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

The historical amount of continuing connected transactions under the Supply of Wine Products Framework Agreement for each of the five years ended 31 December 2020, and the relevant annual cap for the year ended 31 December 2021 are as follows:

Item	Historical amounts (RMB’000,000)				Annual caps (RMB’000,000)	
	For the year ended 2016	For the year ended 2017	For the year ended 2018	For the year ended 2019	For the year ended 2020	For the year ended 2021
Fees paid by the Group according to the Supply of Wine Products Framework Agreement for the relevant periods	5.2	7.2	6.2	4.2	3.1	7.5

## REPORT OF THE BOARD OF DIRECTORS

Birot by New Century is indirectly interested as to 83.9% by Mr. Chen Miaolin, our non-executive Director (retired with effect from 20 May 2020) and one of our Controlling Shareholders and therefore is an associate of Mr. Chen Miaolin and hence a connected person of our Company under the Listing Rules. Accordingly, the transactions under the Supply of Wine Products Framework Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

### (v) Master Hotel Lease and Management Agreement

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

Date of the agreement: 14 June 2013

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

Term: ten years starting from 10 July 2013

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

#### *Pricing policy*

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

## REPORT OF THE BOARD OF DIRECTORS

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

The historical amount (tax inclusive) of continuing connected transactions under the Master Hotel Lease and Management Agreement for each of the five years ended 31 December 2020, and the relevant annual cap for the year ended 31 December 2021 are as follows:

Item	Historical amounts (RMB'000,000)				Annual caps (RMB'000,000)	
	For the year ended 2016	For the year ended 2017	For the year ended 2018	For the year ended 2019	For the year ended 2020	For the year ended 2021
Fees paid by the Group according to the Master Hotel Lease and Management Agreement for the relevant periods	213.7	219.3	226.6	204.1	172.4	251.0

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

# REPORT OF THE BOARD OF DIRECTORS

## ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

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

The Company's auditor has been engaged by the Company to report on the abovementioned continuing connected transactions. The auditor has issued a letter to the Board containing their findings and conclusions in respect of the abovementioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. The auditor has confirmed that nothing has come to their attention that causes them to believe that the abovementioned continuing connected transactions:

- (a) have not been approved by the Board;
- (b) were not conducted, in each material respect, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group; and
- (c) were not conducted, in each material respect, in accordance with the relevant agreement governing the transactions.

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

The details of related party transactions entered into by the Group during the year ended 31 December 2020 are set out in note 34 to the consolidated financial statements of this Annual Report. Apart from the connected transactions and the continuing connected transactions disclosed above, none of related party transactions constitutes the "Connected Transaction" and "Continuing Connected Transaction" under Chapter 14A of the Listing Rules.

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

## PRE-EMPTIVE RIGHTS

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

## MANAGEMENT CONTRACT

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

## REPORT OF THE BOARD OF DIRECTORS

### INTERESTS OF DIRECTORS AND SUPERVISORS AND THEIR ASSOCIATES IN COMPETING BUSINESS

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

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

Details of the Deed of Non-Competition are set out in the sub-section headed “Relationship with our Controlling Shareholders – Deed of Non-Competition” in the Prospectus.

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

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

### PERMITTED INDEMNITY PROVISIONS

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

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

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

### EQUITY-LINKED AGREEMENT

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

## REPORT OF THE BOARD OF DIRECTORS

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

As at 31 December 2020, the interests or short positions of our Directors, Supervisors and chief executive in the Shares, underlying Shares or debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) contained in Appendix 10 to the Listing Rules, are set out as follows:

#### Interest in the shares of our Company

Name of Directors	Nature of Interest	Class of Shares	Number of Shares	% in the relevant class of issued shares of our Company	% in the total issued shares of our Company
Jin Wenjie	Interest of a controlled corporation <sup>(2)</sup>	Unlisted Shares <sup>(6)</sup>	13,437,900	6.40	4.80
	Interest of a controlled corporation <sup>(3)</sup>	Unlisted Shares <sup>(6)</sup>	9,655,590	4.60	3.45
Chen Miaoqiang	Interest of a controlled corporation <sup>(4)</sup>	Unlisted Shares <sup>(6)</sup>	7,223,580	3.44	2.58
	Interest of spouse <sup>(5)</sup>	Unlisted Shares <sup>(6)</sup>	7,223,580	3.44	2.58

#### Notes:

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

## REPORT OF THE BOARD OF DIRECTORS

Save as disclosed above, as at 31 December 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 31 December 2020, the interests or short positions of the following persons (other than Directors (except Mr. Chen Miaolin), Supervisors and chief executive of the Company) or corporations in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO are as follows:

Name of Shareholders	Nature of Interest	Class of Shares	Number of Shares	% in the relevant class of issued shares of our Company	% in total issued shares of our Company
New Century Tourism	Beneficial owner	Unlisted Shares <sup>(8)</sup>	125,676,180	59.85	44.88
Chen Miaolin	Interest of a controlled corporation <sup>(9)</sup>	Unlisted Shares <sup>(8)</sup>	125,676,180	59.85	44.88
NC Hotels Investment Holding Pte. Ltd.	Beneficial owner <sup>(10)</sup>	Unlisted Shares <sup>(8)</sup>	40,482,540	19.28	14.46
Ctrip.com (Hong Kong) Limited	Beneficial owner <sup>(11)</sup>	H Shares	14,830,000	21.19	5.30
Rong Tong Fund Management Co., Ltd. represents: Rongtong Ronghai QDII No. 29 SMA (融通融海29號(QDII) 單一資產管理計劃)	Investment Manager <sup>(12)</sup>	H Shares	9,169,000	13.10	3.27
Rex Top Global Investments Limited	Beneficial owner <sup>(13)</sup>	H Shares	6,059,400	8.66	2.16
GEM Holding	Beneficial owner <sup>(14)</sup>	H Shares	3,784,600	5.41	1.35
Zhang GuangXin	Beneficial owner <sup>(15)</sup>	H Shares	6,655,000	9.51	2.38

## REPORT OF THE BOARD OF DIRECTORS

*Notes:*

7. All interests stated are long positions.
8. Unlisted Shares include Domestic Shares and Unlisted Foreign Shares. Based on the advice of our PRC Legal Adviser, the holders of Unlisted Foreign Shares and Domestic Shares are entitled to the same rights. Holders of Unlisted Foreign Shares and Domestic Shares will be treated as if they are in the same class of shares under the SFO upon Listing.
9. Mr. Chen Miaolin indirectly owns as to 85.2% of the equity interests in New Century Tourism and Mr. Chen Miaolin is deemed under the SFO to be interested in the Shares held by New Century Tourism.
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 three Shares held by GEM Holding.
15. Zhang GuangXin is an individual substantial shareholder.

Save as disclosed above, as at 31 December 2020, Directors, Supervisors and chief executives of the Company are not aware of any other person or corporation having an interest or a short position in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.



## REPORT OF THE BOARD OF DIRECTORS

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

For the year ended 31 December 2020, there was no transaction, arrangements or contracts to which the Company or any of its holding companies or subsidiaries was a party, and in which a Director or a Supervisor or the entities connected with them had a material interest, whether directly or indirectly.

### AUDITOR

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

### PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at 31 December 2020, the Company has maintained sufficient public float as required under the Listing Rules.

### EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 18 January 2021 (after trading hours), the Board received a letter from the Kunpeng Asia Limited (the "Offeror") that, subject to the satisfaction of the pre-condition, voluntary conditional offers (the "Offers") will be made by the Offeror for the H Shares and the Domestic Shares other than those owned, controlled or agreed to be acquired by the Offeror and its Concert Parties (as defined in the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code")) who have undertaken not to accept the Offers in accordance with the Takeovers Code which, if implemented, will result in the voluntary withdrawal of the Listing from the Stock Exchange. As at 5 February 2021, the pre-condition to the Offers has been satisfied. Please refer to the announcements dated 20 January 2021, 27 January 2021, 29 January 2021, 5 February 2021 and 8 February 2021 jointly issued by the Offeror and the Company in relation to, among other things, the Offers for further details.

On behalf the Board of Directors

**Jin Wenjie**

*Chairman and Executive Directors*

15 March 2021

## REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

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

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

The Supervisory Committee carefully reviewed and agreed with the Report of Board of Directors and audited financial statements proposed by the Board at the annual general meeting, and considered that the Directors and management of the Company have seriously performed their duties during the year. The Supervisory Committee is not aware of any serious breach of laws, regulations or the “Articles of Association” and any actions detrimental to the interests of the shareholders of the Company by our Directors and management in the performance of duties on the Company’s behalf, and considered that the Company’s internal control system was refined.

In 2021, the Supervisory Committee will continue to strictly enforce the relevant provisions of the Company Law and the “Articles of Association”, faithfully perform the duties of the Supervisory Committee, supervise and inspect the business behavior of the Board and senior management of the Company, perform their duties seriously, and attend the Board meetings, Shareholders’ general meetings and related working meetings to timely grasp the legitimacy and compliance of the Company’s major decision-making matters and various decision-making procedures, promote the Company’s standardized operation and safeguard the interests of all Shareholders of the Company.

By Order of the Supervisory Committee

**Zha Xianghong**

*Chairperson of the Supervisory Committee*

15 March 2021

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high corporate governance standards.

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

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

The Company has adopted the principles and code provisions as set out in the CG Code as the basis of the Company’s corporate governance practice for the year ended 31 December 2020.

In the opinion of the Directors, throughout the year under review, the Company has complied with all the code provisions as set out in the CG Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS

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

The Company has made specific enquiries to all the Directors and the Supervisors and they have confirmed that they have complied with the Model Code for the year ended 31 December 2020.

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

## BOARD OF DIRECTORS

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

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

# CORPORATE GOVERNANCE REPORT

## COMPOSITION OF THE BOARD OF DIRECTORS

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

### Executive Directors

Mr. Jin Wenjie (*Chairman*)

Mr. Chen Miaoqiang (*President*)

### Non-executive Directors

Mr. Chen Canrong (*member of the Nomination Committee*)

Mr. Jiang Tianyi (*member of the Audit Committee*)

Mr. Zhou Rong (*member of the Remuneration Committee*) (*Appointed with effect from 20 May 2020*)

Mr. Xie Bingwu (*Appointed with effect from 20 May 2020*)

### Independent Non-executive Directors

Mr. Zhang Rungang (*Chairman of the Nomination Committee and Remuneration Committee*)

Mr. Khoo Wun Fat William (*member of the Audit Committee and Nomination Committee*)

Ms. Qiu Yun (*Chairman of the Audit Committee and member of the Remuneration Committee*)

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

## BOARD MEETINGS AND GENERAL MEETING ATTENDANCE RECORDS

For the year ended 31 December 2020, at least four regular Board meetings have been held involving active participation, either in person or through electronic means of communication, by a majority of Directors.

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

For the year ended 31 December 2020, the Company held the 2019 annual general meeting on 20 May 2020.

## CORPORATE GOVERNANCE REPORT

A summary of the attendance records of the Directors at the Board meetings and the AGM held during the year is set out below:

Name of Directors	Board meetings	AGM
<b>Executive Directors</b>		
Mr. Jin Wenjie		
Mr. Chen Miaoqiang	8/8	1/1
	8/8	1/1
<b>Non-executive Directors</b>		
Mr. Chen Miaolin <sup>#1</sup>	2/2 <sup>#3</sup>	1/1 <sup>#3</sup>
Mr. Chen Canrong	8/8	1/1
Mr. Jiang Tianyi	8/8	1/1
Mr. Zhang Chi <sup>#1</sup>	2/2 <sup>#3</sup>	1/1 <sup>#3</sup>
Mr. Zhou Rong <sup>#2</sup>	6/6 <sup>#4</sup>	0/0 <sup>#4</sup>
Mr. Xie Bingwu <sup>#2</sup>	6/6 <sup>#4</sup>	0/0 <sup>#4</sup>
<b>Independent Non-executive Directors</b>		
Mr. Zhang Rungang	8/8	1/1
Mr. Khoo Wun Fat William	8/8	1/1
Ms. Qiu Yun	8/8	1/1

Notes:

- <sup>#1</sup> Retired with effect from 20 May 2020  
<sup>#2</sup> Appointed with effect from 20 May 2020  
<sup>#3</sup> Up to 20 May 2020  
<sup>#4</sup> Since 20 May 2020

### CHAIRMAN AND PRESIDENT

As required by the Company, the positions of Chairman and President are held by different persons and there is a clear division of work between the two roles. The Chairman mainly exercises the following functions and powers: 1. to preside over general meetings, and to convene and preside over Board meetings; 2. to examine the implementation of the resolutions of the Board of Directors; 3. to sign the shares, bonds and other value securities of the Company; 4. to formulate various operation systems of the Board and coordinate the operation of the Board; 5. to sign important documents of the Board and sign important legally binding documents on behalf of the Company; 6. to exercise the functions and powers as legal representative; 7. to nominate candidates for secretary of the Board of Directors, and members and chairman of the special committees under the Board; 8. to listen to the regular or irregular work reports of our senior management and provide guiding opinions on the implementation of the resolutions of the Board of Directors; 9. in any emergent force majeure event such as natural disasters, to exercise the special right of disposal in respect of the business of our Company in compliance with laws, regulations and in the interests of our Company, and to report to the Board and the general meeting of our Company afterwards; 10. to exercise other functions and powers specified in laws, administrative regulations, departmental rules or the Articles of Association or granted by the Board of Directors. The president is responsible to the Board of Directors and exercises the following functions and powers: 1. be in charge of the production and operational management of the Company and report to the Board of Directors on such works; 2. organize the execution of resolutions of the Board of Directors; 3. organize the implementation of the annual operation plans and investment schemes formulated by the Board of Directors; 4. formulate the structure scheme of the internal management agency of the Company; 5. formulate the structure

## CORPORATE GOVERNANCE REPORT

scheme of the branch of the Company; 6. formulate the basic management system of the Company; 7. formulate the specific Company regulations; 8. propose the appointment or dismissal of the vice president and chief financial officer to the Board of Directors; 9. appoint or dismiss other management personnel except those who shall be appointed or dismissed by the Board of Directors; 10. other functions and powers authorized by the Articles of Association and the Board of Directors.

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

### **SUPERVISORS AND SUPERVISORY COMMITTEE**

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

### **INDEPENDENT NON-EXECUTIVE DIRECTORS**

For the year ended 31 December 2020, the Board at all times met the requirements of the Listing Rules for the appointment of at least three independent non-executive directors (representing one-third of the Board), with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

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

### **APPOINTMENT AND RE-ELECTION OF DIRECTORS**

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

According to the Articles of Association of the Company, all directors (including non-executive directors) are elected by the shareholders at general meeting for a term of three years. Upon expiration of the term of office of the directors, they may be re-elected. The Company has entered into a service agreement (for the purpose of executive directors and non-executive directors) or a letter of appointment (for the purpose of independent non-executive directors) for a term expiring on May 19, 2023 and their re-election are subject to the provisions of the Articles of Association.

## CORPORATE GOVERNANCE REPORT

### RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

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

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

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

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

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

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

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

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

### CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

## CORPORATE GOVERNANCE REPORT

Directors should participate in appropriate continuous professional development training to develop and refresh their knowledge and skills. All directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2020, all Directors (i) have attended the training courses conducted by the qualified professionals/legal advisers, the content of which was related to, among other things, the duties of directors and on-going obligations of listed companies; and (ii) have been given the relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors and duty of disclosure of interests.

The training records of the Directors for the year ended 31 December 2020 are summarized as follows:

Directors	Type of Training <sup>Note</sup>
<b>Executive Directors</b>	
Mr. Jin Wenjie	A/B
Mr. Chen Miaoqiang	A/B
<b>Non-executive Directors</b>	
Mr. Chen Miaolin ( <i>Retired with effect from 20 May 2020</i> )	A/B
Mr. Chen Canrong	A/B
Mr. Jiang Tianyi	A/B
Mr. Zhang Chi ( <i>Retired with effect from 20 May 2020</i> )	A/B
Mr. Zhou Rong ( <i>Appointed with effect from 20 May 2020</i> )	A/B
Mr. Xie Bingwu ( <i>Appointed with effect from 20 May 2020</i> )	A/B
<b>Independent Non-executive Directors</b>	
Mr. Zhang Rungang	A/B
Mr. Khoo Wun Fat William	A/B
Ms. Qiu Yun	A/B

*Note:*

Types of Training

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

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

### BOARD COMMITTEES

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



## CORPORATE GOVERNANCE REPORT

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

### AUDIT COMMITTEE

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

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

During the year ended 31 December 2020, the Audit Committee held two meetings to review the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of financial reporting system, risk management and internal control systems and internal audit function, appointment of external auditors and relevant scope of works and, connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee has also held two meetings with the external auditor without the presence of the Executive Directors for the year ended 31 December 2020.

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

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

### REMUNERATION COMMITTEE

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

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

During the year ended 31 December 2020, the Remuneration Committee held a meeting to consider the relevant matters regarding/to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the Directors and senior management.

## CORPORATE GOVERNANCE REPORT

The Remuneration Committee also approved/made recommendations to the Board on the terms of service contracts or letters of appointment of the new non-executive Directors appointed during the year.

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

Remuneration Bands (RMB)	Number of the Senior management
500,001 – 1,000,000	5
1,000,001 – 1,500,000	2

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

Name of Members of the Remuneration Committee	Attendance
Mr. Zhang Rungang ( <i>Chairman</i> )	1/1
Ms. Qiu Yun	1/1
Mr. Chen Miaolin <sup>#1</sup>	1/1 <sup>#3</sup>
Mr. Zhou Rong <sup>#2</sup>	0/0 <sup>#4</sup>

Notes:

- #1 Retired with effect from 20 May 2020
- #2 Appointed with effect from 20 May 2020
- #3 Up to 20 May 2020
- #4 Since 20 May 2020

### NOMINATION COMMITTEE

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

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

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

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

## CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2020, the Nomination Committee held a meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board diversity policy.

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

Name of Members of the Nomination Committee	Attendance
Mr. Zhang Rungang (Chairman)	1/1
Mr. Khoo Wun Fat William	1/1
Mr. Chen Canrong	1/1

### BOARD DIVERSITY POLICY

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

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

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

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

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

### SELECTION FOR DIRECTORS AND SENIOR MANAGEMENT

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

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

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE FUNCTION

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

During the year ended 31 December 2020, the Audit Committee held 2 meetings to review the above corporate governance matters of the Company.

## RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

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

## CORPORATE GOVERNANCE REPORT

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

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

The management has confirmed to the Board and the Audit Committee the effectiveness of the risk management and internal control systems for the year ended 31 December 2020.

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

The Board as supported by the Audit Committee, reviewed the risk management and internal control systems (including financial, operational and compliance controls) for the year ended December 31, 2020 with reference to the management report and internal audit findings, and has not identified any significant issues and considered such systems are effective and adequate. The annual review also covered financial reporting, internal audit function and staff qualifications, experience and relevant resources.

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

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

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

### NON-COMPETITION COMMITMENT

Each of the Controlling Shareholders of the Company (the "Promisor") has signed a confirmation letter regarding compliance with the non-competition undertakings, and they hereby confirmed that, for the year ended 31 December 2020, the Promisor, including any of their close associates (as defined by the Listing Rules from time to time), strictly abode by and enforced the commitments under the Deed of Non-Competition Deed and has not breached any terms of the Deed of Non-Competition Deed in any circumstances.

# CORPORATE GOVERNANCE REPORT

## DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2020.

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

A statement of the Company's independent auditor on their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 84 to 88 of this Annual Report.

## AUDITOR'S REMUNERATION

The remuneration paid to PricewaterhouseCoopers, the external auditor of the Company, in respect of audit services rendered for the year ended 31 December 2020 amounted to RMB3.0 million.

## COMPANY SECRETARY

Mr. Li Donglin, Board Secretary and Vice President of the Company, and Ms. Ng Wai Kam of Tricor Services Limited, an external services provider, are the joint company secretaries of the Company.

Ms. Chan Suet Lam of Tricor Services Limited resigned as the joint company secretary of the Company with effect from 29 January 2021. Ms. Ng Wai Kam was appointed to fill the casual vacancy with effect from 29 January 2021. The main contact person of Ms. Ng in the Company is Mr. Li Donglin.

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

For the year ended 31 December 2020, Mr. Li Donglin and Ms. Ng Wai Kam have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

## CORPORATE GOVERNANCE REPORT

### SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels.

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

### CONVENING AN EXTRAORDINARY GENERAL MEETING

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

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

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

### PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

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

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

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

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

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

## CORPORATE GOVERNANCE REPORT

### PUTTING FORWARD ENQUIRIES TO THE BOARD

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

### CONTACT DETAILS

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

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

Email: newcentury@kaiyuanhotels.com

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, and provide the full name, contact details and identification documents in order to give effect thereto. Shareholders' information may be disclosed as required by law. Shareholders may call the Company at (86 571) 8830 5131 for any assistance.

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

### ARTICLES OF ASSOCIATION

For the year ended 31 December 2020, the Company has amended its Articles of Association. Details of the amendments are set out in the Company's circular dated 21 April 2020 and announcement dated 20 May 2020. An up to date version of the Company's Articles of Association is available on the Company's website and the Stock Exchange's website.

### POLICIES RELATING TO SHAREHOLDERS

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

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

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



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company hereby issues the environmental, social and governance report for 2020 to introduce the Company's sustainable development philosophy and practices to all stakeholders.

## SOCIAL RESPONSIBILITY

### I. Stakeholders

The Group adheres to its mission of “meeting guest expectations and creating value for owners”, takes “Humanity Quality, Sincere Care” as the brand's core value and provides services based on the needs of consumers' accommodation and catering. The Group constantly enhances its service capability in the hotel industry, promotes quality services throughout the country and strives to become a first-class comprehensive hotel chain group in China.

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

### II. The Company's Integrity

In 2020, under the strong leadership of the Company's party organization and Audit Committee, and the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, the Company thoroughly studied and implemented the policies of the Communist Party of China. The Company focused on and served the central task of the business development, strengthened the supervision and accountability system, conscientiously fulfilled the supervision responsibility of constructing the Party conduct and an honest and clean government, and strived to enable all party member leaders to lead all staffs to equip themselves and guide practices with Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, to constantly advance the construction of the Company conduct and an honest and clean government and anti-corruption work so as to protect the Company's sustained and healthy development.

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

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

During the Reporting Period, the Group was not subject to any litigation involving corruption, bribery, extortion, fraud and money-laundering.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## QUALITY SERVICES

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

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

### I. Service Design

#### 1. Quality Banquet Service Ambassador

In 2010, the Company pioneered in the hotel industry by introducing the “Quality Banquet Service Ambassadors”, who specialized in high-end banquet services. In response to the guests’ demand for high-end banquet services, the Quality Banquet Service Ambassadors program provide well-trained, meticulous and refined professional and special banquet services, showing our care. Quality banquet service ambassadors is a key professional and special catering service project created by the Company. At the end of 2020, a total of 20 special training sessions had been held and 577 ambassadors were trained.

#### 2. Conference Golden Key

The “Conference Golden Key” is a set of the latest conference service mode that the Company designed and developed through accumulated customer service experience from daily conference reception and management, improving on service quality, and concentrating on the design and innovation. By applying the Golden Key spirit and professional conference services of the Chief Concierge of the Front Office to the conference services, we fostered “Golden Keys” that are experts who are also capable at many other areas, who will deliver their best service and did their best, to serve major conferences. Through the coordination and organization work before the conference reception, the implementation and communication of work in the conference reception, the special service design tailored to conferences and the archival conference materials after conferences, we upgraded conference services to a new level to create a new conference service mode, and comprehensively improve the quality of conference services, create quality services for guests and expand the brand influence of the Company.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 3. New Century Star Chefs

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

The Company pays attention to the talent cultivation and training of “New Century Star Chefs” and currently selected 38 members of New Century Star Chefs Kitchen and 35 employees. During the pandemic, New Century Star Chefs and koubei.com jointly launched 8 sessions of public welfare live broadcasted culinary class, namely the #Star Chef Open Class#, with over 48,000 viewers and over 500,000 likes. The theme #chief chefs becoming anchors# of the Star Chef Open Class live broadcasts attracted the attention and special reports of main media such as Qianjiang Evening News, Toutiao.com, Sohu.com and China.com, and over 3 million views on Weibo and WeChat.

The Company actively organised talent training. The cuisine selection activity “Flavors of Century - Zhejiang Series” was launched and 21 representative cuisines were selected from 86 shortlisted cuisines. Two onsite teaching sessions of the Flavors of Century were organised with 135 participants from 55 hotels. Selection and training of executive chef successor was also arranged and 13 successors were selected. In addition, the Company actively sought breakthroughs in the integration between educational institutions and enterprises. The first “New Century Star Chef’s lectures in campus” training was organised jointly by New Century Star Chef and the College of Tourism, Huangshan University with over 120 participants.

### 4. New Century Concierge

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

### 5. New Century Vitality Experts

Based on the needs of resort hotels, the Company created a unique New Century resort hotels talent training model in 2018 to cultivate the vitality of resort hotels. As a friend and playmate of the guest, we provide guests with the best creative and comprehensive holiday solutions, allowing the guests to enjoy a lighter and brighter holiday experience, and allowing the hotel to inspire guests into a meaningful journey in life. Our Vitality Experts are divided into two new departments in accordance with the resort hotel brands, the humanities category is the cultural experience department, and the non-humanities category is the V.J. Club.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 6. Courtesy Host Services

Matching the resort talent requirement of Found, our new resort brand, the Company created the New Century Courtesy Host (禮士) talent model in 2020. Courtesy Host is a special service group of the “Found” brand under New Century Hotel, and the ambassador of the Found service culture. Courtesy Host upholds the initial intention of New Century services, pays attention to the sense of distance and appropriateness as well as moderation and suitability of services. They place emphasis on the scenario and formality of their services at key service occasions, and provide services that guests feel natural and comfortable with intentional “blank” left at guests’ disposal. New Century Courtesy Host are not only guardian of landscape and secluded scenery but also guides for adding the element of nature to modern living. While providing professional hotel services, they also plan and organise various themed activities of the hotel in an effort to create the ultimate “Found” experience for guests.

### 7. Other Special Services

In 2020, in order to create new differentiated hotel services to provide good experience for customers, support customer big data management and promote secondary marketing, the New Century Hotel Group launched online “gycode.com” (微管家) services which targets and distinguishes four key nodes of regular services namely “before arrival – arrival – during stay -leaving” to provide guests with more comprehensive and considerate one-stop solution.

## II. Guest Satisfaction

The Group strives to drive optimisation of brand quality management and cultivation of quality management talent to cope with intensifying competition of the hotel industry, match quality management needs under its aggressive development strategy, concretely enhance and maintain a high level of guest satisfaction. Following the launch of “New Century Quality Officer” plan in 2018, the “New Century Internal Inspector” talent cultivation plan was launched for two consecutive years since 2019. In 2020, the Group continued and actively carried out the “New Century Quality Officer” and “New Century Internal Inspector” training, with a total of 484 employees trained. Moreover, the Group developed the New Century quality management system jointly with renowned internet companies with the online rate of operating Upscale Hotels reaching 86% in 2020, which effectively accelerated the digitalisation process of New Century’s quality management information.

At the end of 2020, according to the data of Joint Wisdom, the overall operating quality of the hotel industry was severely impacted by the pandemic, guests’ demand for quality such as sanitation and disinfection was unprecedented, while the adjustment of mainstream OTA comment rules resulted in a decline in the comment scores for most hotels. Nevertheless, the overall annual performance of the Group remained relatively good, with favourable rate of online comment at 89.8%, response rate at 97.1% and favourable rate on official website at 93.4%, being relatively unchanged as compared to the previous year.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## CARING FOR EMPLOYEES

### I. Employment Rules

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

### II. Talent Selection, Training and Promotion

The Company constantly innovates the talent selection and training. Outstanding internal employees enjoy priority in promotion opportunities. We provide a comprehensive talent development promotion system, curriculum library system, and a large number of training implementation plans for internal employees. In terms of talent development, with the constant optimization of the “3+1” Management Talents Training System (Reserve Senior Management Program, Middle Management Succession Program, Future Star Program, Management Trainee Program), we innovate the channel for training secondary associates to accelerate the incubation of middle and senior management talents in hotels. In addition, the Company continues to expand the professional talent training channel of the hotel, add specialized talents training programs such as domain experts, 千帆培訓 and New Century Engineering Association on the basis of the existing dedicated talent training system (market income management training camp, holiday partner training camp, quality banquet service ambassadors, chief concierges, New Century star chefs and New Century quality officers) to continue to help the hotel operation and development. In order to further improve the quantity and quality of talent development, the Company researched on building the New Century Hotel middle and senior talent competency model, aimed to further optimize and match the talent training curriculum system on the basis of the competency model, and provided approximately 263 sessions totalling 200 hours of video curriculum learning resources through the upgraded internal online network college system to provide strong support for the training and development of the Company’s talents.

### III. Employee Holidays

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

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### IV. Compensation and Benefits

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

### V. Employee Care and Corporate Culture

In view of the impact of the pandemic, the Company organised an employee contest of epidemic prevention and control knowledge during the pandemic, distributed epidemic protection materials to employees returning to work and implemented proper epidemic prevention and control measures in public areas to achieve "zero" infection. We insisted on organising public activities such as garbage sorting and "Riding Day" to carry forward cultural concepts. The Company also organized employee activities in various festivals including regional Mid-Autumn Festival evening party, moon cake gift boxes for each employee on the Mid-Autumn Festival, employees New Year's Eve dinner, annual travel and professional physical examination for older employees to care for employees with sincerity.

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

### VI. Performance data

			As at 31 December 2020	
			Number (persons)	Percentage
<b>Total number of employees</b>			<b>4,673</b>	<b>—</b>
By gender	Male		2,215	47%
	Female		2,458	53%
By employment type	Full-time		4,673	100%
By age group	Over 50		587	13%
	30-50		2,501	53%
	Under 30		1,585	34%
By region	Zhejiang province		2,042	44%
	Anhui province		453	10%
	Jiangsu province		417	9%
	Henan province		373	8%
	Jiangxi province		146	3%
	Others		1,242	26%

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

		For the year ended 31 December 2020	
		Number (persons)	Percentage
<b>Total employee turnover</b>		<b>1,473</b>	<b>–</b>
By gender	Male	762	52%
	Female	711	48%
By age group	Over 50	162	11%
	30-50	658	45%
	Under 30	653	44%
By region	Zhejiang province	546	37%
	Anhui province	163	11%
	Jiangsu province	109	7%
	Henan province	107	7%
	Jiangxi province	77	5%
	Others	471	33%

Note: the number of employee turnover does not include those who left within three months.

		For the year ended 31 December 2020
<b>Training</b>		Average duration (hours)
By employee category	Junior management	22.1
	Senior management	18.5

	2020	2019	2018
<b>Lost days due to work injury/fatality</b>	Number of days	Number of days	Number of days
Work injury	2,472.5	2,259	2,336
Fatality	0	0	0

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## HEALTH AND SAFETY

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

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

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

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

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

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



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### RESPONSIBLE PROCUREMENT

The Group's supply chain conducts open tendering, selects suppliers on merits, respects intellectual property rights, protects the interests of suppliers, and selects suppliers from the location of the hotel as far as possible to promote the development of the area. The Group insists on maintaining close cooperation with partners, providing support and assistance to excellent suppliers in capital, technology, product research and development, management, and sharing corporate values to achieve win-win cooperation.

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

In 2020, the Group elevated environmental protection to the level of strategic development of the Company, and officially upgraded its "New Century's Back to Nature" plan, which has been running for ten years, to the "New Century's Back to Nature 2.0", with greater focus on green and environmental segment. The Group planned to implement a series of daily operation measures to align with the national plastic restriction policy and achieve the "no plastic" target, performing its corporate responsibility. Hotel rooms will use large bottles of toiletries to further reduce the consumption of plastic packaging brought about by every change of customers. Meanwhile, the hotel restaurants will no longer provide products such as plastic straws and plastic stirrers, and develop the replacing bamboo fiber straws and degradable takeaway boxes and bags made with corn starch. All of which aim to avoid environmental pollution caused by the frequent use of one-off plastic products. By using recyclable materials, the hotel will significantly reduce the production of plastic waste.

Under the background of the need to protect drinking water sources, in order to ensure consumers safe drinking water, the Company and Nongfu Spring has cooperated to develop customized bottled mineral water of "source" water to actively spread the healthy water drinking idea since 2012. We also respond to the national garbage sorting call, develop guest room waste separation garbage bins, commit to environmental and resource protection, and reduce the consumption of land resources and environmental pollution. Garbage sorting effectively protects the ecological environment and implements the green and environmental protection concept of the Group. We follow the trend to use "Six Small Pieces" made of degradable environmental protection material, and pursue the goal of "reduction, resource utilization and harmlessness" of domestic waste and establish the concept of low-carbon and environmental protection of hotels to contribute to the reduction of waste of resources and protection of the ecological environment.

		2020 Number
<b>Total number of suppliers</b>		<b>3,651</b>
By region	Zhejiang province	2,101
	Jiangsu province	307
	Shanghai	241
	Jilin province	110
	Guangdong province	94
	Others	798

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## SOCIAL WELFARE

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

During the pandemic, the Group and kuobei.com jointly organised some New Century Star Chefs to give public welfare live broadcasted culinary class for free. Total number of viewers of the classes was near 50,000 and over 500,000 likes was recorded.

The 10th New Century Bicycle Riding Day was held with more than 4,000 employees from over 100 New Century enterprises located in more than 50 cities across the country and some public figures participating.

To celebrate the World Environment Day on 5 June 2020, the Group and Trash Running China, a renowned public welfare trash running organisation, jointly opened the first stop of the public welfare environment activity “the K-Project Trash Run Plogging” at the Tianyu Kaiyuan Hotel, perfectly combining sport and environmental protection.

In September 2020, the Group joined the public welfare project “Guarding Snow Leopard, the Snow Mountain Elf” (守護雪山精靈雪豹) sponsored by the One Planet Foundation (OPF).

## ENERGY CONSERVATION AND EMISSION REDUCTION

The Company has always treated environmental protection, energy conservation and emission reduction as an important part of the sustainable development strategy, actively created a sustainable development environment and established a good social image of the Company. As the continuing growth of energy costs, in order to alleviate the pressure on hotel operations caused by rising prices, and in response to the government’s request to develop a circular economy and establish a conservation-oriented society, the Company continuously ensured the energy conservation and efficient operation of facilities and equipment through technological transformation, while further improving the Company’s energy conservation management work by developing energy conservation and emission reduction management system with management measures. The Company’s hotels have implemented or are implementing a standardized and effective energy conservation and emission reduction system, which has achieved certain results. The following key performance indicators within the scope of environment cover the operating hotels under operations in the year of 2020.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## I. Emission Reduction

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

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

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

In terms of greenhouse gases, the main sources of greenhouse gas emissions of the Company's hotels are indirect energy emissions from electricity and direct emissions from natural gas combustion in boilers and kitchens. Hotels use the most advanced energy-saving technologies to constantly optimize and transform the energy-saving control and management of boilers, stoves, steamers and air conditioners in order to adjust the energy use structure to reduce energy consumption and greenhouse gas emissions. The total greenhouse gas emissions of the hotels within the scope of our Group's statistics in 2020 were about 989,561 tCO<sub>2</sub>e.

In terms of sewage discharge, the sewage of the Company's hotels is mainly domestic sewage generated by guests and employees and kitchen sewage. All sewage discharges comply with national standards and strictly formulate the regulations formulated by local government departments. Some hotels are equipped with a reclaimed water treatment device to discharge the sewage reaching the standard to the municipal pipeline network after being treated by the sewage treatment device. At the same time, the staffs of the hotel engineering department regularly clean and inspect the rain sewage pipelines. The hotels strengthen the management of employees and prohibit any dumping of waste oils, chemicals and others actions that cause great harm to the environment. The hotels sewage discharge meets the requirements of the state Integrated Sewage Discharge Standard (GB 8978-1996). The wastewater discharge of the hotels within the scope of our Group's statistics in 2020 was about 1,539,083 tons.

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## II. Energy Saving and Consumption Reducing

In terms of energy saving and consumption reduction management, New Century Hotel formulated an energy saving management instruction manual to facilitate hotels to better manage energy conservation and consumption reduction, improve energy efficiency, curb energy waste, reduce energy costs, and promote sustainable hotel development. The manual establishes energy management standards for hotels, including standards related to energy assessment and energy use analysis. In addition, New Century Hotel has also formulated the Energy Conservation Toolbox, which summarizes all the energy saving opportunities and energy saving opportunities that may exist in the hotel operation, and summarizes the possible energy saving opportunities to help the hotel develop energy management. The total power consumption of hotels in the statistical area of the Group in 2020 was about 72,354,700 kWh, and the power consumption per unit area was about 56 kWh/m<sup>2</sup>.

