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

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

(Stock code: 1158)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

Since 1 January 2019, the Group has adopted IFRS 16 "Lease", the interim results for the six months ended 30 June 2019 have taken into account of the impact brought by such standard, in particular:

– Revenue of the Group for the six months ended 30 June 2019 increased from approximately RMB835.9 million for the six months ended 30 June 2018 to approximately RMB905.2 million, representing an increase of approximately 8.3%.

– Earnings before interest, tax, depreciation and amortisation ("**EBITDA**") of the Group for the six months ended 30 June 2019 increased from RMB134.8 million for the corresponding period in 2018 to approximately RMB319.3 million, representing an increase of approximately 136.9%. EBITDA margin (being EBITDA divided by revenue) of the Group for the six months ended 30 June 2019 increased from approximately 16.1% for the six months ended 30 June 2018 to approximately 35.3%.

– Gross profit of the Group for the six months ended 30 June 2019 increased from approximately RMB189.5 million for the six months ended 30 June 2018 to approximately RMB243.6 million, representing an increase of approximately 28.5%. Gross profit margin for the six months ended 30 June 2019 increased from approximately 22.7% for the six months ended 30 June 2018 to approximately 26.9%.

– Net profit of the Group for the six months ended 30 June 2019 increased from approximately RMB79.8 million for the six months ended 30 June 2018 to approximately RMB80.9 million, representing an increase of approximately 1.4%.

– Profit attributable to the owners of the Company for the six months ended 30 June 2019 increased from approximately RMB78.7 million for the six months ended 30 June 2018 to approximately RMB81.2 million, representing an increase of approximately 3.2%.

- Basic and diluted earnings per share for the six months ended 30 June 2019 decreased from approximately RMB0.37 for the six months ended 30 June 2018 to approximately RMB0.32, representing a decrease of approximately 13.5%.
- As at 30 June 2019, the Group's total bank borrowings of RMB0 (As at 31 December 2018: RMB190.5 million), and had a gearing ratio of 0%. As a result of the completion of the global initial public offering, the Company also had a share capital of RMB280 million as at 30 June 2019, increasing from RMB210 million as at 31 December 2018, and a share premium of RMB865.4 million, increasing from RMB0 as at 31 December 2018.
- As at 30 June 2019, the Group's total balance of cash and cash equivalents amounted to approximately RMB253.2 million (As at 31 December 2018: approximately RMB367.7 million), and term deposit of approximately RMB930.0 million (As at 31 December 2018: RMB68.0 million). The Group's liabilities were denominated in Renminbi, there were no foreign currency debts.

The Board is of the view that the adoption of IFRS 16 accelerates the related expenses charged at early stage of the leasing period. For comparison purpose with the results during the corresponding period in 2018 which IFRS 16 had not been adopted, the key interim results of the Group for the six months ended 30 June 2019 without taking into account the adoption of IFRS 16 are set out as follows:

- EBITDA of the Group for the six months ended 30 June 2019 increased from RMB134.8 million for the six months ended 30 June 2018 to approximately RM136.4 million, representing an increase of approximately 1.2%. EBITDA margin of the Group for the six months ended 30 June 2019 decreased from approximately 16.1% for the six months ended 30 June 2018 to approximately 15.1%
- Gross profit of the Group for the six months ended 30 June 2019 increased from approximately RMB189.5 million for the six months ended 30 June 2018 to approximately RMB203.5 million, representing an increase of approximately 7.4%. Gross profit margin for the six months ended 30 June 2019 decreased from approximately 22.7% for the six months ended 30 June 2018 to approximately 22.5%.
- Net profit of the Group for the six months ended 30 June 2019 increased from approximately RMB79.8 million for the six months ended 30 June 2018 to approximately RMB90.5 million, representing an increase of approximately 13.4%.
- Profit attributable to the owners of the Company for the six months ended 30 June 2019 increased from approximately RMB78.7 million for the six months ended 30 June 2018 to approximately RMB89.6 million, representing an increase of approximately 13.9%.
- Basic and diluted earnings per share for the six months ended 30 June 2019 decreased from approximately RMB0.37 for the six months ended 30 June 2018 to approximately RMB0.35, representing a decrease of approximately 5.4%.

