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**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 2020**

**FINANCIAL HIGHLIGHTS**

- Revenue of the Group for the six months ended 30 June 2020 decreased from approximately RMB905.2 million for the six months ended 30 June 2019 to approximately RMB543.8 million, representing a decrease of approximately 39.9%.
- Earnings before interest, tax, depreciation and amortisation (“**EBITDA**”) of the Group for the six months ended 30 June 2020 decreased from RMB319.3 million for the corresponding period in 2019 to approximately RMB135.4 million, representing a decrease of approximately 57.6%. EBITDA margin (being EBITDA divided by revenue) of the Group for the six months ended 30 June 2020 decreased from approximately 35.3% for the six months ended 30 June 2019 to approximately 24.8%.
- Gross profit of the Group for the six months ended 30 June 2020 decreased from approximately RMB243.6 million for the six months ended 30 June 2019 to approximately RMB16.5 million, representing a decrease of approximately 93.2%. Gross profit margin for the six months ended 30 June 2020 decreased from approximately 26.9% for the six months ended 30 June 2019 to approximately 3.0%.
- Net loss of the Group for the six months ended 30 June 2020 was approximately RMB90.7 million as compared to a net profit of RMB80.9 million for the six months ended 30 June 2019.
- Loss attributable to the owners of the Company for the six months ended 30 June 2020 was approximately RMB92.2 million as compared to a profit attributable to the owners of the Company of approximately RMB81.2 million for the six months ended 30 June 2019.

- Basic and diluted losses per share for the six months ended 30 June 2020 was approximately RMB0.33 as compared to a basic and diluted earnings per share of RMB0.32 for the six months ended 30 June 2019.
- As at 30 June 2020, the Group's did not have any bank borrowings (as at 31 December 2019: did not have any bank borrowings).
- As at 30 June 2020, the Group's total balance of cash and cash equivalents amounted to approximately RMB254.7 million (As at 31 December 2019: approximately RMB345.7 million), and restricted cash of approximately RMB775.4 million (as at 31 December 2019: approximately RMB909.2 million). The Group's liabilities were denominated in Renminbi, there were no foreign currency debts.

The board (the “**Board**”) of directors (the “**Directors**”) of Zhejiang New Century Hotel Management Co., Ltd. (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2020 (the “**Reporting Period**”), together with comparative figures for the six months ended 30 June 2019. 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”.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

		Unaudited Six months ended 30 June	
	Notes	2020 RMB'000	2019 RMB'000
Revenue	5	543,812	905,249
Cost of sales		<u>(527,290)</u>	<u>(661,671)</u>
<b>Gross profit</b>		<b>16,522</b>	243,578
Selling and marketing expenses		(29,377)	(44,114)
Administrative expenses		(73,413)	(82,548)
Net impairment losses on financial assets		(856)	(3,026)
Other income		12,790	17,723
Other gains – net		<u>2,035</u>	<u>618</u>
<b>Operating (loss)/profit</b>	6	<b>(72,299)</b>	132,231
Finance income		19,673	18,847
Finance costs		<u>(53,666)</u>	<u>(56,135)</u>
Finance costs – net	7	<b>(33,993)</b>	(37,288)
Share of net (losses)/profits of associates and joint venture accounted for using the equity method		<u>(11,593)</u>	<u>2,366</u>
<b>(Loss)/profit before income tax</b>		<b>(117,885)</b>	97,309
Income tax credit/(expense)	8	<u>27,230</u>	<u>(16,384)</u>
<b>(Loss)/profit for the half-year</b>		<b><u>(90,655)</u></b>	<b><u>80,925</u></b>
Other comprehensive income for the half-year, net of income tax		<u>–</u>	<u>–</u>
<b>(Loss)/profit and total comprehensive (loss)/income for the half-year</b>		<b><u>(90,655)</u></b>	<b><u>80,925</u></b>
<b>(Loss)/profit and total comprehensive (loss)/income attributable to:</b>			
– Owners of the Company		(92,203)	81,192
– Non-controlling interests		<u>1,548</u>	<u>(267)</u>
		<b><u>(90,655)</u></b>	<b><u>80,925</u></b>
<b>(Loss)/earnings per share for (loss)/profit attributable to the owners of the Company – Basic/Diluted (in RMB per share)</b>	9	<b><u>(0.33)</u></b>	<b><u>0.32</u></b>