In terms of the protection and conservation of water resources, we improve water efficiency in a number of ways. We install cold and hot water meters in each water use area of the hotel, as well as pay attention to daily changes in water use and regularly read the meter. Through data analysis, we can judge whether there is water leakage or abnormal water use in the pipeline, so that the rectification can be carried out in a timely manner. There's a water-saving environmental protection card in the hotel rooms and we arrange the replacement and cleaning of the sheets and bath towels if necessary. The total water consumption of the hotels within the scope of our Group's statistics in 2020 was about 1,905,727 tons.

In 2020, The overall energy consumption of the hotels within the scope of our Company's statistics increased slightly by approximately 0.18 percentage point, as compared with that of 2019, the power consumption per unit area decreased by 15.56 kWh/m<sup>2</sup>, approximately, and the water consumption of hotel rooms slightly decreased, remaining almost the same as that of 2018. Going forward, the Company will continue to explore and pay attention to the application and development of energy-saving technologies, to improve energy management level and achieve sustainable development through more reasonable management.

## III. Protecting the Environment and Natural Resources

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

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

# Independent Auditor's Report



羅兵咸永道

**To the Shareholders of Zhejiang New Century Hotel Management Co., Ltd.**

*(Incorporated in the People's Republic of China with limited liability)*

## OPINION

### What we have audited

The consolidated financial statements of Zhejiang New Century Hotel Management Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 89 to 193, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

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

## Independence

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

# Independent Auditor's Report

## KEY AUDIT MATTERS

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

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

### Key Audit Matter

#### **Recoverability of the carrying values of the property, plant and equipment (“PPE”) and right-of-use assets (“ROU assets”) of loss-making hotels**

Refer to Note 2.10, Note 4(a), Note 15 and Note 16 to the consolidated financial statements.

The Group, through its subsidiaries, holds equity interests in a number of hotels in the People's Republic of China (“the PRC”). The carrying values of PPE and ROU assets amounted to approximately RMB791 million and RMB2,100 million respectively on the consolidated balance sheet as at 31 December 2020. With the hotels operating in different locations in the PRC, and operating under different categories and brands, the performance of the Group's hotels varies and with some recording losses (“loss making hotels”). There is a risk that the carrying values of the PPE and ROU assets of those loss making hotels are higher than their recoverable amounts.

Management considers each hotel to be a separate cash-generating unit (“CGU”) and performs impairment assessments, where impairment indicators exist, to determine the recoverable amount of the hotels' PPE and ROU assets.

### How our audit addressed the Key Audit Matter

Our audit procedures in relation to management's impairment assessments included the following:

- We obtained an understanding of the management's internal control and assessment and measurement process of the recoverable amount of PPE and ROU assets for loss making hotels, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud;
- We evaluated and validated the internal controls in respect of management's assessments and measurement of impairment. We assessed how management identified the indicators of potential impairments of the loss making hotels' PPE and ROU assets, and evaluated the outcome of prior period assessment to assess the effectiveness of management's estimation process;
- We assessed the appropriateness of methodologies and significant assumptions used by management in the calculation of the recoverable amounts for these loss making hotels' CGUs. The assessment included the evaluation of the discount rates with reference to the market data, challenging the reasonableness of key assumptions such as occupancy rates, sales growth rate, discount rates and the length of time and severity of the impact of COVID-19 with reference to the market data, business and industry circumstances;

## Independent Auditor's Report

### Key Audit Matter

The recoverable amount is determined as the CGU's value-in-use, which involves estimation of future business performance and key assumptions including discount rates, occupancy rates, sales growth rates, etc.. Based on the impairment assessments carried out by management, provision of RMB5 million for impairment of PPE and provision of RMB29 million for impairment of ROU assets were provided as at 31 December 2020.

We focused on auditing the impairment of PPE and ROU assets of loss making hotels because the estimation of recoverable amounts is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment and determination of recoverable amount is considered significant due to elaborate the complexity of the methods, subjectivity of significant assumptions used, and/or significant judgements involved in selecting data.

### How our audit addressed the Key Audit Matter

- We evaluated the management's future cash flow forecasts, including evaluating the data used, testing the mathematical accuracy of the underlying calculations and compared the future cash flow forecasts to the latest approved budgets and actual results of the prior period;
- We performed sensitivity analyses where there were indicators of impairment. The analysis was undertaken by making adjustments to the key assumptions in management's impairment assessments and considered whether any reasonably possible adjustments, in isolation or as a combination, would result in material impairment;

Based on the audit procedures performed, we considered that the risk assessment of recoverable amount of PPE and ROU assets of loss making hotels remained appropriate and the methodologies, significant assumptions and data used by management in the assessment of recoverable amount of PPE and ROU assets of loss making hotels were supported by the obtained evidence.

### OTHER INFORMATION

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

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

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

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

# Independent Auditor's Report

## RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



## Independent Auditor's Report

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Mang, Kwong Fung Frederick.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 15 March 2021

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Notes	Year ended 31 December	
		2020 RMB'000	2019 RMB'000
Revenue from contracts with customers	5	1,597,716	1,927,980
Cost of sales	6	(1,263,119)	(1,362,962)
<b>Gross profit</b>		<b>334,597</b>	565,018
Selling and marketing expenses	6	(88,082)	(106,018)
Administrative expenses	6	(164,513)	(168,062)
Net impairment losses on financial assets	6, 3.1(b)	(3,053)	(2,641)
Other income	7	28,721	40,299
Other gains-net	8	14,401	4,976
<b>Operating profit</b>		<b>122,071</b>	333,572
Finance income	10	27,945	41,554
Finance costs	10	(106,620)	(111,995)
Finance costs-net		(78,675)	(70,441)
Share of net (loss)/profit of associates and joint venture accounted for using the equity method	14	(4,356)	5,486
<b>profit before income tax</b>		<b>39,040</b>	268,617
Income tax expense	11	(12,396)	(63,643)
<b>Profit for the year</b>		<b>26,644</b>	204,974
Other comprehensive income for the year, net of income tax		–	–
<b>Profit and total comprehensive income for the year</b>		<b>26,644</b>	204,974
<b>Profit and total comprehensive income attributable to:</b>			
– Owners of the Company		19,673	202,405
– Non-controlling interests		6,971	2,569
		<b>26,644</b>	204,974
<b>Earnings per share for profit attributable to the owners of the Company for the year– Basic/diluted (in RMB per share)</b>	12	<b>0.07</b>	0.76

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

# Consolidated Balance Sheet

As at 31 December 2020

	<i>Notes</i>	<b>As at 31 December</b>	
		<b>2020</b>	2019
		<b>RMB'000</b>	RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	790,693	661,163
Right-of-use assets	16	2,100,441	2,135,362
Investment properties		881	895
Intangible assets	17	13,879	6,143
Investments accounted for using the equity method	14	151,050	131,100
Financial assets at fair value through other comprehensive income	19	2,053	2,053
Loans receivable	20	8,926	–
Prepayment	36(a)	24,800	–
Deferred tax assets	29	92,851	74,671
Restricted cash	24	578,522	375,000
<b>Total non-current assets</b>		<b>3,764,096</b>	3,386,387
<b>Current assets</b>			
Inventories	21	29,546	31,264
Trade and other receivables and prepayments	22	214,730	194,552
Loans receivable	20	24,804	–
Financial assets at fair value through profit or loss	23	205,539	–
Cash and cash equivalents	24	291,264	345,746
Restricted cash	24	35,004	534,177
<b>Total current assets</b>		<b>800,887</b>	1,105,739
<b>Total assets</b>		<b>4,564,983</b>	4,492,126
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital and share premium	25	1,145,375	1,145,375
Other reserves	26	327,012	315,373
Retained earnings		13,775	117,723
<b>Total equity attributable to owners of the Company</b>		<b>1,486,162</b>	1,578,471
Non-controlling interests		60,604	11,572
<b>Total equity</b>		<b>1,546,766</b>	1,590,043

# Consolidated Balance Sheet

As at 31 December 2020

	Notes	As at 31 December	
		2020	2019
		RMB'000	RMB'000
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities	16	1,897,800	1,950,150
Deferred income	28	17,676	18,862
Deferred tax liabilities	29	222	246
<b>Total non-current liabilities</b>		<b>1,915,698</b>	1,969,258
<b>Current liabilities</b>			
Contract liabilities	5	280,479	216,523
Lease liabilities	16	343,622	309,281
Trade and other payables	27	442,095	378,662
Current income tax liabilities		35,137	27,173
Current portion of long-term liabilities	28	1,186	1,186
<b>Total current liabilities</b>		<b>1,102,519</b>	932,825
<b>Total liabilities</b>		<b>3,018,217</b>	2,902,083
<b>Total equity and liabilities</b>		<b>4,564,983</b>	4,492,126

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

The consolidated financial statements on pages 89 to 193 of the Company were approved by the Board of Directors on 15 March 2021 and were signed on its behalf:

**Jin Wenjie**  
Chairman

**Chen Miaoqiang**  
Executive Director

## Consolidated Statements of Changes in Equity

For the year ended 31 December 2020

	Notes	Attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital	Share premium	Other reserves	Retained earnings	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 1 January 2019</b>		210,000	-	276,440	177,408	663,848	10,097	673,945
Changes in accounting policy – IFRS 16		-	-	-	(121,810)	(121,810)	-	(121,810)
<b>Restated total equity at 1 January 2019</b>		210,000	-	276,440	55,598	542,038	10,097	552,135
<b>Comprehensive income</b>								
Profit for the year		-	-	-	202,405	202,405	2,569	204,974
<b>Total comprehensive income</b>		-	-	-	202,405	202,405	2,569	204,974
<b>Transactions with owners in their capacity as owners</b>								
Capital injections from non-controlling shareholders		-	-	-	-	-	2,720	2,720
Dividends provided for or paid	13	-	-	-	(100,800)	(100,800)	(2,165)	(102,965)
Transactions with non-controlling interests	26	-	-	(547)	-	(547)	(5,598)	(6,145)
Appropriation to statutory reserve	26	-	-	39,480	(39,480)	-	-	-
Acquisition of a subsidiary		-	-	-	-	-	4,900	4,900
Termination of a subsidiary		-	-	-	-	-	(951)	(951)
<b>Others</b>								
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	25	70,000	865,375	-	-	935,375	-	935,375
<b>As at 31 December 2019</b>		280,000	865,375	315,373	117,723	1,578,471	11,572	1,590,043

# Consolidated Statements of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
<i>Notes</i>	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 1 January 2020</b>	280,000	865,375	315,373	117,723	1,578,471	11,572	1,590,043
<b>Comprehensive income</b>							
Profit for the year	-	-	-	19,673	19,673	6,971	26,644
<b>Total comprehensive income</b>	-	-	-	19,673	19,673	6,971	26,644
<b>Transactions with owners in their capacity as owners</b>							
Capital injections from non-controlling shareholders	-	-	-	-	-	44,704	44,704
Dividends provided for or paid	13	-	-	(112,000)	(112,000)	(2,288)	(114,288)
Transactions with non-controlling interests	26	-	18	-	18	(6,188)	(6,170)
Appropriation to statutory reserve	26	-	11,621	(11,621)	-	-	-
Acquisition of a subsidiary	30	-	-	-	-	6,188	6,188
Disposal of a subsidiary	31	-	-	-	-	(355)	(355)
<b>As at 31 December 2020</b>	280,000	865,375	327,012	13,775	1,486,162	60,604	1,546,766

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

## Consolidated Statements of Cash Flows

For the year ended 31 December 2020

	Notes	Year ended 31 December	
		2020 RMB'000	2019 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	32(a)	647,074	823,001
Interest paid		(106,243)	(110,890)
Income tax paid		(22,655)	(64,231)
<b>Net cash generated from operating activities</b>		<b>518,176</b>	647,880
<b>Cash flows from investing activities</b>			
Payments for the transaction with non-controlling interests	26	(6,170)	(6,145)
Payments for financial assets at fair value through profit or loss		(2,697,600)	(669,400)
Payments for property, plant and equipment, land use rights and intangible assets		(215,271)	(157,538)
Change of restricted cash – term deposit		318,087	(853,796)
Payment for financial assets at fair value through other comprehensive income	19	–	(2,053)
Loan to third parties	20	(34,000)	–
Payment for other equity investments	14, 36(b)	(52,200)	(4,050)
Payments to non-controlling interests due to the termination of a subsidiary		–	(951)
(Payment)/proceeds for acquisition of subsidiaries, net of cash acquired	30	(16,087)	1,630
Proceeds from sale of financial assets at fair value through profit or loss		2,503,517	669,400
Proceeds from sale of property, plant and equipment	32(b)	811	124
Proceeds from disposal of a subsidiary	31(a)	364	–
Investment income received	7	–	1,283
<b>Net cash used in investing activities</b>		<b>(198,549)</b>	(1,021,496)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of ordinary shares relating to the initial public offering, netting of listing expenses payment	25	–	951,764
Proceeds from borrowings		230,000	–
Repayment of borrowings		(230,000)	(190,500)
Dividends paid to the Company's shareholders	13	(112,000)	(100,800)
Dividends paid to non-controlling interests in subsidiaries		(2,288)	(2,165)
Principal elements of lease payments		(308,634)	(318,528)
Proceeds from capital injection of non-controlling interests		44,704	2,720
<b>Net cash (used in)/generated from financing activities</b>		<b>(378,218)</b>	342,491
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year	24	345,746	367,688
Exchange differences		4,109	9,183
<b>Cash and cash equivalents at end of the year</b>	24	<b>291,264</b>	345,746

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 1 GENERAL INFORMATION

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

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

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

These consolidated financial statements are presented in Renminbi thousands (RMB’000), unless otherwise stated. These consolidated financial statements have been reviewed by the Audit Committee and approved for issue by the Board of Directors (the “Board”) of the Company on 15 March 2021.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRS”) issued by International Accounting Standards Board (“IASB”) and interpretations issued by the IFRS Interpretations Committee (“IFRSIC”) applicable to companies reporting under IFRS. The consolidated financial statements have been prepared on a historical cost basis, except for the financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, which are measured at fair value.

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

As at 31 December 2020, the Group’s current liabilities exceeded the current assets by RMB301,632 thousands and for the year ended 31 December 2020, the Group had a net profit of RMB26,644 thousands and a net operating cash flow of RMB518,176 thousands. In the opinion of the Board, the Group will have sufficient working capital to meet its working capital requirements for operation and repayment of debts as and when they fall due in the coming twelve months from 31 December 2020. Accordingly, the Board consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation (Continued)

#### (a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Revised conceptual framework	Revised conceptual framework for financial reporting

The Group also elected to adopt the following amendments early:

Amendments to IFRS 16	COVID-19-Related Rent Concessions
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The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods, except for the Amendment to IFRS 16 set out above.

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 RMB39,575 thousands have been accounted for as negative variable lease payments and recognised in the consolidated statement of comprehensive income for the year ended 31 December 2020 (Note 6), with a corresponding adjustment to the lease liability. There is no impact on the opening balance of equity at 1 January 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation (Continued)

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. According to the preliminary assessment, these standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		<b>Effective for annual periods beginning on or after</b>
IFRS 17	Insurance contracts	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 37	Onerous Contracts-Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Principles of consolidation and equity accounting

#### (i) Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

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

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

#### (ii) Associates

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

#### (iii) Joint arrangements

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Principles of consolidation and equity accounting (Continued)

#### (iv) Equity method

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

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

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

The carrying amount of equity-accounted investment is tested for impairment in accordance with the policy describes in Note 2.10.

#### (v) Changes in ownership interests

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 Business Combination

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.4 Separate financial statements

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

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

### 2.5 Segment reporting

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

### 2.6 Foreign currency translation

#### (a) Functional and presentation currency

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

#### (b) Transactions and balances

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.7 Property, plant and equipment

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

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.8 Investment properties

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

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

### 2.9 Intangible assets

#### (a) Computer software

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

#### (b) Goodwill

Goodwill is measured as described in Note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.10 Impairment of non-financial assets

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

### 2.11 Investments and other financial assets

#### (a) Classification

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

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

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

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

See Note 18 for details of each type of investments and other financial assets.

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

#### (b) Recognition and derecognition

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.11 Investments and other financial assets (Continued)

#### (c) Measurement

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

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

#### *Debt instruments*

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

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest method.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains in the period in which it arises.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.11 Investments and other financial assets (Continued)

#### (c) Measurement (Continued)

##### *Equity instruments*

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

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

#### (d) Impairment

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

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

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

### 2.12 Offsetting financial instruments

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.13 Inventories

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

### 2.14 Trade receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value and subsequently measured at amortised cost using the effective interest method. See Note 2.11 and Note 3.1(b) for the Group's impairment policies.

### 2.15 Cash and cash equivalents

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

### 2.16 Restricted cash

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

### 2.17 Share capital

Ordinary shares are classified as equity.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.18 Trade and other payables

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

### 2.19 Contract assets and contract liabilities

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

#### Customer loyalty program

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.20 Borrowings

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

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

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

### 2.21 Borrowing costs

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

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

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

### 2.22 Dividends

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.23 Current and deferred income tax

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

#### (a) Current income tax

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

#### (b) Deferred income tax

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

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

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

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

#### (c) Investment allowances and similar tax incentives

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.24 Employee benefits

#### (a) Pension obligations

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

#### (b) Housing benefits

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

#### (c) Short-term obligations

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.25 Share-based payment

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

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

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

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

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

### 2.26 Government grants

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.27 Provisions

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

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

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

### 2.28 Revenue recognition

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

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.28 Revenue recognition (Continued)

#### (a) Hotel management services

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

#### (b) Hotel operation services

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

#### (c) Sales of goods

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

### 2.29 Interest income

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

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

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

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

### 2.30 Dividend income

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.31 Earnings per share

#### (i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

#### (ii) Diluted earnings per share

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

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

### 2.32 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.32 Leases (Continued)

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.32 Leases (Continued)

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

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and;
- restoration costs;

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

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

#### (a) Market risk

##### (i) Foreign exchange risk

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

As at 31 December 2020, if RMB had weakened/strengthened by 1% against USD with all other variables held constant, post-tax profit for the year ended 31 December 2020 would have been approximately RMB23 thousands higher/lower (For the year ended 31 December 2019: RMB2,125 thousands) respectively, mainly as a result of foreign exchange gains/losses on translation of USD denominated cash and cash equivalents.