The board (the "**Board**") of directors (the "**Directors**") of Zhejiang New Century Hotel Management Co., Ltd. (the "**Company**") herby announces the unaudited interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2019 (the "**Reporting Period**") as prepared in accordance with the International Financial Reporting Standards ("**IFRSs**"), together with comparative figures for the six months ended 30 June 2018. These unaudited interim results have been reviewed by the Audit Committee of the Company (the "**Audit Committee**") and recommended for approval by the Board. The interim financial information of the Company was also reviewed by the auditor of the Company, PricewaterhouseCoopers, in accordance with International Standards on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		For the six months ended 30 June	
		2019	2018
		(Unaudited)	*(Unaudited)*
	Notes	***RMB'000***	*RMB'000*
Revenue	*6*	**905,249**	835,866
Cost of sales		**(661,671)**	(646,347)
Gross profit		**243,578**	189,519
Selling and marketing expenses		**(44,114)**	(37,349)
Administrative expenses		**(82,548)**	(73,850)
Net impairment losses on financial assets		**(3,026)**	(773)
Other income		**17,723**	5,087
Other gains – net		**618**	19,797
Operating profit	*7*	**132,231**	102,431
Finance income		**18,847**	4,616
Finance costs		**(56,135)**	(4,800)
Finance costs – net	*8*	**(37,288)**	(184)
Share of net profits of associates and joint venture accounted for using the equity method		**2,366**	2,124
Profit before income tax		**97,309**	104,371
Income tax expense	*9*	**(16,384)**	(24,553)
Profit and total comprehensive income for the half-year		**80,925**	79,818
Profit and total comprehensive income attributable to:			
– Owners of the Company		**81,192**	78,653
– Non-controlling interests		**(267)**	1,165
		80,925	79,818
Earnings per share for profit attributable to the owners of the Company – Basic/Diluted (in RMB per share)	*10*	**0.32**	0.37

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2019

	Notes	**30 June 2019 (Unaudited) RMB'000**	31 December 2018 (Audited) RMB'000
Assets			
Non-current assets			
Property, plant and equipment	*12*	**656,593**	587,756
Right-of-use assets	*4*	**2,204,432**	–
Investment properties	*12*	**903**	910
Land use rights	*4, 12*	–	44,954
Intangible assets	*12*	**7,187**	14,904
Investments accounted for using the equity method		**123,930**	121,564
Other non-current assets		–	3,170
Deferred tax assets		**71,993**	27,338
Total non-current assets		**3,065,038**	800,596
Current assets			
Inventories		**26,365**	28,322
Trade and other receivables and prepayments	*13*	**201,163**	282,239
Cash and cash equivalents		**253,246**	367,688
Restricted cash		**929,991**	68,000
Total current assets		**1,410,765**	746,249
Total assets		**4,475,803**	1,546,845
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**280,000**	210,000
Share premium		**865,375**	–
Other reserves		**276,986**	276,440
Retained earnings		**35,990**	177,408
Total equity attributable to owners of the Company		**1,458,351**	663,848
Non-controlling interests		**11,815**	10,097
Total equity		**1,470,166**	673,945

	Notes	**30 June 2019** *(Unaudited)* ***RMB'000***	31 December 2018 *(Audited)* *RMB'000*
Liabilities			
Non-current liabilities			
Borrowings	*15*	**–**	185,000
Lease liabilities	*4*	**2,007,842**	–
Deferred income		**19,455**	20,048
Deferred tax liabilities		**205**	442
Total non-current liabilities		**2,027,502**	205,490
Current liabilities			
Contract liabilities		**209,350**	194,194
Borrowings	*15*	**–**	5,500
Trade and other payables	*14*	**424,537**	443,081
Lease liabilities	*4*	**330,780**	–
Current income tax liabilities		**12,282**	23,449
Current portion of long-term liabilities		**1,186**	1,186
Total current liabilities		**978,135**	667,410
Total liabilities		**3,005,637**	872,900
Total equity and liabilities		**4,475,803**	1,546,845

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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) (the founder of the Group) are the controlling shareholders of the Group.