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2020</b>	2019
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>11</i>	<b>770,702</b>	661,163
Right-of-use assets	<i>12</i>	<b>2,178,537</b>	2,135,362
Investment properties	<i>11</i>	<b>888</b>	895
Intangible assets	<i>11</i>	<b>14,314</b>	6,143
Investments accounted for using the equity method		<b>125,533</b>	131,100
Financial assets at fair value through other comprehensive income		<b>2,053</b>	2,053
Deferred tax assets		<b>109,398</b>	74,671
Restricted cash		<b>384,147</b>	375,000
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>3,585,572</b>	3,386,387
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories		<b>29,868</b>	31,264
Trade and other receivables and prepayments	<i>13</i>	<b>211,827</b>	194,552
Financial assets at fair value through profit or loss		<b>201,687</b>	-
Cash and cash equivalents		<b>254,652</b>	345,746
Restricted cash		<b>189,593</b>	534,177
		<hr/>	<hr/>
<b>Total current assets</b>		<b>887,627</b>	1,105,739
		<hr/>	<hr/>
<b>Total assets</b>		<b>4,473,199</b>	4,492,126
		<hr/> <hr/>	<hr/> <hr/>

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2020</b>	2019
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital and share premium		1,145,375	1,145,375
Other reserves		315,373	315,373
(Accumulated losses)/retained earnings		(86,480)	117,723
		<hr/>	<hr/>
<b>Total equity attributable to owners of the Company</b>		<b>1,374,268</b>	1,578,471
Non-controlling interests		25,507	11,572
		<hr/>	<hr/>
<b>Total equity</b>		<b>1,399,775</b>	1,590,043
		<hr/>	<hr/>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities	12	1,993,729	1,950,150
Deferred income		18,271	18,862
Deferred tax liabilities		2,944	246
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>2,014,944</b>	1,969,258
		<hr/>	<hr/>
<b>Current liabilities</b>			
Contract liabilities		231,436	216,523
Trade and other payables	14	478,184	378,662
Lease liabilities	12	338,525	309,281
Current income tax liabilities		9,149	27,173
Current portion of long-term liabilities		1,186	1,186
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>1,058,480</b>	932,825
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>3,073,424</b>	2,902,083
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>4,473,199</b>	4,492,126
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# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

*For the six months ended 30 June 2020*

*(All amounts in Renminbi thousands unless otherwise stated)*

## 1 General information

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

This interim condensed consolidated financial information has not been audited.

### Significant change in the current reporting period

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

## 2 Basis of preparation

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

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

### 3 Accounting policies

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

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

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

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

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

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

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

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

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

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

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

#### **4 Estimates**

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

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

#### **5 Segment information and revenue**

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

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

- Hotel operation; and
- Hotel management.

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

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

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

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



(a) Segment revenue

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

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

(b) **Segment information**

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

<b>Business segments</b>	<b>Unaudited</b>		
	<b>Six months ended 30 June 2020</b>		
	<b>Hotel operation RMB'000</b>	<b>Hotel management RMB'000</b>	<b>Total RMB'000</b>
<b>Revenue</b>			
Segment revenue	497,612	63,274	560,886
Inter-segment revenue	(8,575)	(8,499)	(17,074)
Segment revenue from external customers	489,037	54,775	543,812
Cost of sales	(522,001)	(5,289)	(527,290)
Selling and marketing expenses	(17,577)	(11,800)	(29,377)
Administrative expenses	(45,600)	(27,813)	(73,413)
Net impairment losses on financial assets	(642)	(214)	(856)
<b>Segment (loss)/profit</b>	<b>(96,783)</b>	<b>9,659</b>	<b>(87,124)</b>
<b>Unaudited</b>			
<b>Six months ended 30 June 2019</b>			
	<b>Hotel operation RMB'000</b>	<b>Hotel management RMB'000</b>	<b>Total RMB'000</b>
<b>Revenue</b>			
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)
<b>Segment profit</b>	<b>75,753</b>	<b>38,137</b>	<b>113,890</b>