##### (ii) Cashflow interest rate risk

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

As at 31 December 2020 and 2019, if the interest rates on cash and cash equivalents and restricted cash at variable rates had been 50 basis points higher/lower with all other variables held constant, the change of the post-tax profit would be disclosed as follows:

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (a) Market risk (Continued)

##### (ii) Cashflow interest rate risk (Continued)

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Net profit decreased/(increased)		
– Increase in interest rates	(2,828)	(3,004)
– Decrease in interest rates	2,828	3,004

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

#### (b) Credit risk

The Group's credit risk arises from cash and cash equivalent, contractual cash flows of debt instruments carried at amortised cost, at fair value through profit or loss (FVPL), and deposits with banks, as well as credit exposures to customers, including outstanding receivables. Credit risk is managed on a group basis.

##### *Cash and cash equivalent and deposits with banks*

For cash and cash equivalent and deposits with banks, all cash at bank and deposits with banks as at 31 December 2020 and 2019 were deposited in the major reputable financial institutions in the PRC, which the directors of the Company believe are of high credit quality and do not expect any losses from non-performance by the counterparties.

While cash and cash equivalent are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

##### *Trade receivables*

For the credit risk arising from trade receivables, the Group established policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers is usually no more than 30-90 days and the credit quality of these customers is regularly assessed. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2020 or 31 December 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (b) Credit risk (Continued)

##### Trade receivables (Continued)

On the basis, the loss allowance of trade receivables as at 31 December 2020 and 2019 were determined as follows:

	Related parties	Within credit period	Up to 3 months past due	3 months to 1 year past due	1 to 2 years past due	2 to 3 years past due	Above 3 years past due	Total
<b>As at 31 December 2020</b>								
Expected loss rate	1.00%	0.95%	3.98%	9.41%	21.23%	69.58%	100.00%	
Gross carrying amount (RMB'000) (Note 22)	6,997	25,130	49,483	11,132	7,176	1,553	636	102,098
Loss allowance provision (RMB'000)	(70)	(239)	(1,969)	(1,047)	(1,522)	(1,081)	(636)	(6,564)
<b>As at 31 December 2019</b>								
Expected loss rate	1.00%	0.92%	3.92%	9.28%	20.95%	68.44%	100.00%	
Gross carrying amount (RMB'000) (Note 22)	6,347	36,390	41,346	7,828	6,491	24	812	99,238
Loss allowance provision (RMB'000)	(63)	(335)	(1,622)	(726)	(1,360)	(16)	(812)	(4,934)

The loss allowances for trade receivables as at 31 December 2020 and 2019, reconcile to the opening loss allowances as follows (Note 22):

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Opening balance at 1 January	(4,934)	(3,849)
Additions	(2,102)	(1,880)
Write-off	472	795
Closing balance at 31 December	(6,564)	(4,934)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (b) Credit risk (Continued)

##### *Trade receivables (Continued)*

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

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

##### *Other financial assets at amortised cost*

Other financial assets at amortised cost mainly include loans receivable and other receivables. Loans receivable and 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 risk since initial recognition.

The loss allowance of loans receivable and other receivables as at 31 December 2020 and 2019 were determined as follows (Note 20 and 22):

Loans receivable and other receivables	Expected credit losses		Basis of recognition of expected credit loss provision	Gross carrying amount		Impairment provision	
	2020	2019		2020	2019	2020	2019
			Stage 1 - 12 months expected credit				
Related parties receivables	0.05%	0.05%	losses	1,267	831	(1)	–
VAT recoverables	–	–		57,361	46,489	–	–
Others	2.10%	0.26%		30,784	15,130	(649)	(40)
Loan receivables	1.00%	–		34,071	–	(341)	–
Specific provision (i)			Lifetime expected credit losses	4,328	4,328	(4,328)	(4,328)
				127,811	66,778	(5,319)	(4,368)

- (i) Apart from the normal provision provided, the Group also provided certain specific impairment provision against the receivables for certain incurred losses to the extent of RMB4.3 million for the year ended 31 December 2020 and 2019, respectively, due to the financial difficulty in a relevant counterparty identified by the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (b) Credit risk (Continued)

##### *Other financial assets at amortised cost (Continued)*

The loss allowances for loans receivable and other receivables as at 31 December 2020 and 2019, reconcile to the opening loss allowances as follows (Note 20 and 22):

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Opening balance at 1 January	(4,368)	(3,604)
Additions	(951)	(761)
Acquisition of a subsidiary	–	(3)
Closing balance at 31 December	(5,319)	(4,368)

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

##### *Financial assets at FVPL*

The Group is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments amounted to RMB205,539 thousands.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (c) Liquidity risk

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

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

	Less than 1 year RMB'000	Between 1-2 years RMB'000	Between 2-3 years RMB'000	Over 3 years RMB'000	Total RMB'000
<b>As at 31 December 2020</b>					
Trade and other payables	312,302	–	–	–	312,302
Lease liabilities	459,301	405,372	396,714	1,563,187	2,824,574
	<b>771,603</b>	<b>405,372</b>	<b>396,714</b>	<b>1,563,187</b>	<b>3,136,876</b>
<b>As at 31 December 2019</b>					
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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.2 Capital risk management

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

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

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

The gearing ratio as at 31 December 2020 and 2019 are as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Total interest-bearing debts	<b>2,241,422</b>	2,259,431
Total assets	<b>4,564,983</b>	4,492,126
Gearing ratio	<b>49%</b>	50%

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.3 Fair value estimation

#### (a) Fair value hierarchy

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>As at 31 December 2020</b>				
<b>Financial Assets</b>				
Financial assets at FVPL	–	–	205,539	205,539
Financial assets at FVOCI	–	–	2,053	2,053
	–	–	207,592	207,592
<b>As at 31 December 2019</b>				
<b>Financial Assets</b>				
Financial assets at FVOCI	–	–	2,053	2,053

- 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.3 Fair value estimation (Continued)

#### (a) Fair value hierarchy (Continued)

There were no transfers among different levels during the years ended 31 December 2020 and 2019.

The following table presents the changes in Level 3 instruments for the year ended 31 December 2020 and 2019:

	Financial assets at FVPL RMB'000	Financial assets at FVOCI RMB'000	Total RMB'000
Opening balance at 1 January 2019	–	–	–
Additions	–	2,053	2,053
Closing balance at 31 December 2019	–	2,053	2,053
Opening balance at 1 January 2020	–	2,053	2,053
Additions	200,000	–	200,000
Credited to profit or loss	5,539	–	5,539
Closing balance at 31 December 2020	205,539	2,053	207,592

  

	Fair value as at 31 December 2020 RMB'000	Valuation technique	Unobservable input	Rate
Financial assets at FVPL	205,539	Income approach	Expected rate of return	3.80%
Financial assets at FVOCI	2,053	Income approach	Discount rate	13%
	<u>207,592</u>			

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.3 Fair value estimation (Continued)

#### (b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

All of the resulting fair value estimates as at 31 December 2020 are included in level 3.

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

The balance of financial assets at FVOCI represents the capital injection to a company. As at 31 December 2020, the fair value of the financial assets at FVOCI approximate to the carrying amount of original investment, RMB2,053 thousands.

The addition of financial assets at FVPL represents the structured deposits (Note 23). As at 31 December 2020, the fair value of the financial assets at FVPL approximate to RMB205,539 thousands.

#### *Valuation process*

The finance department of the Group includes a team that performs the valuations of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation methodologies to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

The valuation of the level 3 instruments included the unlisted equity securities and structured deposits (Note 23). As the investments are not traded in an active market, their fair value have been determined by discounted cash flows. The main level 3 inputs used by the Group in measuring the fair value of financial instruments are derived and evaluated as follows:

- Discount rates: these are determined using capital asset pricing models to calculate the pre-tax rates that reflect current market assessments of the time values of money and the risk specific to the assets;
- Earnings growth factor for unlisted equity securities: these are estimated based on market information for similar types of companies and products;
- Expected cash inflows: these are estimated based on the entity's knowledge of the business and the structured deposits and how the current economic environment is likely to impact them.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

The Group tests whether property, plant and equipment, right-of-use assets (including land use rights), intangible assets, investments in subsidiaries, associates, joint ventures and other non-financial assets have suffered any impairment in accordance with the accounting policies stated in Note 2.10. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amounts of CGUs are predominantly determined based on value-in-use calculations which require the use of estimates.

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

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

### (c) Current income taxes and deferred tax

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### (d) Impairment of financial assets

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

## 5 SEGMENT INFORMATION AND REVENUE

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

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

- Hotel operation; and
- Hotel management.

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 5 SEGMENT INFORMATION AND REVENUE (Continued)

### (a) Segment revenues

The revenue of the Group for the years ended 31 December 2020 and 2019 is set out as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
<b>Hotel operation</b>		
Room	620,401	805,862
Food and beverage	534,154	600,198
Ancillary services	214,272	243,096
Rental income	39,181	40,925
<b>Subtotal of hotel operation</b>	<b>1,408,008</b>	1,690,081
<b>Hotel management</b>	<b>189,708</b>	237,899
	<b>1,597,716</b>	1,927,980
<b>Revenue from contracts with customers:</b>		
– Recognised at a point of time	612,948	706,114
– Recognised over time	945,587	1,180,941
	<b>1,558,535</b>	1,887,055
<b>Revenue from other resources:</b>		
– Rental income	39,181	40,925

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 5 SEGMENT INFORMATION AND REVENUE (Continued)

### (b) Segment information

The segment information provided to senior executive management for the business segments for the years ended 31 December 2020 and 2019 are as follows:

Business segments	Year ended 31 December 2020		
	Hotel operation RMB'000	Hotel management RMB'000	Total RMB'000
<b>Revenue</b>			
Segment revenue	1,428,471	203,730	1,632,201
Inter-segment revenue	(20,463)	(14,022)	(34,485)
<b>Segment revenue from external customers</b>	<b>1,408,008</b>	<b>189,708</b>	<b>1,597,716</b>
Cost of sales	(1,240,136)	(22,983)	(1,263,119)
Selling and marketing expenses	(55,142)	(32,940)	(88,082)
Administrative expenses	(96,321)	(68,192)	(164,513)
Finance expense of leasing liabilities	(105,586)	(184)	(105,770)
Net impairment losses on financial assets	(2,805)	(248)	(3,053)
<b>Segment profit</b>	<b>(91,982)</b>	<b>65,161</b>	<b>(26,821)</b>
Business segments	Year ended 31 December 2019		
	Hotel operation RMB'000	Hotel management RMB'000	Total RMB'000
<b>Revenue</b>			
Segment revenue	1,705,225	247,772	1,952,997
Inter-segment revenue	(15,144)	(9,873)	(25,017)
<b>Segment revenue from external customers</b>	<b>1,690,081</b>	<b>237,899</b>	<b>1,927,980</b>
Cost of sales	(1,335,094)	(27,868)	(1,362,962)
Selling and marketing expenses	(83,441)	(22,577)	(106,018)
Administrative expenses	(107,360)	(60,702)	(168,062)
Finance expense of leasing liabilities	(107,513)	(57)	(107,570)
Net impairment losses on financial assets	(1,436)	(1,205)	(2,641)
<b>Segment profit</b>	<b>55,237</b>	<b>125,490</b>	<b>180,727</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 5 SEGMENT INFORMATION AND REVENUE (Continued)

### (b) Segment information (Continued)

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

### (c) Contract liabilities

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Advances from customers	270,968	209,822
Customer loyalty program (Note 2.19)	9,511	6,701
	<b>280,479</b>	216,523

### (i) Revenue recognised in relation to contract liabilities

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Advances from customers	209,822	190,563
Customer loyalty program	6,701	3,631
	<b>216,523</b>	194,194

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 5 SEGMENT INFORMATION AND REVENUE (Continued)

### (c) Contract liabilities (continued)

#### (ii) Unsatisfied long-term franchise hotel contracts

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

	<b>As at 31 December</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Aggregate amount of the transaction price allocated to long-term franchise hotel contracts that the performance obligations of which are partially or fully unsatisfied at the end of each year		
Expected to be recognised after next reporting year and beyond	<b>124,557</b>	86,703
Expected to be recognised within next reporting year	<b>18,266</b>	12,594
	<b>142,823</b>	99,297

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 6 EXPENSES BY NATURE

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Employee benefit expenses (Note 9)	443,628	530,314
Costs of materials consumption	370,878	403,728
Depreciation of right-of-use assets (Note 16)	346,146	319,671
Depreciation of property, plant and equipment (Note 15)	91,328	70,007
Utility cost	81,346	94,144
Marketing and promotion expenses	46,947	52,274
Travelling and communication expenses	32,299	29,387
Impairment for non-current assets (Note 15, 16)	24,027	10,121
Repairs and maintenance	23,814	23,148
Laundry costs	16,533	20,330
Operating lease expenses (Note 16)	12,982	16,693
Out-sourcing service	13,632	11,091
Professional fees	7,226	4,095
Taxes and levies	4,864	9,494
Amortisation of intangible assets (Note 17)	4,017	5,170
Auditor's remuneration	3,000	2,600
Bank charges	2,948	3,996
Transportation expenses	2,752	3,128
Uniform expenses	2,275	3,193
Net impairment losses on financial assets (Note 3.1(b))	3,053	2,641
Depreciation of investment properties	14	15
Operating lease expenses-COVID-19 exempted	(39,575)	–
Miscellaneous	24,633	24,443
Total cost of sales, selling and marketing expense, administrative expenses and net impairment losses on financial assets	1,518,767	1,639,683

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 7 OTHER INCOME

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Government grants (i)	28,721	39,016
Investment income	–	1,283
	28,721	40,299

- (i) There are no unfulfilled conditions or other contingencies attaching to these grants. The Group does not benefit directly from any other form of government assistance.

## 8 OTHER GAINS – NET

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Net losses on disposal of property, plant and equipment	(639)	(178)
Net fair value gains on financial assets at FVPL (Note 23, (i))	11,456	–
Waived payables due to third parties	3,185	5,046
Others	399	108
	14,401	4,976

- (i) The financial assets at FVPL are structured deposits, denominated in RMB, with expected rates of return ranging from 1.80% to 4.05% (2019: from 2.30% to 4.10%) per annum for the years ended 31 December 2020. They had initial terms ranging from 1 day to 365 days (2019: 1 day to 94 days). The returns on the structured deposits are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at FVPL. As at 31 December 2020, the Group had RMB205,539 thousands remaining balance regarding to the financial assets at FVPL (31 December 2019: Nil) (Note 23).



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Wages, salaries and bonuses	356,313	414,446
Pension costs – defined contribution plan	10,402	28,961
Housing fund, medical insurance and other social insurance	31,183	37,417
Other employee benefits	45,730	49,490
	443,628	530,314

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2020 and 2019 included 1 director whose emoluments are reflected in the analysis shown in Note 38. The emoluments payable to the remaining 4 individuals during the year are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Wages, salaries and bonuses	5,189	5,448
Pension costs – defined contribution plan	29	36
Housing fund, medical insurance and other social insurance and other employee benefits	49	270
	5,267	5,754

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 9 EMPLOYEE BENEFIT EXPENSES (Continued)

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

	Number of individuals	
	2020	2019
RMB 1,000,001-RMB 1,500,000	4	2
RMB 1,500,001-RMB 2,000,000	–	2
	4	4

## 10 FINANCE COSTS – NET

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
<b><i>Finance income</i></b>		
– Interest income derived from bank deposits	1,023	8,990
– Interest income derived from term deposits	22,436	23,381
– Unrealised foreign exchange gains	162	9,183
– Realised foreign exchange gains	4,324	–
	27,945	41,554
<b><i>Finance costs</i></b>		
– Interest expenses on bank borrowings	(473)	(3,173)
– Finance expense for lease liabilities	(105,770)	(107,570)
– Realised foreign exchange losses	(377)	(1,252)
	(106,620)	(111,995)
<b><i>Finance costs – net</i></b>	<b>(78,675)</b>	<b>(70,441)</b>

No finance costs have been capitalised on qualifying assets for the years ended 31 December 2020 and 2019.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 11 INCOME TAX EXPENSE

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Current income tax	30,601	67,946
Deferred income tax (Note 29)	(18,205)	(4,303)
Income tax expenses	12,396	63,643

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	39,040	268,617
Tax calculated at statutory corporate income tax rate	9,760	67,154
Expenses not deductible for income tax purpose	–	559
Tax preferential on STE (a)	(1,178)	(496)
Accelerated tax deduction of R&D expenses	(2,324)	(1,037)
Tax losses for which no deferred income tax assets was recognised	7,930	254
Adjustments for current tax of prior periods	(2,881)	–
Utilisation of previous unrecognised tax losses	–	(1,419)
Effect of exclusion of share of loss/(profit) of joint ventures and associates	1,089	(1,372)
Income tax expense	12,396	63,643

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 11 INCOME TAX EXPENSE (Continued)

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

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

## 12 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of shares in issue or deemed to be in issue during the financial year. Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. The diluted earnings per share for the years ended 31 December 2020 and 2019 are the same as the basic earnings per share as there is no dilutive potential share during the financial year.

	Year ended 31 December	
	2020	2019
Profit attributable to owners of the Company (in RMB '000)	<b>19,673</b>	202,405
Weighted average number of ordinary shares in issue or deemed to be in issue (in '000 shares)	<b>280,000</b>	266,767
Basic earnings per share (in RMB per share)	<b>0.07</b>	0.76

## 13 DIVIDENDS

On 25 March 2019, a final dividend for 2018 per share of 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 for 2019 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.

The Board proposed that no cash dividend, no capital reserve capitalization and other forms of distribution will be made for the year ended 31 December 2020. The profit distribution plan is subject to the shareholders' approval at the forthcoming annual general meeting of the Company.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Investments in joint ventures (a)	149,150	128,006
Investments in associates (b)	1,900	3,094
	151,050	131,100

### (a) Investment in joint ventures

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Opening balance at 1 January	128,006	118,440
Additions (c)	25,500	4,050
Share of net (loss)/profit	(4,356)	5,516
Closing balance at 31 December	149,150	128,006

### (b) Investments in associates

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Opening balance at 1 January	3,094	3,124
Transferred from an associate to a subsidiary (Note 30)	(3,094)	–
Additions (c)	1,900	–
Share of net loss	–	(30)
Closing balance at 31 December	1,900	3,094

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

- (c) Set out below are the joint ventures and associates of the Group as at 31 December 2020 and 2019. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business. The proportion of ownership interest and the proportion of voting rights held is listed below.