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

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

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

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

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

3 Accounting policies

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

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

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

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

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

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

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

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

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

4 Changes in accounting policies

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

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

(a) Adjustments recognised on adoption of IFRS 16

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

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

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

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

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

(i) Impact on segment disclosures and earnings per share

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

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

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

(ii) Amounts recognised in the balance sheet

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

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

(iii) Amounts recognised in the statement of comprehensive income

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

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

(iv) Practical expedients applied

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

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

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

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

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

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

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

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

- the amount of the initial measurement of lease liability;

- any lease payments made at or before the commencement date;

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

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

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

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

5 Estimates

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

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

6 Segment information and revenue

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

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

- Hotel operation; and
- Hotel management.

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

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

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

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

(a) Segment revenue

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

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

(b) Segment information

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

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

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

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

7 Operating profit

The following items have been charged/(credited) to the operating profit during the six months ended 30 June 2019 and 2018:

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Amortisation/depreciation of right-of-use assets *(Note 4)*	**144,133**	–
Depreciation of property, plant and equipment *(Note 12)*	**33,195**	26,741
Operating lease expenses	**10,031**	190,755
Amortisation of intangible assets *(Note 12)*	**2,552**	2,875
Net impairment losses on financial assets *(Note 13)*	**3,026**	773
Amortisation of land use rights *(Note 12)*	**–**	595
Depreciation of investment properties *(Note 12)*	**7**	7
Net losses/(gains) on disposal of property, plant and equipment	**31**	(226)

8 Finance costs – net

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

9 Income tax expense

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

(a) PRC corporate income tax

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

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

10 Earnings per share

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

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

11 Dividends

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

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

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

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

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

13 Trade, other receivables and prepayments

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

(a) Trade receivables

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

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

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

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

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

(b) Other receivables

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

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

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

14 Trade and other payables

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

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

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

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

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

15 Borrowings

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

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

Movements in borrowings are analysed as follows:

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

ACCOUNTING IMPLICATIONS OF OUR ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS 16 – LEASES

The Group has applied International Financial Reporting Standards 16 – Leases ("**IFRS 16**") retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period as permitted under the simplified transition approach in the standard. The reclassifications and the adjustments arising from the adoption of IFRS 16 are therefore recognised in the opening balance sheet on 1 January 2019.

For further details, please refer to Note 4 titled "Changes in accounting policies" to the Condensed Consolidated Interim Financial Information in this announcement.

FINANCIAL HIGHLIGHTS

A comparison of results reflecting the adoption of IFRS16 on the results for the six months ended 30 June 2019:

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Key Items from Interim Condensed Consolidated Statement of Comprehensive Income		
Revenue	**905,249**	835,866
Gross profit	**243,578**	189,519
Net profit	**80,925**	79,818
Profit attributable to owners of the Company	**81,192**	78,653
Basic/diluted earnings per share attributable to owners of the Company (in RMB)	**0.32**	0.37

	As at	As at
	30 June	31 December
	2019	2018
	(Unaudited)	*(Audited)*
	(RMB'000)	*(RMB'000)*
Key Items from Interim Condensed Consolidated Balance Sheet		
Total assets	**4,475,803**	1,546,845
Total liabilities	**3,005,637**	872,900
Total equity attributable to owners of the Company	**1,458,351**	663,848

A comparison of results without taking into account of the adoption of IFRS16 on the results for the six months ended 30 June 2019:

	For the six months ended 30 June	
	2019	2018
	(Unaudited)*	*(Unaudited)*
	RMB'000	*RMB'000*
	(Note)	
Revenue	**905,249**	835,866
Gross profit	**203,491**	189,519
Net profit	**90,478**	79,818
Profit attributable to the owners of the Company	**89,556**	78,653
Basic/diluted earnings per share attributable to the owners of the Company (in RMB)	**0.35**	0.37

	As at	As at
	30 June	31 December
	2019	2018
	(Unaudited)*	*(Audited)*
	(RMB'000)	*(RMB'000)*
	(Note)	
Total assets	**2,380,053**	1,546,845
Total liabilities	**778,524**	872,900
Total equity attributable to the owners of the Company	**1,588,525**	663,848

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

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

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

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

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

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

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

Hotel Operation Segment

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

Owned hotels

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

Leased hotels

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

Operating Data

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

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

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

Hotel Management Segment

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

Corporate Strategies and Development Outlook

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

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

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

Financial Review

Revenue

Comparison between the Group's financial information during the Reporting Period and that of the six months ended 30 June 2018:

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

Hotel Operation

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

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

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

Hotel Management

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

Cost of Sales

During the Reporting Period, the cost of sales increased by approximately 2.4%, from approximately RMB646.3 million for the six months ended 30 June 2018 to approximately RMB661.7 million for the Reporting Period, primarily due to the adoption of IFRS 16 and the new hotels' relative high initial expenditures and their operations' early stage of cultivating business.