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

## 6 Operating (loss)/profit

The following items have been charged/(credited) to the operating (loss)/profit during the six months ended 30 June 2020 and 2019:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Depreciation of right-of-use assets (Note 12)	171,770	144,133
Depreciation of property, plant and equipment (Note 11)	41,993	33,195
Impairment for long-term assets (Note 12)	24,027	–
Operating lease expenses	6,572	10,031
Amortisation of intangible assets (Note 11)	1,698	2,552
Net impairment losses on financial assets (Note 13)	856	3,026
Depreciation of investment properties (Note 11)	7	7
COVID-19-related rent concessions (Note 3)	(30,640)	–
Net losses on disposal of property, plant and equipment	79	31
	<u>171,770</u>	<u>144,133</u>

## 7 Finance costs – net

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
<b>Finance income</b>		
– Interest income derived from bank and term deposits	15,763	14,014
– Unrealised foreign exchange gains	160	4,833
– Realised foreign exchange gains	3,750	–
	<u>19,673</u>	<u>18,847</u>
<b>Finance costs</b>		
– Interest expenses on bank borrowings	(473)	(3,173)
– Finance expense of leasing liabilities (Note 12)	(53,099)	(52,962)
– Unrealised foreign exchange losses	(94)	–
	<u>(53,666)</u>	<u>(56,135)</u>
<b>Finance costs – net</b>	<u>(33,993)</u>	<u>(37,288)</u>

## 8 Income tax (credit)/expense

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

### (a) PRC corporate income tax

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

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

## 9 (Loss)/earnings per share

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

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

## 10 Dividends

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

On 25 March 2019, a final dividend per share of RMB0.36 (before tax), totalling 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 per share of RMB0.40 (before tax), totalling RMB112,000 thousands, was declared to all shareholders of the Company. In July 2020, all dividends were paid to the shareholders.

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

	Property, plant and equipment <i>RMB'000</i>	Investment properties <i>RMB'000</i>	Land use rights <i>RMB'000</i>	Intangible assets <i>RMB'000</i>
<b>As at 1 January 2019 (audited)</b>				
Cost	918,222	1,000	48,768	54,634
Accumulated depreciation/amortisation	<u>(330,466)</u>	<u>(90)</u>	<u>(3,814)</u>	<u>(39,730)</u>
Net book amount	<u><u>587,756</u></u>	<u><u>910</u></u>	<u><u>44,954</u></u>	<u><u>14,904</u></u>
<b>For the six months ended 30 June 2019 (unaudited)</b>				
Opening net book amount	587,756	910	44,954	14,904
Transfer to right-of-use assets	–	–	(44,954)	(6,372)
Additions	102,174	–	–	1,207
Acquisition of subsidiaries	2	–	–	–
Disposals	(144)	–	–	–
Depreciation/amortisation charge ( <i>Note 6</i> )	<u>(33,195)</u>	<u>(7)</u>	<u>–</u>	<u>(2,552)</u>
Closing net book amount	<u>656,593</u>	<u>903</u>	<u>–</u>	<u>7,187</u>
<b>As at 30 June 2019 (unaudited)</b>				
Cost	1,008,348	1,000	–	37,078
Accumulated depreciation/amortisation	<u>(351,755)</u>	<u>(97)</u>	<u>–</u>	<u>(29,891)</u>
Net book amount	<u><u>656,593</u></u>	<u><u>903</u></u>	<u><u>–</u></u>	<u><u>7,187</u></u>

	<b>Property, plant and equipment RMB'000</b>	<b>Investment properties RMB'000</b>	<b>Land use rights RMB'000</b>	<b>Intangible assets RMB'000</b>
<b>As at 1 January 2020 (audited)</b>				
Cost	1,047,722	1,000	–	38,651
Accumulated depreciation/amortisation	(381,474)	(105)	–	(32,508)
Impairment loss	(5,085)	–	–	–
Net book amount	<u>661,163</u>	<u>895</u>	<u>–</u>	<u>6,143</u>
<b>For the six months ended 30 June 2020 (unaudited)</b>				
Opening net book amount	661,163	895	–	6,143
Additions	138,662	–	–	1,044
Acquisition of subsidiaries	13,373	–	–	8,825
Disposals	(503)	–	–	–
Depreciation/amortisation charge (Note 6)	(41,993)	(7)	–	(1,698)
Closing net book amount	<u>770,702</u>	<u>888</u>	<u>–</u>	<u>14,314</u>
<b>As at 30 June 2020 (unaudited)</b>				
Cost	1,192,421	1,000	–	49,207
Accumulated depreciation/amortisation	(416,634)	(112)	–	(34,893)
Accumulated impairment loss	(5,085)	–	–	–
Net book amount	<u>770,702</u>	<u>888</u>	<u>–</u>	<u>14,314</u>