Name of entities	Place of incorporation	Nature of relationship	Equity interest held by the Group		Voting rights held by the Group		Carrying amount		
			As at 31 December		As at 31 December		2020	2019	
			2020	2019	2020	2019	RMB'000	RMB'000	
Beijing Gehua New Century Hotel Co., Ltd. (北京歌華開元大酒店有限公司, "Beijing Gehua")	Beijing, China	Joint Venture (1)	49%	49%	49%	49%	121,683	123,968	
Hangzhou Zheqin New Century Hotel Co., Ltd. (杭州浙勤開元名都酒店有限公司, "Hangzhou Zheqin")	Zhejiang, China	Joint Venture (2)	45%	45%	45%	45%	25,237	4,038	
Zhejiang Zheqin New Century Hotel Management Co., Ltd. (浙江浙勤開元酒店管理有限公司, "Zhejiang Zheqin")	Zhejiang, China	Joint Venture (3)	49%	49%	49%	49%	-	-	
Hangzhou Kaibakaiba Commercial Management Co., Ltd. (杭州開巴開巴商業管理有限公司, "Kaibakaiba")	Zhejiang, China	Joint Venture (4)	51%	51%	51%	51%	2,230	-	
Zhejiang Shanju New Century Hotel Management Co., Ltd. (浙江山居開元酒店管理有限公司, "Zhejiang Shanju")	Zhejiang, China	Joint Venture (5)	49%	0%	49%	0%	-	-	
Zhejiang Ziguang New Century Technology Co., Ltd. (浙江紫光開元科技有限公司, "Ziguang Technology")	Zhejiang, China	Associate (6)	20%	20%	20%	20%	-	-	
Xinchang Anyi Hotel Management Co., Ltd. (新昌安頤酒店管理有限公司, "Xinchang Anyi")	Zhejiang, China	Associate (7)	30%	0%	30%	0%	900	-	
Guangxi Mingyuan Yiju Hotel Management Co., Ltd. (廣西明園頤居酒店管理有限公司, "Mingyuan Yiju")	Guangxi, China	Associate (8)	45%	0%	45%	0%	1,000	-	
Zhejiang Haogu Internet Technology Co., Ltd. (浙江皓谷網絡科技有限公司, "Zhejiang Haogu") (Note 26, 30)	Zhejiang, China	Associate to subsidiary	100%	20%	100%	20%	Not applicable	3,094	
<b>Total investments accounted for using the equity method</b>								<b>151,050</b>	<b>131,100</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

#### (c) (Continued)

- (1) Beijing Gehua is a five-star hotel, located in Beijing. Revenue mainly comprises of room, food and beverage and ancillary services.
- (2) Hangzhou Zheqin is a hotel, located in Hangzhou. Revenue mainly comprises of room, food and beverage and ancillary services. The investments of RMB22,950 thousands have been injected to Hangzhou Zheqin during the year ended as at 31 December 2020.
- (3) Zhejiang Zheqin is a hotel management company. It is a strategic investment for the Group to develop and expand incremental hotel assets.
- (4) Kaibakaiba is a management and consulting service company. The main scope of services of Kaibakaiba is engaging in expanding of new brands and other non-residential hotel value-added extension business. The investments of RMB2,550 thousands have been paid to Kaibakaiba during the year ended as at 31 December 2020. The Group does not have control over the company.
- (5) Zhejiang Shanju a hotel management company. It is a strategic investment for the Group to develop and expand incremental hotel assets.
- (6) Ziguang Technology is a technology and engineering company that could support the Group's hotel decoration.
- (7) Xinchang Anyi is a hotel management company. It is a strategic investment for the Group to develop and expand incremental hotel assets. The investments of RMB900 thousands have been injected to Xinchang Anyi during the year ended as at 31 December 2020.
- (8) Mingyuan Yiju is a hotel, located in Guangxi. Revenue mainly comprises of room, food and beverage and ancillary services. The investments of RMB1,000 thousands have been injected to Mingyuan Yiju during the year ended as at 31 December 2020.

As at 31 December 2020, the Group had not injected the capital to Zhejiang Zheqin, Ziguang Technology and Zhejiang Shanju (Note 33(c)).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

### (d) Summarised financial information for material joint ventures:

The table below provides the financial information for a material joint venture of the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint venture and not the Group's share of those amounts.

Summarised balance sheet	Beijing Gehua 31 December	
	2020 RMB'000	2019 RMB'000
Current assets	73,823	70,864
Including: Cash and cash equivalents	65,593	61,186
Non-current assets	207,730	174,658
Total assets	281,553	245,522
Current liabilities	(36,722)	(44,533)
Non-current liabilities	(48,505)	(1)
Total liabilities	(85,227)	(44,534)
Net assets	196,326	200,988
<b>Reconciliation to carrying amount:</b>		
Opening net assets	200,988	189,706
Net profit for the year	(4,662)	11,282
Closing net assets	196,326	200,988
Group's share in %	49%	49%
Group's share in RMB	96,200	98,485
Goodwill	25,483	25,483
Carrying amount	121,683	123,968



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue	77,183	139,269
Interest income	–	132
Interest expense	(2)	–
Income tax expense	(413)	(3,340)
Net profit after tax and total comprehensive income	(4,662)	11,282
Share of net (loss)/profit	(2,285)	5,528

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 15 PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities RMB'000	Machinery and equipment RMB'000	Office and electronic equipment RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
<b>As at 1 January 2019</b>							
Cost	215,140	70,040	148,839	10,230	387,476	86,497	918,222
Accumulated depreciation	(16,059)	(35,532)	(91,337)	(6,821)	(180,717)	–	(330,466)
Net book amount	199,081	34,508	57,502	3,409	206,759	86,497	587,756
<b>For the year ended 31 December 2019</b>							
Opening net book amount	199,081	34,508	57,502	3,409	206,759	86,497	587,756
Additions	4,360	3,976	18,305	636	66,424	55,098	148,799
Acquisition of a subsidiary	–	–	2	–	–	–	2
Transferred from construction in progress	–	9,610	13,037	–	116,841	(139,488)	–
Disposals	–	(77)	(140)	(85)	–	–	(302)
Depreciation charge (Note 6)	(8,533)	(6,425)	(18,321)	(820)	(35,908)	–	(70,007)
Impairment loss (Note 6)	–	(614)	(467)	(6)	(3,998)	–	(5,085)
Closing net book amount	194,908	40,978	69,918	3,134	350,118	2,107	661,163
<b>As at 31 December 2019</b>							
Cost	219,500	82,429	178,367	10,055	555,264	2,107	1,047,722
Accumulated depreciation	(24,592)	(40,837)	(107,982)	(6,915)	(201,148)	–	(381,474)
Impairment loss (i)	–	(614)	(467)	(6)	(3,998)	–	(5,085)
Net book amount	194,908	40,978	69,918	3,134	350,118	2,107	661,163
<b>For the year ended 31 December 2020</b>							
Opening net book amount	194,908	40,978	69,918	3,134	350,118	2,107	661,163
Additions	1,745	19,644	22,952	1,440	133,677	29,498	208,956
Acquisition of a subsidiary (Note 30)	–	511	342	–	12,520	–	13,373
Transferred from construction in progress	–	504	2,493	–	23,780	(26,777)	–
Reclassification	(177)	–	231	–	(54)	–	–
Disposals (Note 32 (b))	–	(305)	(903)	(242)	–	–	(1,450)
Disposal of a subsidiary (Note 31)	–	–	(21)	–	–	–	(21)
Depreciation charge (Note 6)	(8,578)	(7,820)	(23,084)	(891)	(50,955)	–	(91,328)
Closing net book amount	187,898	53,512	71,928	3,441	469,086	4,828	790,693
<b>As at 31 December 2020</b>							
Cost	220,944	102,369	198,162	10,255	723,594	4,828	1,260,152
Accumulated depreciation	(33,046)	(48,243)	(125,767)	(6,808)	(250,510)	–	(464,374)
Impairment loss (i)	–	(614)	(467)	(6)	(3,998)	–	(5,085)
Net book amount	187,898	53,512	71,928	3,441	469,086	4,828	790,693

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 15 PROPERTY, PLANT AND EQUIPMENT (Continued)

- (i) As at 31 December 2020 and 2019, impairment loss of RMB5,085 thousand were provided for 2 loss making hotels.
- (ii) Depreciation of property, plant and equipment have been charged to profit or loss (Note 6) as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Administrative expenses	3,309	2,159
Selling and marketing expenses	44	45
Cost of sales	87,975	67,803
	91,328	70,007

### 16 LEASES

#### (i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 31 December 2020	As at 31 December 2019
	RMB'000	RMB'000
<b>Right-of-use assets</b>		
Properties	1,780,113	1,693,098
Equipment and others	299,701	398,494
Land use rights	42,536	43,766
Favorable operating lease	7,154	5,040
Less: impairment loss (Note 6)	(29,063)	(5,036)
	2,100,441	2,135,362
<b>Lease liabilities</b>		
Current	343,622	309,281
Non-current	1,897,800	1,950,150
	2,241,422	2,259,431

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 16 LEASES (Continued)

### (i) Amounts recognised in the balance sheet (Continued)

Additions to the right-of-use assets in 2020 mainly represent the property and equipment lease contracts for newly set up hotels. The total additions of right-of-use assets during the year ended 31 December 2020 were RMB375,948 thousands (during the year ended 31 December 2019: RMB445,691 thousands).

As at 31 December 2020, the impairment loss of RMB29,063 thousand 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 year was included in cost of sales in the consolidated statement of comprehensive income.

### (ii) Amounts recognised in the consolidated statement of comprehensive income

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

	2020 RMB'000	2019 RMB'000
<i>Depreciation charge of right-of-use assets (Note 6)</i>		
Properties	239,894	216,700
Equipment and others	103,426	100,451
Land use rights	1,230	1,188
Favorable operating lease	1,596	1,332
	<b>346,146</b>	319,671
	2020 RMB'000	2019 RMB'000
Interest expense (included in finance cost) (Note 10)	105,770	107,570
Operating expenses (Note 6)	12,982	16,693
– relating to short-term leases (included in cost of goods sold and administrative expenses)	4,048	11,701
– relating to leases of low-value assets that are not shown above as short-term leases (included in cost of goods sold and administrative expenses)	6,243	2,192
– relating to variable lease payments not included in lease liabilities (included in administrative expenses)	2,691	2,800

The total cash outflow for leases for the year ended 31 December 2020 was RMB427,386 thousands (for the year ended 31 December 2019: RMB442,791 thousands).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 16 LEASES (Continued)

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

The Group leases various land, buildings, equipments and vehicle. Rental contracts are typically made for fixed periods of 2 to 40 years, but may have extension options as described in below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

### (iv) Variable lease payments

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

### (v) Extension and termination options

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 17 INTANGIBLE ASSETS

	Computer software RMB'000	Favorable operating lease RMB'000	Goodwill RMB'000	Total RMB'000
<b>As at 1 January 2019</b>				
Cost	33,806	18,696	2,132	54,634
Accumulated amortisation	(27,406)	(12,324)	–	(39,730)
Net book amount	6,400	6,372	2,132	14,904
<b>For the year ended 31 December 2019</b>				
Opening net book amount	6,400	6,372	2,132	14,904
Transfer to right-of-use assets (Note 16)	–	(6,372)	–	(6,372)
Additions	2,781	–	–	2,781
Amortisation charge (Note 6)	(5,170)	–	–	(5,170)
Closing net book amount	4,011	–	2,132	6,143
<b>As at 31 December 2019</b>				
Cost	36,519	–	2,132	38,651
Accumulated amortisation	(32,508)	–	–	(32,508)
Net book amount	4,011	–	2,132	6,143
<b>For the year ended 31 December 2020</b>				
Opening net book amount	4,011	–	2,132	6,143
Acquisition of a subsidiary (Note 30(b))	2,331	–	6,494	8,825
Additions	2,928	–	–	2,928
Amortisation charge (Note 6)	(4,017)	–	–	(4,017)
Closing net book amount	5,253	–	8,626	13,879
<b>As at 31 December 2020</b>				
Cost	41,761	–	8,626	50,387
Accumulated amortisation	(36,508)	–	–	(36,508)
Net book amount	5,253	–	8,626	13,879

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 17 INTANGIBLE ASSETS (Continued)

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Administrative expenses	3,409	2,008
Selling and marketing expenses	33	71
Cost of sales	575	3,091
	<b>4,017</b>	<b>5,170</b>

- (ii) Impairment tests for goodwill

The goodwill of the Group was allocated to the hotel operation segment. The goodwill represents the excess of cost of acquisition of Yuyao Manju Hotel Management Co., Ltd. ("Yuyao Manju") over the fair value of the identified net assets acquired in 2018 and the excess of cost of acquisition of Yuyao Manyue Hotel Management Co., Ltd. ("Yuyao Manyue") (Note 30(b)) over the fair value of the identified net assets acquired in 2020. The goodwill impairment assessment is based on recoverable amounts which are determined by their value-in-use.

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

The key assumptions used for value-in-use calculation in 2020 are as follows:

	Year ended 31 December	
	2020	2019
<b>Yuyao Manju</b>		
Annual daily room rate ("ADR")	344	300
Occupancy rate on available room basis	66%	79%
Discount rate per annum	13%	13%
	Year ended 31 December	
	2020	2019
<b>Yuyao Manyue</b>		
Annual daily room rate ("ADR")	333	—
Occupancy rate on available room basis	79%	—
Discount rate per annum	13%	—

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 17 INTANGIBLE ASSETS (Continued)

### (ii) Impairment tests for goodwill (Continued)

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

## 18 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	Notes	As at 31 December	
		2020	2019
		RMB'000	RMB'000
<b>Financial assets</b>			
Financial assets at amortised cost			
Trade and other receivables (excluding VAT recoverable and prepayments)	22	126,935	110,225
Restricted cash	24	613,526	909,177
Cash and cash equivalents	24	291,264	345,746
Financial assets at FVPL	23	205,539	–
Financial assets at FVOCI	19	2,053	2,053
		<b>1,239,317</b>	1,367,201
<b>Financial liabilities</b>			
Financial liabilities at amortised cost			
Trade and other payables (excluding accrued expenses, tax payables and salary payable)	27	312,302	246,817
Lease liabilities	16	2,241,422	2,259,431
		<b>2,553,724</b>	2,506,248

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



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 19 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Opening balance at 1 January	2,053	–
Additions	–	2,053
Closing balance at 31 December	2,053	2,053

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

### 20 LOANS RECEIVABLE

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
<b>Current assets</b>		
Gross amount	25,055	–
Less: Impairment loss	(251)	–
Net amount	24,804	–
<b>Non-current assets</b>		
Gross amount	9,016	–
Less: Impairment loss	(90)	–
Net amount	8,926	–

As at 31 December 2020, two loans were granted to two independent third parties, with the period of the range from one to three years, at the fixed interest rates of 6% and 8% per annum. All loans were secured by the equity interest of the lenders.

Information about the loss allowance of loan receivables of the Group and the Group's exposure of credit risk was disclosed in Note 3.1(b).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 21 INVENTORIES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Foods and beverage	22,296	21,521
Consumables, supplies and others	7,250	9,743
	29,546	31,264
Less: provision for inventory write-down	–	–
	29,546	31,264

## 22 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade receivables due from third parties	95,300	92,891
Trade receivables due from related parties (Note 34(c))	6,798	6,347
	102,098	99,238
Less: provision for impairment (Note 3.1(b))	(6,564)	(4,934)
Trade receivables – net	95,534	94,304
Deposits to suppliers	9,329	4,211
Other receivables due from related parties (Note 34(c))	1,267	831
Loan to a related party (Note 34(c))	902	–
VAT recoverable	57,361	46,489
Others	24,881	15,247
	93,740	66,778
Less: provision for other receivables (Note 3.1(b))	(4,978)	(4,368)
Other receivables – net	88,762	62,410
Prepayments	30,434	37,838
Total trade, other receivables and prepayments	214,730	194,552

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 22 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (continued)

#### (a) Trade receivables

As at 31 December 2020 and 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:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
– Up to 3 months	77,532	79,011
– 3 months to 1 year	14,926	12,900
– 1 year to 2 years	7,325	6,491
– 2 years to 3 years	1,679	24
– Over 3 years	636	812
	<b>102,098</b>	99,238

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

### 23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

#### (i) Classification of financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss (FVPL) are debt investments that do not qualify for measurement at either amortised cost or FVOCI.

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Current assets		
Structured deposits	205,539	–

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

### (ii) Amounts recognised in profit or loss

During the year ended 31 December 2020 and 2019, the following gains were recognised in profit or loss:

	<b>As at 31 December</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Fair value gains on financial assets at FVPL recognised in other gains (Note 8)	<b>11,456</b>	–

### (iii) Risk exposure and fair value measurements

Information about the methods and assumptions used in determining fair value refer to Note 3.3.

## 24 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	<b>As at 31 December</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Cash at bank and in hand	<b>904,790</b>	1,254,923
Less: restricted cash (a)	<b>(613,526)</b>	(909,177)
Cash and cash equivalents	<b>291,264</b>	345,746

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

	<b>As at 31 December</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Cash at bank and in hand:		
– RMB	<b>901,498</b>	1,035,088
– HKD	<b>286</b>	962
– USD	<b>3,006</b>	218,873
	<b>904,790</b>	1,254,923

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 24 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (continued)

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Deposits pledged for issued letter of guarantee	30,242	30,000
Term deposits	583,284	879,177
	<b>613,526</b>	909,177

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

- (c) Term deposits with maturity period over 1 year are classified as “non-current assets”.