Gross Profit and Gross Profit Margin

Based on the foregoing, during the Reporting Period, the Group's gross profit amounted to approximately RMB243.6 million, representing an increase of approximately 28.5% over the same period of last year. The gross profit margin was approximately 26.9%, representing a 4.2% increase as compared to the gross profit margin of approximately 22.7% for the same period in 2018. This was mainly due to the adoption of IFRS 16 and the new hotels' relative high initial expenditures and their operations' early stage of cultivating business. As IFRS 16 was not adopted for the six months ended 30 June 2018, for comparison purpose only, assuming the changes to the results during the Reporting Period brought by the adoption of IFRS 16 are not being taken into account, the Group's gross profit would be approximately RMB203.5 million, representing an increase of approximately 7.4% as compared to the same period last year, and our gross profit margin would be 22.5%, representing a 0.2% decrease as compared to the same period in 2018.

Other Income and Other Gains

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

Sales and Marketing Expenses

Sales and marketing expenses increased by approximately 18.1%, from approximately RMB37.3 million for the six months ended 30 June 2018 to approximately RMB44.1 million for the Reporting Period. This was primarily due to an increase in the number of marketing personnel and the salary level as a result of the increased number of new hotels.

Administrative Expenses

Administrative expenses increased by approximately 11.8%, from approximately RMB73.9 million in the six months ended 30 June 2018 to approximately RMB82.5 million for the Reporting Period, primarily due to the expansion of our business.

Taxation

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

Net Profit and Total Comprehensive Income

As a result of the foregoing, our net profit and total comprehensive income increased by approximately 1.4% from approximately RMB79.8 million for the same period of last year to approximately RMB80.9 million for the Reporting Period. The profit attributable to Company owners increased by approximately 3.2% from approximately RMB78.7 million for the same period of last year to approximately RMB81.2 million for the Reporting Period. As IFRS 16 was not adopted for the six months ended 30 June 2018, for comparison purpose only, assuming the changes to the results during the Reporting Period brought by the adoption of IFRS 16 are not being taken into account, the Group's net profit and total comprehensive income would be approximately RMB90.5 million, representing an increase of approximately 13.4% as compared to the same period last year, and the Group's profit attributable to Company owners would be approximately RMB89.6 million, representing a 13.9% increase as compared to the same period in 2018.

Total Cash and Cash Equivalents Balance

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

Property, Plant and Equipment

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

Contract Liabilities

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

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

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

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

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

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

OTHER INFORMATION

Human Resources and Training

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

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

Currently, the Company has not established share option schemes.

Corporate Governance

From the Listing Date to the end of the Reporting Period, the Company has adopted the principles and code provisions as set out in the Corporate Governance Code (as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") to implement good corporate governance practices of the Company and has met and complied with the relevant code provisions.

Model Code for Securities Transactions

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

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

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

Audit Committee

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

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

Purchase, Sale or Redemption of Listed Securities

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

Interim Dividend

The Board has not recommended the payment of any interim dividend for the Reporting Period.

Events after the Reporting Period

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

Publication of Interim Report

This announcement is posted on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.kaiyuanhotels.com). The interim report of the Company, together with the Interim Financial Information reviewed by PricewaterhouseCoopers, will be despatched to the shareholders of the Company and posted on the aforementioned websites in due course.

By order of the Board
Zhejiang New Century Hotel Management Co., Ltd.
Jin Wenjie
Chairman and Executive Director

Hangzhou, the PRC, 20 August 2019

As at the date of this announcement, the Board comprises Mr. JIN Wenjie and Mr. CHEN Miaoqiang as executive Directors; Mr. CHEN Miaolin, Mr. CHEN Canrong, Mr. JIANG Tianyi and Mr. ZHANG Chi as non-executive Directors; and Mr. ZHANG Rungang, Mr. KHOO Wun Fat William and Ms. QIU Yun as independent non-executive Directors.