## 12 Leases

### (a) Amounts recognised in the condensed consolidated balance sheet

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

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

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

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

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

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

	Unaudited Six months ended 30 June 2020 RMB'000	2019 RMB'000
<i>Depreciation charge of right-of-use assets (Note 6)</i>		
Properties	116,896	97,832
Equipment and others	53,460	45,040
Land use rights	616	595
Favorable operating lease	798	666
	<u>171,770</u>	<u>144,133</u>
Impairment losses (Note 6)	<u>24,027</u>	<u>–</u>

	<b>Unaudited</b>	
	<b>Six months ended 30 June 2020</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	<b>RMB'000</b>
Interest expense (included in finance cost) (Note 7)	<b>53,099</b>	52,962
Operating expenses	<b>6,572</b>	10,031
– relating to short-term leases (included in cost of goods sold and administrative expenses)	<b>4,898</b>	6,645
– relating to leases of low-value assets that are not shown above as short-term leases (included in cost of goods sold and administrative expenses)	<b>756</b>	1,687
– relating to variable lease payments not included in lease liabilities (included in administrative expenses)	<b>918</b>	1,699

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

### 13 Trade and other receivables and prepayments

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



(a) **Trade receivables**

As at 30 June 2020 and 31 December 2019, the fair values of the trade receivables of the Group approximate to their carrying amount and all the Group's trade receivables are denominated in RMB.

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

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

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

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

(b) **Other receivables**

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

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

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

## 14 Trade and other payables

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

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

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

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

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

## FINANCIAL HIGHLIGHTS

### Financial summary

<b>Key Items from Condensed Consolidated Statement of Comprehensive Income</b>	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Revenue	<b>543,812</b>	905,249
Gross profit	<b>16,522</b>	243,578
Net (loss)/profit	<b>(90,655)</b>	80,925
(Loss)/profit attributable to Company shareholders	<b>(92,203)</b>	81,192
(Loss)/earnings per share attributable to the owners of the Company (in RMB)	<b>(0.33)</b>	0.32

  

<b>Key Items from Condensed Consolidated Balance Sheet</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>As at 30</b>	<b>As at 31</b>
	<b>June 2020</b>	<b>December 2019</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Total assets	<b>4,473,199</b>	4,492,126
Total liabilities	<b>3,073,424</b>	2,902,083
Total equity attributable to the owners of the Company	<b>1,374,268</b>	1,578,471

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

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

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

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

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

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

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

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

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

## Hotel Operation Segment

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

The Group created a new driver for revenue growth by focusing on developing new hotel projects in upscale and mid-scale markets. During the Reporting Period, Huangzhou 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 leased operation and New Century Manju Hotel Wanda Plaza Minhang Shanghai ceased operation due to property issues, increasing the number of operated hotels to 41 as at 30 June 2020.

### ***Owned hotels***

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

### ***Leased hotels***

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

### ***Operating Data***

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

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

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

### ***F&B Services***

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

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

## ***Hotel Management Segment***

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

## **Corporate Strategy and Development Outlook**

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

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

We believe the following competitive strengths have provided a solid foundation for our rapid future development: (i) status as a leading upscale hotel 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; (v) further invest and develop innovative digital strategies to improve operational efficiency; and (vi) using abundant financial resources to strategically develop the business of the group through business acquisitions and business cooperation. We will introduce more innovative products and services, improve operational and management efficiencies, and meet the expectations of hotel guests while creating value for hotel owners.

## FINANCIAL REVIEW

### Revenue

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

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

### Hotel Operation

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

### Hotel Management

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



## **Cost of Sales**

During the Reporting Period, the cost of sales decreased by approximately 20.3%, from approximately RMB661.7 million for the six months ended 30 June 2019 to approximately RMB527.3 million for the Reporting Period, primarily due to the significant decrease in operating income.

## **Gross Profit and Gross Profit Margin**

Based on the foregoing, during the Reporting Period, the Group's gross profit amounted to approximately RMB16.5 million, representing a decrease of approximately 93.2% over the same period of last year. The gross profit margin was approximately 3.0%, representing a decrease of 88.7% as compared to the gross profit margin of approximately 26.9% for the same period in 2019. This was mainly due to the significant decrease in operating income, however, fixed expenses such as labor cost and rental still exist and cannot be reduced significantly.