### 25 SHARE CAPITAL AND SHARE PREMIUM

	Share capital	Share premium	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2019	210,000	–	210,000
Changes in the year	70,000	865,375	935,375
As at 31 December 2019	280,000	865,375	1,145,375
As at 1 January 2020	<b>280,000</b>	<b>865,375</b>	<b>1,145,375</b>
Changes in the year	–	–	–
As at 31 December 2020	<b>280,000</b>	<b>865,375</b>	<b>1,145,375</b>

Upon the completion of the global initial public offering, the Company issued 70,000,000 H shares of RMB1.00 each at HKD16.50 per share, and raised gross proceeds of approximately HKD1,155,000 thousands (equivalent to RMB988,783,950). The proceeds received, netting off the share underwriting commissions, and other related cost was HKD1,120,080 thousands (equivalent to RMB958,889,600). And the net proceeds after deducting the other share issuance cost was HKD1,092,613 thousands (equivalent to RMB935,374,978). The respective share capital amount was RMB70,000 thousands and share premium arising from the issuance was approximately RMB865,375 thousands.

As at 31 December 2020 and 2019, 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 26 OTHER RESERVES

	<b>As at 31 December</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Statutory reserve (a)	<b>55,683</b>	44,062
Capital reserve (b)	<b>247,869</b>	247,851
Share-based compensation reserve	<b>23,460</b>	23,460
<b>Total</b>	<b>327,012</b>	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 reserve before distributing any dividends. The statutory reserve can be used to offset accumulated losses, if any, and may be converted into share capital.

### (b) Capital reserve

	<b>RMB'000</b>
As at 1 January 2019	248,398
Transactions with non-controlling interests	(547)
As at 31 December 2019	247,851
Transactions with non-controlling interests	18
As at 31 December 2020	247,869

In January 2020, the Company acquired 40% equity interest of Zhejiang Haogu (Note 30(a)).

In October 2020, the Company further acquired remaining 40% equity interest of Zhejiang Haogu from non-controlling shareholders. The information about carrying amount of interests acquired and disposed, consideration received and paid, amount recognised in the transactions with non-controlling interests is summarised as below:

### Zhejiang Haogu

	<b>As of</b>
	<b>27 October 2020</b>
	<b>RMB'000</b>
Carrying amount of interests acquired	6,188
Consideration paid to non-controlling interests	(6,170)
Amount recognised in the transactions with non-controlling interests reserve within equity	18

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 26 OTHER RESERVES (continued)

### (c) Distributable dividends

According to the Articles of Association of the Company, the dividends distribution by the Company to its shareholders is based on the lower of the retained earnings in the Company's statutory financial statements and in the Company's financial statements prepared in accordance with IFRS. As at 31 December 2020, the retained earnings in the Company's financial statements prepared in accordance with IFRS amounted to RMB199,254 thousand, which was the same as the retained earnings reflected in the Company's statutory financial statements.

## 27 TRADE AND OTHER PAYABLES

	<b>As at 31 December</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Trade payables:		
Due to third parties	<b>166,982</b>	135,895
Due to related parties (Note 34(c))	<b>44,125</b>	867
	<b>211,107</b>	136,762
Other payables due to related parties (Note 34(c))	<b>7,789</b>	10,219
Payables for purchase of property, plant and equipment	<b>63,973</b>	67,360
Customers' deposits	<b>29,014</b>	32,476
Accrued expenses	<b>39,997</b>	37,982
Staff salaries and welfare payables	<b>77,827</b>	87,900
Accrued taxes other than income tax	<b>12,388</b>	5,963
	<b>442,095</b>	378,662

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 27 TRADE AND OTHER PAYABLES (continued)

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 1 year	197,445	131,724
1 year to 2 years	7,791	3,132
2 years to 3 years	4,637	971
Over 3 years	1,234	935
	<b>211,107</b>	136,762

## 28 DEFERRED INCOME

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Non-current deferred income– Assets related government grants (a)	17,676	18,862
Current portion of long-term liabilities– Assets related government grants (a)	1,186	1,186
Total deferred income	<b>18,862</b>	20,048

### (a) Asset related government grants

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Opening balance at 1 January	20,048	21,234
Credited to profit or loss	(1,186)	(1,186)
Closing balance at 31 December	<b>18,862</b>	20,048



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 29 DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes related to the same tax authority. The net deferred income tax balance after offsetting are as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Deferred income tax assets		
– To be recovered after more than 12 months	1,503	3,579
– To be recovered within 12 months	91,348	71,092
	92,851	74,671
Deferred income tax liabilities		
– To be recovered after more than 12 months	–	(6)
– To be recovered within 12 months	(222)	(240)
	(222)	(246)
	92,629	74,425

The movements on the net deferred income tax assets are as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Opening balance at 1 January	74,425	26,896
Adjustment on adoption of IFRS 16	–	43,225
Opening balance at 1 January (restated)	74,425	70,121
Credited to profit or loss (Note 11)	18,205	4,303
Acquisition of a subsidiary (Note 30)	(1)	1
Closing balance at 31 December	92,629	74,425

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 29 DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITIES (continued)

Movements in deferred tax assets and deferred tax liabilities for the year ended 31 December 2020 and 2019, without taking into consideration of offsetting of balance within the same jurisdiction, are as follows:

Deferred income tax assets	Tax losses carried forward RMB'000	Lease liabilities RMB'000	Provisions RMB'000	Depreciation difference between tax and accounting RMB'000	Other temporary differences RMB'000	Total RMB'000
As at 1 January 2019	8,801	12,471	1,863	7,570	501	31,206
Adjustment on adoption of IFRS 16	–	533,989	–	–	–	533,989
As at 1 January 2019 (restated)	8,801	546,460	1,863	7,570	501	565,195
(Charged)/credited to profit or loss	(1,887)	40,485	2,992	(282)	237	41,545
Acquisition of a subsidiary	–	–	1	–	–	1
As at 31 December 2019	6,914	586,945	4,856	7,288	738	606,741
As at 1 January 2020	<b>6,914</b>	<b>586,945</b>	<b>4,856</b>	<b>7,288</b>	<b>738</b>	<b>606,741</b>
(Charged)/credited to profit or loss	<b>15,796</b>	<b>214</b>	<b>6,651</b>	<b>(174)</b>	<b>327</b>	<b>22,814</b>
As at 31 December 2020	<b>22,710</b>	<b>587,159</b>	<b>11,507</b>	<b>7,114</b>	<b>1,065</b>	<b>629,555</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 29 DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITIES (continued)

Deferred income tax liabilities	Rental revenue recognition difference between tax and accounting RMB'000	Depreciation difference between tax and accounting RMB'000	Right-of-use assets RMB'000	Other temporary differences RMB'000	Total RMB'000
As at 1 January 2019	(1,575)	(2,735)	-	-	(4,310)
Adjustment on adoption of IFRS 16	-	-	(490,764)	-	(490,764)
As at 1 January 2019 (restated)	(1,575)	(2,735)	(490,764)	-	(495,074)
Credited/(charged) to profit or loss	243	(2,052)	(32,136)	(3,297)	(37,242)
As at 31 December 2019	(1,332)	(4,787)	(522,900)	(3,297)	(532,316)
As at 1 January 2020	<b>(1,332)</b>	<b>(4,787)</b>	<b>(522,900)</b>	<b>(3,297)</b>	<b>(532,316)</b>
Acquisition of a subsidiary (Note 30)	-	-	-	(1)	(1)
Credited/(charged) to profit or loss	<b>184</b>	<b>(7,322)</b>	<b>2,946</b>	<b>(417)</b>	<b>(4,609)</b>
As at 31 December 2020	<b>(1,148)</b>	<b>(12,109)</b>	<b>(519,954)</b>	<b>(3,715)</b>	<b>(536,926)</b>

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets for the tax loss of RMB19,625 thousands and RMB11,869 thousands as at 31 December 2020 and 2019 in respect of losses amounting to RMB78,502 thousands and RMB47,477 thousands that can be carried forward against future taxable income.

The following table shows unrecognised tax losses based on its expected expiry date:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
2020	-	383
2021	<b>231</b>	231
2022	<b>3,880</b>	3,880
2023	<b>17,453</b>	17,453
2024	<b>25,493</b>	25,530
2025	<b>31,441</b>	-
	<b>78,498</b>	47,477

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 30 BUSINESS COMBINATION

### (a) Acquisition of Zhejiang Haogu

On 19 January 2020 (“Acquisition Date”), the Company completed its acquisition of additional 40% equity interest of Zhejiang Haogu, a company engaged in computer software, hardware and network design and development. 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:

	<b>Fair value RMB'000</b>
Intangible asset (Note 17)	2,331
Property, plant and equipment (Note 15)	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)
<b>Net identifiable assets acquired of Zhejiang Haogu</b>	<b>15,470</b>
Less: non-controlling interest	(6,188)
Less: investment accounted for using the equity method (Note 14(b))	(3,094)
<b>Net assets acquired</b>	<b>6,188</b>
<b>Net cash inflow arising on acquisition:</b>	
Cash consideration	6,188
Cash and cash equivalent in the subsidiary acquired	(13,650)
	<b>(7,462)</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 30 BUSINESS COMBINATION(continued)

### (a) Acquisition of Zhejiang Haogu (continued)

#### (i) Acquisition-related costs

No acquisition-related cost is included in the 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.

#### (iv) Revenue and profit contribution

The acquired equity contributed approximately revenue of RMB1,225 thousands and net profit of RMB206 thousands to the Group for the year ended 31 December 2020.

If the acquisition had occurred on 1 January 2020, there is no material impacts on consolidated pro-forma revenue and profit for the year ended 31 December 2020.

### (b) Business combination of Yuyao Manyue Hotel

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 30 BUSINESS COMBINATION (continued)

### (b) Business combination of Yuyao Manyue Hotel (continued)

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

	<b>Fair value RMB'000</b>
Property, plant and equipment (Note 15)	13,345
Right-of-use asset (Note 16)	3,710
Net identifiable assets acquired	17,055
Goodwill (Note 17)	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 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 equipment and right-of-use asset is recognised as a goodwill. The goodwill recognised on the business combination is RMB6,494 thousands.

#### (iv) Revenue and profit contribution

The acquired business contributed approximately revenue of RMB3,376 thousands and net profit of RMB899 thousands to the Group for the year ended 31 December 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 31 DISPOSAL OF A SUBSIDIARY

### (a) Disposal of New Century Manju (Hubei) Hotel Management Co., Ltd.

On 18 November 2020 (“Disposal Date”), the Company disposed its equity interests of New Century Manju (Hubei) Hotel Management Co., Ltd (“Hubei Manju”), a company engaged in hotel management to an independent third party (As at 31 December 2019, the Company held a 51% equity interest of Hubei Manju).

The following table summarises the consideration received, the net assets disposed, also the net cash inflow arising on the disposal:

	<b>Unaudited Fair value RMB'000</b>
Net assets disposed	
Current assets	(974)
Property, plant and equipment (Note 15)	(21)
Current liabilities	271
	(724)
Non-controlling interests (ii)	355
	(369)
Total net assets disposed	(369)
Disposal consideration – cash received	369
Gain on disposal of a subsidiary	–
Net cash inflow arising on acquisition:	
Cash consideration from disposal	369
Cash and cash equivalent in the subsidiary disposed	(5)
	364

#### (i) Disposal-related costs

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

#### (ii) Non-controlling interest

The Group had chosen to derecognise the non-controlling interest at the non-controlling interest’s proportionate share of the disposed entity’s net identifiable assets.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 32 CASH FLOW INFORMATION

### (a) Cash generated from operations

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Profit before income tax	<b>39,040</b>	268,617
Adjustments for:		
– Depreciation of property, plant and equipment (Note 6)	<b>91,328</b>	70,007
– Depreciation of investment properties (Note 6)	<b>14</b>	15
– Depreciation of right-of-use assets (Note 6)	<b>346,146</b>	319,671
– Amortisation of intangible assets (Note 6)	<b>4,017</b>	5,170
– Net impairment losses on financial assets (Note 6)	<b>3,053</b>	2,641
– Impairment for non-current assets (Note 6)	<b>24,027</b>	10,121
– Investment income from financial assets at FVPL (Note 7)	<b>–</b>	(1,283)
– Net fair value gains on financial assets at FVPL (Note 8)	<b>(11,456)</b>	–
– Share of investments accounted for using the equity method (Note 14)	<b>4,356</b>	(5,486)
– Net losses on disposal of property, plant and equipment (Note 8)	<b>639</b>	178
– Net finance expenses, excluding interest income from bank deposits (Note 10)	<b>79,698</b>	78,179
– Deferred income (Note 28)	<b>(1,186)</b>	(1,186)
– Operation lease expenses-COVID-19 exempted (Note 6)	<b>(39,575)</b>	–
Change in working capitals:		
– Restricted cash (Note 24)	<b>–</b>	36,000
– Trade and other debtors	<b>(20,897)</b>	(12,269)
– Inventories (Note 21)	<b>1,718</b>	(2,942)
– Trade and other creditors	<b>126,228</b>	55,568
Cash generated from operations	<b>647,074</b>	823,001



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 32 CASH FLOW INFORMATION (continued)

### (b) Proceeds from sale of property, plant and equipment

In the consolidated cash flow statements, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Net book amount (Note 15)	1,450	302
Net losses on disposal of property, plant and equipment (Note 8)	(639)	(178)
Proceeds from disposal of property, plant and equipment	811	124

### (c) Net debt reconciliation

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Cash and cash equivalents	291,264	345,746
Restricted cash	613,526	909,177
Lease liabilities	(2,241,422)	(2,259,431)
Net debt	(1,336,632)	(1,004,508)
Cash and cash equivalents	291,264	345,746
Restricted cash	613,526	909,177
Gross debt – fixed interest rates	(2,241,422)	(2,259,431)
Net debt	(1,336,632)	(1,004,508)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 32 CASH FLOW INFORMATION (continued)

### (c) Net debt reconciliation (continued)

	Assets		Liabilities				Total RMB'000
	Cash and cash equivalent RMB'000	Restricted cash RMB'000	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Lease liabilities RMB'000	Dividend payable RMB'000	
<b>As at 1 January 2019 (restated)</b>	367,688	68,000	(5,500)	(185,000)	(2,132,268)	-	(1,887,080)
<b>Cash flows</b>	(21,942)	817,796	5,500	185,000	426,098	100,800	1,513,252
Acquisition – leases	-	-	-	-	(445,691)	-	(445,691)
Interest accrued	-	23,381	-	-	(107,570)	-	(84,189)
Dividend declared	-	-	-	-	-	(100,800)	(100,800)
<b>As at 31 December 2019</b>	345,746	909,177	-	-	(2,259,431)	-	(1,004,508)
<b>As at 1 January 2020</b>	345,746	909,177	-	-	(2,259,431)	-	(1,004,508)
<b>Cash flows</b>	(54,482)	(318,087)	-	-	414,404	112,000	153,835
Acquisition – leases	-	-	-	-	(375,948)	-	(375,948)
Interest accrued	-	22,436	-	-	(105,770)	-	(83,334)
Disposal and amendments – lease	-	-	-	-	45,748	-	45,748
Operation lease expenses- COVID-19 exempted	-	-	-	-	39,575	-	39,575
Dividend declared	-	-	-	-	-	(112,000)	(112,000)
<b>As at 31 December 2020</b>	291,264	613,526	-	-	(2,241,422)	-	(1,336,632)

### (d) Non-cash investing and financing activities

The Group had no significant non-cash investing and financing activities during the years ended 31 December 2020 and 2019, except for the increase in right-of-use assets and lease liabilities for the adoption of new IFRS 16 lease accounting.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 33 COMMITMENTS AND CONTINGENT LIABILITIES

### (a) Capital commitments

Capital expenditure contracted for at the end of year, but not yet incurred was as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Property, plant and equipment	2,929	9,865

### (b) Operating lease commitments

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within one year	371	2,172
Later than one year but not later than five years	18	85
	389	2,257

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Joint ventures	24,500	27,050
Associates	44,100	2,000
	68,600	29,050

### (d) Contingent liabilities

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 34 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

English name	Chinese name
New Century Tourism Group Co., Ltd.	開元旅業集團有限公司
New Century Holdings Group Co., Ltd.	開元控股集團有限公司
New Century Real Estate Investment Trust and other members of its group ("New Century REIT")	開元房地產投資信託基金
Deqing New Century Senbo Holiday Development Co., Ltd.	德清開元森泊度假開發有限公司
Hainan Hengshengyuan Qiziwang New Century Resort Co., Ltd.	海南恒盛元棋子灣開元度假村有限公司
Haining New Century Grand Hotel Co., Ltd.	海寧開元名都大酒店有限公司
Haining New Century Grand Real Estate Co., Ltd.	海寧開元名都置業有限公司
Hangzhou Jinjian Intelligent Technology Co., Ltd. (Till April 2020)	杭州金鍵智能科技有限公司
Hangzhou New Century Real Estate Group Co., Ltd.	杭州開元物產集團有限公司
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”)
Hangzhou New Century Senbo Tourism Investment Co., Ltd.	杭州開元森泊旅遊投資有限公司
Hangzhou New Century Tourism Development Co., Ltd.	杭州開元旅遊開發有限公司
Hangzhou New Century Xixifan Hotel Co., Ltd.	杭州開元溪西畝酒店有限責任公司
Hangzhou New Century Yuege Restaurant Management Co., Ltd.	杭州開元悅閣餐飲管理有限公司
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 Zheqin New Century Grand Hotel Co., Ltd.	杭州浙勤開元名都酒店有限公司
New Century Birotby Winery	開元碧蘿酒莊
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 Hotel Co., Ltd. (Till September 2020)	寧波九龍湖開元酒店有限公司
Ningbo New Century Hotel Co., Ltd. (Till August 2019)	寧波開元大酒店有限公司
Ningbo Seventeen House New Century Hotel Co., Ltd.	寧波十七房開元觀堂有限公司
Ningbo Zhenhai New Century Heya Real Estate Co., Ltd.	寧波鎮海開元和雅置業有限公司
Penglai New Century Hotel Co., Ltd.	蓬萊開元酒店有限公司
Penglai New Century Real Estate Co., Ltd.	蓬萊開元置業有限公司

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 34 RELATED PARTY TRANSACTIONS (continued)

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

#### Controlled by the Controlling Shareholders (continued)

English name	Chinese name
Shanghai New Century Enterprise Operation Management Co., Ltd.	上海開元企業經營管理有限公司
Shanghai Ruiqi Enterprise Management Co., Ltd.	上海瑞日企業管理有限公司
Shaoxing Yuzhuang New Century Hotel Management Co., Ltd.	紹興禹莊開元酒店管理有限公司
Taizhou New Century Hotel Co., Ltd.	台州開元大酒店有限公司
Wenzhou New Century Grand Hotel Co., Ltd.	溫州開元名都大酒店有限公司
Wenzhou Wanxiang Real Estate Co., Ltd.	溫州萬享置業有限公司
Xuzhou New Century Grand Hotel Co., Ltd.	徐州開元名都大酒店有限公司
Xuzhou New Century Grand Real Estate Co., Ltd.	徐州開元名都置業有限公司
Zhejiang New Century Property Management Co., Ltd. (Till April 2020)	浙江開元物業管理股份有限公司
Hangzhou New Century Yiyang Management Services Ltd.	杭州開元頤養管理服務有限公司
Hangzhou New Century Decorating Co., Ltd.	杭州開元裝飾工程有限公司
Shanghai Songjiang New Century Grand Hotel Co., Ltd. (since 13 June 2019)	上海松江開元名都大酒店有限公司

#### Joint ventures of the Group

English name	Chinese name
Beijing Gehua	北京歌華開元大酒店有限公司
Hangzhou Zheqin New Century Hotel Co., Ltd.	杭州浙勤開元名都酒店有限公司
Hangzhou Kaibakaiba Commercial Management Co., Ltd.	杭州開巴開巴商業管理有限公司

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 34 RELATED PARTY TRANSACTIONS (continued)

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

#### Associates of the Group

English name	Chinese name
Zhejiang Haogu (Till January 2020)	浙江皓穀網路科技有限公司
Xinchang Anyi Hotel Management Co., Ltd	新昌安頤酒店管理有限公司

### (b) Transactions with related parties

#### Hotel management revenue

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Deqing New Century Senbo Holiday Development Co., Ltd.	4,338	2,237
Hangzhou New Century Senbo Hotel Co., Ltd.	4,029	4,774
Haining New Century Grand Hotel Co., Ltd.	3,414	316
Xuzhou New Century Grand Hotel Co., Ltd.	3,232	4,234
Shanghai Songjiang New Century Grand Hotel Co., Ltd.	2,722	1,958
Shaoxing Yuzhuang New Century Hotel Management Co., Ltd.	2,294	2,914
Taizhou New Century Hotel Co., Ltd.	2,074	3,262
New Century Grand Hotel Kaifeng Business Company Co., Ltd.	1,647	3,165
Beijing Gehua	1,456	8,973
Ningbo Jiulong Lake New Century Hotel Co., Ltd.	1,397	2,694
Hainan Hengshengyuan Qizwan New Century Resort Co., Ltd.	1,315	1,548
Ningbo Seventeen House New Century Hotel Co., Ltd.	1,157	879
Hangzhou New Century Tourism Development Co., Ltd.	891	1,325
Hangzhou New Century Xixifan Hotel Co., Ltd.	352	1,483
Penglai New Century Hotel Co., Ltd.	99	275
Hangzhou Zheqin New Century Grand Hotel Co., Ltd.	77	–
Wenzhou Wanxiang Real Estate Co., Ltd.	71	566
Haining New Century Grand Real Estate Co., Ltd.	–	2,834
Ningbo New Century Hotel Co., Ltd.	–	2,334
Wenzhou New Century Grand Hotel Co., Ltd.	–	627
Hangzhou New Century Yuege Restaurant Management Co., Ltd.	–	13
	<b>30,565</b>	<b>46,411</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 34 RELATED PARTY TRANSACTIONS (continued)

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

#### Hotel operation revenue

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
New Century Tourism Group Co., Ltd.	592	1,115
Ningbo Jiulong Lake New Century Hotel Co., Ltd.	513	15
Hangzhou New Century Real Estate Group Co., Ltd.	429	662
Zhejiang New Century Property Management Co., Ltd.	390	997
Ningbo Seventeen House New Century Hotel Co., Ltd.	314	3
Others	770	1,055
	<b>3,008</b>	<b>3,847</b>

#### Rental income

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Hangzhou New Century Senbo Tourism Investment Co., Ltd.	48	48
Hangzhou Zheqin New Century Grand Hotel Co., Ltd.	12	–
	<b>60</b>	<b>48</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 34 RELATED PARTY TRANSACTIONS (continued)

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

#### Sales of goods

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Shaoxing Yuzhuang New Century Hotel Management Co., Ltd.	3,054	2,686
Taizhou New Century Hotel Co., Ltd.	1,784	2,790
Shanghai Songjiang New Century Grand Hotel Co., Ltd.	1,441	1,046
Hangzhou New Century Senbo Hotel Co., Ltd.	1,189	715
Deqing New Century Senbo Holiday Development Co., Ltd.	1,121	466
Penglai New Century Real Estate Co., Ltd	976	–
Beijing Gehua	952	2,751
Zhejiang New Century Property Management Co., Ltd.	896	2,021
Haining New Century Grand Hotel Co., Ltd.	726	–
Ningbo Jiulong Lake New Century Hotel Co., Ltd.	667	1,306
New Century Grand Hotel Kaifeng Business Company Co., Ltd.	579	975
Hangzhou New Century Tourism Development Co., Ltd.	514	681
Hangzhou Jinjian Intelligent Technology Co., Ltd.	467	–
Hangzhou New Century Real Estate Group Co., Ltd.	405	116
Ningbo Seventeen House New Century Hotel Co., Ltd.	403	813
Xuzhou New Century Grand Hotel Co., Ltd.	373	977
New Century Tourism Group Co., Ltd.	263	121
Hangzhou New Century Xixifan Hotel Co., Ltd.	230	–
Hangzhou Zheqin New Century Grand Hotel Co., Ltd.	205	–
Haining New Century Grand Real Estate Co., Ltd.	93	1,827
Ningbo New Century Hotel Co., Ltd.	–	804
Others	796	878
	<b>17,134</b>	<b>20,973</b>



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 34 RELATED PARTY TRANSACTIONS (continued)

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

#### Other service income

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Hangzhou New Century Senbo Hotel Co., Ltd.	2,792	2,478
Deqing New Century Senbo Holiday Development Co., Ltd.	2,678	578
Ningbo Jiulong Lake New Century Hotel Co., Ltd.	1,041	1,212
Shanghai Songjiang New Century Grand Hotel Co., Ltd.	1,009	374
Shaoxing Yuzhuang New Century Hotel Management Co., Ltd.	988	1,136
Beijing Gehua	948	1,707
Xuzhou New Century Grand Hotel Co., Ltd.	772	1,021
Hangzhou New Century Tourism Development Co., Ltd.	754	867
Ningbo Seventeen House New Century Hotel Co., Ltd.	686	611
Haining New Century Grand Hotel Co., Ltd.	660	–
Taizhou New Century Hotel Co., Ltd.	574	773
New Century Grand Hotel Kaifeng Business Company Co., Ltd.	440	638
Haining New Century Grand Real Estate Co., Ltd.	428	1,281
Hangzhou New Century Xixifan Hotel Co., Ltd.	392	–
Hainan Hengshengyuan Qizwan New Century Resort Co., Ltd.	368	5
Zhejiang New Century Property Management Co., Ltd.	243	457
Shanghai Ruirui Enterprise Management Co., Ltd.	238	119
Hangzhou Zheqin New Century Grand Hotel Co., Ltd.	204	–
New Century Tourism Group Co., Ltd.	108	70
Ningbo New Century Hotel Co., Ltd.	–	340
Xuzhou New Century Grand Real Estate Co., Ltd.	–	187
Ningbo Zhenhai New Century Heya Real Estate Co., Ltd.	–	170
Shanghai New Century Enterprise Operation Management Co., Ltd.	–	119
Others	192	467
	<b>15,515</b>	<b>14,610</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 34 RELATED PARTY TRANSACTIONS (continued)

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

#### Purchase of goods

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
New Century Birotby Winery	3,074	4,162
Beijing Gehua	107	–
Hangzhou Kaibakaiba Commercial Management Co., Ltd.	41	–
Others	35	68
	<b>3,257</b>	<b>4,230</b>

#### Purchase of Services

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Hangzhou New Century Senbo Hotel Co., Ltd.	1,678	1,133
Hangzhou Zheqin New Century Grand Hotel Co., Ltd.	583	–
Deqing New Century Senbo Holiday Development Co., Ltd.	516	–
Beijing Gehua	272	48
Shanghai Songjiang New Century Grand Hotel Co., Ltd.	235	–
Hangzhou New Century Tourism Development Co., Ltd.	129	–
Haining New Century Grand Hotel Co., Ltd.	115	–
Taizhou New Century Hotel Co., Ltd.	97	–
Shaoxing Yuzhuang New Century Hotel Management Co., Ltd.	89	42
Ningbo Jiulong Lake New Century Hotel Co., Ltd.	73	–
Hangzhou New Century Zhijiang Cleaning Chain Co., Ltd.	–	5,106
Zhejiang Haogu	–	809
Others	403	263
	<b>4,190</b>	<b>7,401</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 34 RELATED PARTY TRANSACTIONS (continued)

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

#### Purchase of non-current assets

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Hangzhou Jinjian Intelligent Technology Co., Ltd.	–	25
Hangzhou New Century Senbo Hotel Co., Ltd.	–	18
Beijing Gehua	–	3
	–	46

#### Rental expenses payable/paid to related parties

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Zhejiang New Century Property Management Co., Ltd.	659	–
New Century REIT (a)	166	1,824
New Century Tourism Group Co., Ltd.	–	688
	825	2,512

(a) This represents the short-term/low value/variable lease payment to New Century REIT.

#### Lease finance expenses payable/paid to related parties

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
New Century REIT	27,812	30,778

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 34 RELATED PARTY TRANSACTIONS (continued)

### (c) Balances with related parties

#### Trade receivables from – trade in nature

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Haining New Century Grand Hotel Co., Ltd.	803	–
Taizhou New Century Hotel Co., Ltd.	759	468
Shanghai Songjiang New Century Grand Hotel Co., Ltd.	716	383
Beijing Gehua	545	2,058
Ningbo Seventeen House New Century Hotel Co., Ltd.	534	551
Hangzhou New Century Senbo Hotel Co., Ltd.	490	539
Shaoxing Yuzhuang New Century Hotel Management Co., Ltd.	437	332
Xuzhou New Century Grand Hotel Co., Ltd.	384	279
Deqing New Century Senbo Holiday Development Co., Ltd.	371	164
Hangzhou Zheqin New Century Grand Hotel Co., Ltd.	324	–
Penglai New Century Real Estate Co., Ltd.	324	–
Hainan Hengshengyuan Qiziwang New Century Resort Co., Ltd.	232	107
New Century Grand Hotel Kaifeng Business Company Co., Ltd.	198	243
Hangzhou New Century Tourism Development Co., Ltd.	132	197
Wenzhou New Century Grand Hotel Co., Ltd.	13	108
Haining New Century Grand Real Estate Co., Ltd.	–	184
Ningbo Jiulong Lake New Century Hotel Co., Ltd.	–	186
Others	536	548
	<b>6,798</b>	<b>6,347</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 34 RELATED PARTY TRANSACTIONS (continued)

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

#### Other receivables from – trade in nature

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Hangzhou Zheqin New Century Grand Hotel Co., Ltd.	300	–
New Century REIT	239	423
Haining New Century Grand Hotel Co., Ltd.	187	–
Hainan Hengshengyuan Qiziwan New Century Resort Co., Ltd.	110	–
Others	431	408
	<b>1,267</b>	<b>831</b>

#### Prepayment to – trade in nature

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Hangzhou Zheqin New Century Grand Hotel Co., Ltd.	25	–
New Century REIT	–	297
Others	–	34
	<b>25</b>	<b>331</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 34 RELATED PARTY TRANSACTIONS (continued)

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

#### Trade payables to – trade in nature

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
New Century REIT	42,882	–
Shanghai Songjiang New Century Grand Hotel Co., Ltd.	546	134
Hangzhou Zheqin New Century Grand Hotel Co., Ltd.	176	–
Ningbo New Century Hotel Co., Ltd.	152	124
Hangzhou New Century Senbo Hotel Co., Ltd.	47	23
Hangzhou New Century Tourism Development Co., Ltd.	43	9
Hainan Hengshengyuan Qizwan New Century Resort Co., Ltd.	39	13
Hangzhou Kaibakaiba Commercial Management Co., Ltd.	36	–
Deqing New Century Senbo Holiday Development Co., Ltd.	32	15
Shaoxing Yuzhuang New Century Hotel Management Co., Ltd.	30	9
Beijing Gehua	20	96
Hangzhou New Century Decorating Co., Ltd.	–	324
Hangzhou Jinjian Intelligent Technology Co., Ltd.	–	49
Others	122	71
	44,125	867

#### Leasing liabilities

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
New Century REIT	442,861	575,831

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 34 RELATED PARTY TRANSACTIONS (continued)

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

#### Contract liabilities

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Deqing New Century Senbo Holiday Development Co., Ltd.	736	680
Hangzhou Zheqin New Century Grand Hotel Co., Ltd.	309	–
Hangzhou Jinjian Intelligent Technology Co., Ltd.	–	145
New Century Tourism Group Co., Ltd.	–	117
Others	39	104
	<b>1,084</b>	<b>1,046</b>

#### Other payables to – non-trade in nature

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Hangzhou New Century Senbo Hotel Co., Ltd.	1,198	1,794
Hainan Hengshengyuan Qizwan New Century Resort Co., Ltd.	1,106	374
Deqing New Century Senbo Holiday Development Co., Ltd.	984	760
Shaoxing Yuzhuang New Century Hotel Management Co., Ltd.	734	545
Beijing Gehua	577	740
Haining New Century Grand Hotel Co., Ltd.	540	–
Shanghai Songjiang New Century Grand Hotel Co., Ltd.	418	522
Hangzhou New Century Xixifan Hotel Co., Ltd.	354	–
Hangzhou New Century Yiyang Management Services Ltd.	339	339
Hangzhou New Century Tourism Development Co., Ltd.	326	450
Xuzhou New Century Grand Hotel Co., Ltd.	314	222
Taizhou New Century Hotel Co., Ltd.	241	287
Ningbo Seventeen House New Century Hotel Co., Ltd.	219	341
Hangzhou New Century Decorating Co., Ltd.	210	2,737
New Century Grand Hotel Kaifeng Business Company Co., Ltd.	106	192
Hangzhou Jinjian Intelligent Technology Co., Ltd.	–	573
Ningbo Jiulong Lake New Century Hotel Co., Ltd.	–	280
Others	123	63
	<b>7,789</b>	<b>10,219</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 34 RELATED PARTY TRANSACTIONS (continued)

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

#### Loans to a related party

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Xinchang Anyi Hotel Management Co., Ltd.	902	–

### (d) Key management compensation

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Wages, salaries and bonuses	8,954	9,554
Pension fund, Housing fund, medical insurance and other social insurance and other employee benefits	144	417
	9,098	9,971

Key management represents executive and non-executive directors, supervisors, chief executive officer, vice presidents, chief-financial officer and board secretary of the Group.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 35 PRINCIPAL SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of subsidiaries	Date of establishment	Place of establishment	Principal activities	Registered capital (RMB)	Equity interest held by the Company		Directly/Indirectly held
					As at 31 December		
					2020	2019	
Ninghai Jinhai Grand New Century Hotel Co., Ltd. (寧海金海開元名都大酒店有限公司)	2012-03-23	Zhejiang, China	Hotel operation	10,000,000	100%	100%	Directly
Hangzhou New Century Hotel Supplies Co., Ltd. (杭州開元酒店用品有限公司)	1998-09-09	Zhejiang, China	Hotel supplies sales	10,000,000	100%	100%	Directly
Hangzhou Biluo Wine Co., Ltd. (杭州璧蘿酒業有限公司)	2015-02-12	Zhejiang, China	Wine sales	1,000,000	100%	100%	Indirectly
Hangzhou New Century Information Technology Co., Ltd. (杭州開元信息技術有限公司)	2009-12-24	Zhejiang, China	Computer software, hardware and network products	5,000,000	100%	100%	Directly
Zhejiang Jinshanzi Network Technology Co., Ltd. (浙江金扇子網絡科技有限公司)	2013-11-06	Zhejiang, China	Computer software, hardware and network design and development	12,500,000	90%	90%	Directly
Changxing New Century Grand Hotel Co., Ltd. (長興開元名都大酒店有限公司)	2018-07-09	Zhejiang, China	Hotel operation	50,000,000	100%	100%	Directly
Changxing New Century Mayart Hotel Co., Ltd. (長興開元美途酒店有限公司)	2018-08-24	Zhejiang, China	Hotel operation	5,000,000	100%	100%	Directly
Hangzhou New Century Chuanqi Property Leasing Co., Ltd. (杭州開元傳祺房屋租賃有限公司)	2013-04-24	Zhejiang, China	Property service & lease of property	26,800,000	100%	100%	Directly
Changxing New Century Wonderland Resort Co., Ltd. (長興開元芳草地酒店有限公司)	2014-12-24	Zhejiang, China	Hotel operation	30,000,000	100%	100%	Directly
Jiande New Century Wonderland Resort Co., Ltd. (建德開元芳草地酒店有限公司)	2015-12-10	Zhejiang, China	Hotel operation	80,000,000	100%	100%	Directly
Haining Yanguan Ancient City New Century Resort Hotel Co., Ltd. (海寧鹽官古城開元度假酒店有限公司)	2014-03-28	Zhejiang, China	Hotel operation	50,000,000	100%	100%	Directly
Ningbo New Century Mingting Hotel Management Co., Ltd. (寧波開元名庭酒店管理管理有限公司)	2017-02-20	Zhejiang, China	Hotel management	10,000,000	90%	90%	Directly
Shanghai Yuege Hotel Operation Co., Ltd. (上海悅閣酒店經營有限公司)	2010-01-21	Shanghai, China	Hotel operation	12,000,000	99.9999%	99.9999%	Directly
Shanghai Ruiyue Hotel Co., Ltd. (上海瑞悅酒店有限公司)	2010-05-07	Shanghai, China	Hotel operation	5,000,000	99.9999%	99.9999%	Indirectly
Tianjin Ruiwan New Century Hotel Management Co., Ltd. (天津瑞灣開元酒店管理有限公司)	2012-12-28	Tianjin, China	Hotel management and consulting service	10,000,000	100%	100%	Directly
Tianjin Manju Hotel Management Co., Ltd. (天津曼居酒店管理管理有限公司)	2016-12-08	Tianjin, China	Hotel management and operation	200,000	100%	100%	Indirectly