## **Other Income and Other Gains**

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

## **Sales and Marketing Expenses**

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

## **Administrative Expenses**

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

## **Taxation**

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

## **Net Profit and Total Comprehensive Income**

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

## **Total Cash and Cash Equivalents Balance**

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

## **Property, Plant and Equipment**

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

## **Trade and Other Receivables and Prepayments**

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

As at 30 June 2020, the Group's total trade receivables were approximately RMB211.8 million, representing an increase of approximately RMB17.3 million as compared to approximately RMB194.6 million as at 31 December 2019, primarily attributable to the increase of approximately RMB14.4 million in VAT recoverable on assets purchased and decoration by the new leased hotel projects.

## **Trade and Other Payables**

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

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

## **Contract Liabilities**

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

## **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 (the "**Stock Exchange**") on 11 March 2019 (the "**Listing Date**"). Calculated based on the offer price of HK\$16.5 per Share, the Company's proceeds from the Listing amounted to approximately HK\$1,155.0 million. As stated in the Company's Prospectus dated 26 February 2019, the amount of net proceeds earmarked was approximately HK\$1,120.0 million.

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

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

Use of net proceeds	Amount of net proceeds earmarked as at Listing Date (HK\$ million)	Amount of net proceeds as at Listing Date after reallocation		Utilised amount of net proceeds from the Listing Date up to 30 June 2020 (RMB million)	Unutilized Net Proceeds as at 30 June 2020 (RMB million)	Estimated Utilization Timetable <sup>(5)</sup>
		(HK\$ 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	10.8	84.8	On or before 31 December 2021
Brand building and promotion including but not limited to, engaging in marketing and promotional activities, sponsorship of industry events and advertising	112.0 <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	1.2	46.8	On or before 31 December 2021
Development of our information technology system by upgrading existing operational and IT system infrastructure	168.0 <sup>(4)</sup>	68.0	58.2	2.4	55.8	On or before 31 December 2021
General corporate purposes and working capital	112.0	414.0	354.4	93.3	261.1	On or before 31 December 2021
Strategical development of the Group's business through business acquisition and business collaboration	–	298.9	255.9	0.0	255.9	On or before 31 December 2021
<b>Total</b>	<b>1,120.0</b>	<b>1,120.0</b>	<b>958.9</b>	<b>254.5</b>	<b>704.4</b>	

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

*Notes:*

- (1) The unutilized net proceeds of HK\$108.5 million were reallocated to the “strategic development of the Group’s business through business acquisitions and business cooperation”;
- (2) The unutilized net proceeds of HK\$190.4 million were reallocated to the “strategic development of the Group’s business through business acquisitions and business cooperation”, and HK\$90.0 million was reallocated to “general corporate purposes and working capital”;
- (3) The unutilized net proceeds of HK\$112.0 million were reallocated to “general corporate purposes and working capital”;
- (4) The unutilized net proceeds of HK\$100.0 million were reallocated to “general corporate purposes and working capital”;
- (5) The expected utilization time of the unutilized net proceeds is based on the Group’s assessment of future market conditions, and may vary according to the development of current and future market conditions.

## **OTHER INFORMATION**

### **Human Resources and Training**

As at 30 June 2020, the Group had 5,135 employees. For the six months ended 30 June 2020, the total remuneration of employee, including the remuneration of the Directors (but excluding those who are independent non-executive directors), was approximately RMB186.1 million (for the six months ended 30 June 2019: RMB265.6 million). Employees’ compensations of the Company include basic wages, allowance and performance bonus. The company established a scientific and reasonable compensation distribution system where the income of the employees is directly proportional to the value created by them for the Company.

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

Currently, the Company has no established share option schemes.

## **CORPORATE GOVERNANCE**

During the Reporting Period, the Company has adopted the principles and code provisions of the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**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 during the Reporting Period.

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

## **AUDIT COMMITTEE**

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

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

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

## **INTERIM DIVIDEND**

The Board does not recommend the distribution of an 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 2020 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](http://www.hkexnews.hk)) and the Company ([www.kaiyuanhotels.com](http://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, 18 August 2020

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