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 35 PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiaries	Date of establishment	Place of establishment	Principal activities	Registered capital (RMB)	Equity interest held by the Company		Directly/Indirectly held
					As at 31 December 2020	2019	
Ningbo New Century Grand Hotel Co., Ltd. (寧波開元名都大酒店有限公司)	2019-09-20	Zhejiang, China	Hotel operation	5,000,000	100%	100%	Directly
Ningbo Ningdong Grand New Century Hotel Co., Ltd. (寧波寧東開元大酒店有限公司)	2019-10-15	Zhejiang, China	Hotel operation	5,000,000	100%	100%	Directly
Ningbo New Century Hotel Management Co., Ltd. (寧波開元酒店管理有限公司)	2019-11-15	Zhejiang, China	Hotel management	1,000,000	100%	100%	Directly
Hangzhou Chancellery Hotel Management Co., Ltd. (Hangzhou Chancellery) (杭州香舍裡酒店有限公司)	2019-12-16	Zhejiang, China	Hotel management	1,000,000	– (Note (c))	100%	Directly
Neimenggu New Century Hotel Co., Ltd. (內蒙古開元名都大酒店有限公司)	2019-12-17	Neimenggu, China	Hotel operation	5,000,000	100%	100%	Directly
Zhujiaji New Century Hotel Co., Ltd. (諸暨開元名都大酒店有限公司)	2019-12-19	Zhejiang, China	Hotel operation	5,000,000	100%	100%	Directly
Qinhuangdao Harbour New Century Hotel Management Co., Ltd. (秦皇島河港開元酒店管理有限公司)	2019-04-02	Hebei, China	Hotel management	5,000,000	51%	51%	Directly
Zhejiang New Century Manju Hotel Management Co., Ltd. ("Manju Management") (浙江開元曼居酒店管理有限公司)	2010-09-20	Zhejiang, China	Hotel management	100,000,000	70% (Note (d))	70% (Note (d))	Directly
Beijing New Century Manju Hotel Management Co., Ltd. (北京開元曼居酒店管理有限公司)	2017-06-21	Beijing, China	Hotel management	10,000,000	100%	100%	Indirectly
Ningbo New Century Manfei Hotel Management Co., Ltd. (寧波開元曼菲酒店管理有限公司)	2018-05-02	Zhejiang, China	Hotel management and operation	5,000,000	100%	100%	Indirectly
Chengdu Liju Hotel Management Co., Ltd. (成都麗居酒店管理有限公司)	2018-03-20	Sichuan, China	Hotel management and operation	5,000,000	100%	100%	Indirectly
Hunan Manju Hotel Management Co., Ltd. (湖南曼居酒店管理有限責任公司)	2018-01-24	Hunan, China	Hotel management and operation	5,000,000	100%	100%	Indirectly
Dalian New Century Manju Hotel Management Co., Ltd. (大連開元曼居酒店管理有限公司)	2017-11-13	Liaoning, China	Hotel management and operation	5,000,000	100%	100%	Indirectly
Zhoushan New Century Manju Hotel Management Co., Ltd. (舟山開元曼居酒店管理有限公司)	2017-03-23	Zhejiang, China	Hotel management and operation	5,000,000	100%	100%	Indirectly
Ningbo New Century Manju Hotel Management Co., Ltd. (寧波開元曼居酒店管理有限公司)	2016-03-09	Zhejiang, China	Hotel management and operation	5,000,000	100%	100%	Indirectly
Shanghai New Century Manju Hotel Management Co., Ltd. (上海開元曼居酒店管理有限公司)	2017-04-24	Shanghai, China	Hotel management	5,000,000	70%	70%	Indirectly
Shanghai Yueshang Hotel Management Co., Ltd. (上海閱尚酒店管理有限公司)	2017-09-29	Shanghai, China	Hotel management and operation	500,000	70%	70%	Indirectly
Chongqing New Century Manju Hotel Management Co., Ltd. (重慶開元曼居酒店管理有限公司)	2017-06-13	Chongqing, China	Hotel management	3,000,000	70%	70%	Indirectly
Yuyao Manyue Hotel Management Co., Ltd. (余姚開元曼居酒店管理有限公司)	2015-11-23	Zhejiang, China	Hotel management and operation	3,000,000	55.67%	55.67%	Indirectly

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 35 PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiaries	Date of establishment	Place of establishment	Principal activities	Registered capital (RMB)	Equity interest held by the Company		Directly/Indirectly held
					As at 31 December 2020	2019	
Hubei Manju (開元曼居(湖北)酒店管理有限公司)	2019-05-28	Hubei, China	Hotel management	10,000,000	– (Note 31(a))	51%	Indirectly
Nanchang Manyue Hotel Management Co., Ltd. (南昌曼悅酒店管理有限公司)	2019-04-28	Jiangxi, China	Hotel management	10,000,000	100%	100%	Indirectly
Yuyao Manyue (余姚曼悅酒店管理有限公司)	2019-12-23	Zhejiang, China	Hotel management	5,000,000	100%	100%	Indirectly
Zhejiang New Century Yiju Hotel Management Co., Ltd. (浙江開元頤居酒店管理有限公司)	2014-08-18	Zhejiang, China	Hotel management and consulting services investment management	5,000,000	51%	51%	Directly
HuaiBei Fenghuang Mountain Life Hotel Business Management Co., Ltd. (淮北鳳凰山頤居商業管理有限公司)	2019-12-05	Anhui, China	Hotel management	28,000,000	51%	51%	Indirectly
Ningbo Fenghua New Century Manyue Hotel Management Co., Ltd. ("Ningbo Manyue") 宁波奉化開元曼悅酒店管理有限公司	2020-06-12	Zhejiang, China	Hotel management and operation	5,000,000	100%	–	Indirectly
Zhejiang New Century Rongjing Hotel Management Co., Ltd. ("Zhejiang Rong Jing") 浙江開元榮景酒店管理有限公司	2020-11-24	Zhejiang, China	Hotel management	10,000,000	60% (Note (b))	–	Directly
Changzhou New Century Hotel Co., Ltd. ("Changzhou New Century") (常州開元名都大酒店有限公司)	2020-12-16	Jiangsu, China	Hotel operation	20,000,000	100% (Note (b))	–	Directly
Zhejiang Haogu Internet Technology Co., Ltd. ("Zhejiang Haogu") (浙江皓谷網絡科技有限公司)	2016-05-20	Zhejiang, China	Computer software, hardware and network design and development	15,000,000	100% (Note (e), 26(b), 30(a))	–	Directly

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 35 PRINCIPAL SUBSIDIARIES (Continued)

- (a) All subsidiaries of the Group are registered as sino-foreign equity joint venture enterprises under PRC Law.
- (b) Newly established subsidiaries

In 2020, the Company newly established a wholly owned subsidiary, Changzhou New Century and a 60% equity interest subsidiary, Zhejiang Rong Jing to expand its brand and business in related cities.

In 2020, the Company's subsidiary Manju Management established a wholly owned subsidiary Ningbo Manyue to expand its brand and business in the city.

- (c) On 20 July 2020, the Company disposed the whole equity of a 100% equity interest subsidiary Hangzhou Chancellery with no consideration as no capital injected and no operation started.
- (d) On 9 December 2019, the Company and two directors of Manju Management entered into a capital increase agreement pursuant to which the Company and the two directors of Manju Management agreed to increase the registered capital of Manju Management by RMB73,000 thousands from RMB27,000 thousands to RMB100,000 thousands. Upon the completion of the capital injection, the proportion of shareholding interest of the Company and the two directors in Manju Management will be 70% and 30%, respectively. As at 31 December 2020, Manju Management has been completed the registration procedures and all parties have injected the capital.

## 36 EVENT OCCURRING AFTER THE REPORTING PERIOD

- (a) On 30 November 2020, the Company entered into an agreement with an independent third party ("Seller") to acquire the 40% equity interest of Jiangsu Hanyue Hotel Management Co., Ltd. ("Jiangsu Hanyue"), subject to satisfaction of certain Pre-Conditions. The total consideration of this transaction is RMB62,000 thousands, which will be all settled by cash. The major business of Jiangsu Hanyue is hotel management. In December 2020, the Company had paid RMB24,800 thousands as an investment prepayment of this transaction. On 20 January 2021, the Seller had fulfilled all the Pre-Conditions, and Jiangsu Hanyue then became a 40% associate of the Company.
- (b) On 20 January 2021, the Company announced that the Board received a letter from the Offeror, Kunpeng Asia Limited that, subject to satisfaction of the Pre-Condition, voluntary conditional offers will be made by the Offeror for the H Shares and the Domestic Shares other than those owned, controlled or agreed to be acquired by the Offeror and the Offeror Concert Parties who have undertaken not to accept the Offers in accordance with the Takeovers Code which, if implemented, will result in the Delisting. The Pre-conditions of this transaction have been satisfied on 5 February 2021.

The consideration for the offers will be HK\$18.15 per H Share and RMB15.180660 per each Domestic Share. Based on the cash offer price of each H Share and the total number of H Shares subject to the H Share Offer of 55,170,000 H Shares, the total consideration of the H Share Offer is approximately HK\$1,001,335,500. Based on the cash offer price of each Domestic Share and the total number of Domestic Shares subject to the Domestic Share Offer of 25,959,477 Domestic Shares, the total consideration of the Domestic Share Offer is approximately RMB394,081,994.11.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 37 BALANCE SHEET AND RESERVES MOVEMENTS OF THE COMPANY

	Note	As at 31 December	
		2020	2019
		RMB'000	RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		216,624	117,685
Right-of-use assets		948,469	1,177,131
Investment properties		881	895
Intangible assets		2,329	2,155
Investments in subsidiaries		420,054	340,303
Investments accounted for using the equity method	14	149,150	131,100
Financial assets at fair value through other comprehensive income		2,053	2,053
Prepayment		24,800	–
Deferred tax assets		18,089	32,012
Restricted cash		576,998	374,989
<b>Total non-current assets</b>		<b>2,359,447</b>	<b>2,178,323</b>
<b>Current assets</b>			
Inventories		8,651	12,074
Trade, other receivables and prepayments		414,212	406,518
Loans receivable		24,804	–
Financial assets at fair value through profit or loss		205,539	–
Cash and cash equivalent		89,224	125,280
Restricted cash		33,791	534,175
<b>Total current assets</b>		<b>776,221</b>	<b>1,078,047</b>
<b>Total assets</b>		<b>3,135,668</b>	<b>3,256,370</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 37 BALANCE SHEET AND RESERVES MOVEMENTS OF THE COMPANY (Continued)

	Notes	As at 31 December	
		2020 RMB'000	2019 RMB'000
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital and share premium	(a)	1,145,375	1,145,375
Other reserves	(a)	311,924	300,303
Retained earnings	(a)	199,254	206,670
<b>Total equity</b>		<b>1,656,553</b>	1,652,348
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities		754,605	1,062,739
<b>Total non-current liabilities</b>		<b>754,605</b>	1,062,739
<b>Current liabilities</b>			
Trade and other payables		389,290	255,030
Contract liabilities		48,410	53,517
Current income tax liabilities		24,611	21,966
Lease liabilities		262,199	210,770
<b>Total current liabilities</b>		<b>724,510</b>	541,283
<b>Total liabilities</b>		<b>1,479,115</b>	1,604,022
<b>Total equity and liabilities</b>		<b>3,135,668</b>	3,256,370

The balance sheet of the Company was approved by the Board of Directors on 15 March 2021 and was signed on its behalf:

**Jin Wenjie**  
Chairman

**Chen Miaoqiang**  
Executive Director

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 37 BALANCE SHEET AND RESERVES MOVEMENTS OF THE COMPANY (Continued)

### Notes (a) Reserves movements of Company

	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000
<b>Balance at 1 January 2019</b>	210,000	–	260,782	139,940
Profit for the year	–	–	–	207,010
Acquisition under common control	–	–	41	–
Dividends provided for or paid	–	–	–	(100,800)
Appropriation to statutory reserve	–	–	39,480	(39,480)
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	70,000	865,375	–	–
<b>Balance at 31 December 2019</b>	<b>280,000</b>	<b>865,375</b>	<b>300,303</b>	<b>206,670</b>
Profit for the year	–	–	–	<b>116,205</b>
Dividends provided for or paid	–	–	–	<b>(112,000)</b>
Appropriation to statutory reserve	–	–	<b>11,621</b>	<b>(11,621)</b>
<b>Balance at 31 December 2020</b>	<b>280,000</b>	<b>865,375</b>	<b>311,924</b>	<b>199,254</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 38 DIRECTORS' EMOLUMENTS

The emoluments paid or payable to the directors and chief-executive of the Company (including the emoluments for services as employee/director of the group entities prior to becoming the directors of the Company) by entities comprising the Group during the years ended 31 December 2020 and 2019 are disclosed below:

	Year ended 31 December 2020				
	Directors'/ Supervisors' fee RMB'000	Salaries and bonuses RMB'000	Pension costs – defined contribution plan RMB'000	Other employee benefits RMB'000	Total RMB'000
<b>Executive directors</b>					
Mr. Jin Wenjie	-	300	2	558	860
Mr. Chen Miaoqiang	-	1,777	13	208	1,998
<b>Non-executive directors</b>					
Mr. Chen Miaolin (i)	-	-	-	-	-
Mr. Chen Canrong	-	-	-	-	-
Mr. Jiang Tianyi	-	-	-	-	-
Mr. Zhang Chi (i)	-	-	-	-	-
Mr. Zhou Rong (ii)	-	-	-	-	-
Mr. Xie Bingwu (ii)	-	-	-	-	-
<b>Independent non-executive directors</b>					
Mr. Zhang Rungang	120	-	-	-	120
Ms. Qiu Yun	120	-	-	-	120
Mr. Khoo Wun Fat William	133	-	-	-	133
	<b>373</b>	<b>2,077</b>	<b>15</b>	<b>766</b>	<b>3,231</b>
<b>Supervisors</b>					
Ms. Zha Xianghong	-	-	-	-	-
Mr. Guo Mingchuan	-	-	-	-	-
Ms. Liu Hong	-	459	-	4	463
	-	459	-	4	463
<b>Total</b>	<b>373</b>	<b>2,536</b>	<b>15</b>	<b>770</b>	<b>3,694</b>

- (i) Mr. Chen Miaolin and Mr. Zhang Chi retired as the non-executive Directors with effect from 20 May 2020. Mr. Chen Miaolin and Mr. Zhang Chi have confirmed that they have no disagreement with the Board, and there are no matters relating to their retirement as Directors that need to be brought to the attention of the Shareholders and The Stock Exchange of Hong Kong Limited.
- (ii) Mr. Zhou Rong and Mr. Xie Bingwu have been appointed as non-executive Directors of the second session of the Board with the effective from 20 May 2020 and will end upon the expiration of the three years tenure of the second session of the Supervisory Board.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 38 DIRECTORS' EMOLUMENTS (Continued)

	Year ended 31 December 2019					Total RMB'000
	Directors'/ Supervisors' fee RMB'000	Salaries and bonuses RMB'000	Pension costs – defined contribution plan RMB'000	Other employee benefits RMB'000		
<b>Executive directors</b>						
Mr. Jin Wenjie	–	300	33	496		829
Mr. Chen Miaoqiang	–	1,718	32	209		1,959
<b>Non-executive directors</b>						
Mr. Chen Miaolin	–	–	–	–		–
Mr. Chen Canrong	–	–	–	–		–
Mr. Jiang Tianyi	–	–	–	–		–
Mr. Zhang Chi	–	–	–	–		–
<b>Independent non-executive directors</b>						
Mr. Zhang Rungang	120	–	–	–		120
Ms. Qiu Yun	120	–	–	–		120
Mr. Khoo Wun Fat William	133	–	–	–		133
	373	2,018	65	705		3,161
<b>Supervisors</b>						
Ms. Zha Xianghong	–	–	–	–		–
Mr. Guo Mingchuan	–	–	–	–		–
Ms. Liu Hong	–	527	12	23		562
	–	527	12	23		562
<b>Total</b>	<b>373</b>	<b>2,545</b>	<b>77</b>	<b>728</b>		<b>3,723</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 38 DIRECTORS' EMOLUMENTS (Continued)

### (a) Directors' termination benefits

No directors' retirement or termination benefits subsisted at the end of the year or at any time during the years ended 31 December 2020 and 2019.

### (b) Directors' benefits and interests

No directors' benefits and interests subsisted at the end of the year or at any time during the year (2019: Nil).

### (c) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available directors' services subsisted at the end of the year or at any time during the year (2019: Nil).

### (d) Information about loans, quasi-loans and other dealings in favor of directors, controlling bodies corporate by and connected entities with such directors

No loans, quasi-loans or other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of the year or at any time during the year (2019: Nil).

### (e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2019: Nil).

## Five-Year Financial Summary

	2020	2019	2018	2017	2016
<b>Items of Consolidated Statement of Comprehensive Income</b>					
(RMB'000)					
Revenue	<b>1,597,716</b>	1,927,980	1,797,968	1,664,643	1,602,006
Profit attributable to owners of the Company	<b>19,673</b>	202,405	186,787	163,042	84,324
Earnings per share attributable to owners of the Company (RMB)	<b>0.07</b>	0.76	0.89	0.78	0.4
<b>Items of Consolidated Balance Sheet</b>					
(RMB'000)					
Total assets	<b>4,564,983</b>	4,492,126	1,546,845	1,312,651	1,252,985
Total liabilities	<b>3,018,217</b>	2,902,083	872,900	783,558	935,956
Total equity	<b>1,546,766</b>	1,590,043	673,945	529,093	317,029
Total equity attributable to owners of the Company	<b>1,486,162</b>	1,578,471	663,848	513,796	310,414
<b>Items of Consolidated Statements of Cash Flows</b>					
(RMB'000)					
Net cash generated from operating activities	<b>518,176</b>	647,880	198,282	268,073	168,931
<b>Relevant Financial Information</b>					
Proposed dividend (RMB'000)	<b>0.00</b>	112,000	100,800	41,238	
Proposed dividend per share (RMB)	<b>0.00</b>	0.40	0.36	0.196	
Earnings before interests, taxes, depreciation and amortization (RMB'000)	<b>563,329</b>	741,852	303,918	287,905	178,022
Total equity per share (RMB)	<b>5.52</b>	5.68	3.21	2.52	
Total equity per share attributable to the owners of the Company (RMB)	<b>5.31</b>	5.64	3.16	2.45	
Gearing ratio (total interest-bearing liabilities divided by total assets)	<b>49%</b>	50%	12%	13%	28%