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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)**

## **CONNECTED TRANSACTION CAPITAL INCREASE AGREEMENT**

### **Capital Increase Agreement**

The Company is pleased to announce that on 9 December 2019, the Company and Sun Meihong, the director and management of Zhejiang New Century Manju Hotel Management Co., Ltd. (浙江開元曼居酒店管理有限公司)("New Century Manju") Zhang Zaiping entered into the Capital Increase Agreement pursuant to which the Company and Sun Meihong, Zhang Zaiping agreed to increase the registered capital of the Company's wholly-owned subsidiary New Century Manju by RMB 73,000,000, i.e. from RMB 27,000,000 to RMB 100,000,000.

Accordingly, each of the Company, Sun Meihong and Zhang Zaiping will contribute RMB 42,016,000, RMB 20,656,000 and RMB 10,328,000, respectively, in respect of the Capital Increase. Upon completion of the Capital Increase, the proportion of shareholding interest of the Company, Sun Meihong and Zhang Zaiping in the New Century Manju will be 70%, 20% and 10% respectively.

### **Listing Rules Implications**

As Zhang Zaiping is a director of New Century Manju, he is regarded as a connected person at the subsidiary level (as defined under the Listing Rules). Accordingly, the transaction contemplated under the Capital Increase Agreement constitutes a connected transaction of the Company.

The total shareholding interest of the Company in New Century Manju will be diluted from 100% to 70% after the completion of the Capital Increase. The relevant dilution will be deemed as a disposal of shareholding interest in a wholly-owned subsidiary under Rule 14.29 of the Listing Rules.

As the highest applicable percentage ratio in relation to this transaction is more than 1% but less than 5%, it is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the circular, independent financial opinions and independent shareholders' approval requirement.

## **I. CAPITAL INCREASE AGREEMENT**

The Company is pleased to announce that on 9 December 2019, the Company and Sun Meihong, the director and management of Zhejiang New Century Manju Hotel Management Co., Ltd. (浙江開元曼居

酒店管理有限公司)("New Century Manju") Zhang Zaiping entered into the Capital Increase Agreement pursuant to which the Company and Sun Meihong, Zhang Zaiping agreed to increase the registered capital of the Company's wholly-owned subsidiary New Century Manju by RMB73,000,000, i.e. from RMB 27,000,000 to RMB 100,000,000.

Further particulars of the Capital Increase Agreement are set out below:

### **Date of the Transaction**

9 December 2019

### **Parties:**

- (1) The Company;
- (2) Sun Meihong; and
- (3) Zhang Zaiping

### **Target Company**

New Century Manju

### **Capital Increase in Target Company**

Prior to the Capital Increase, the registered capital of New Century Manju is RMB 27,000,000, with all interest held by the Company.

According to the Capital Increase, the Company will contribute RMB 42,016,000, Sun Meihong will contribute RMB 20,656,000, and Zhang Zaiping will contribute RMB 10,328,000.

Upon completion of the Capital Increase, the registered capital of New Century Manju will be increased from RMB 27,000,000 to RMB 100,000,000. The proportion of shareholding interest of the Company, Sun Meihong and Zhang Zaiping in the New Century Manju will be 70%, 20% and 10%, respectively.

The amount of capital contributed by, and the shareholding interest held by the shareholders of New Century Manju immediately before and after the Capital Increase are set out below:

<b>Name of Shareholder</b>	<b>As at the date of this announcement and prior to completion of the Capital Increase</b>		<b>Capital contribution contemplated under the Capital Increase Agreement (RMB'000)</b>	<b>Upon completion of the Capital Increase</b>	
	<b>Registered Capital of New Century Manju (RMB'000)</b>	<b>Shareholding (%)</b>		<b>Registered Capital of New Century Manju (RMB'000)</b>	<b>Shareholding (%)</b>
The Company	27,000	100	42,016	70,000	70
Sun Meihong	-	-	20,656	20,000	20
Zhang Zaiping	-	-	10,328	10,000	10
<b>Total</b>	<b>27,000</b>	<b>100</b>	<b>73,000</b>	<b>100,000</b>	<b>100</b>

## **Consideration**

The amount of Capital Increase to New Century Manju was determined after arm's length negotiations among the parties to the Capital Increase Agreement with reference to, among others, the net assets of New Century Manju as at 30 April 2019 as assessed by Beijing North Asia Asset Assessment Firm (RMB30.3 million), and the capital requirement of New Century Manju.

Pursuant to the Capital Increase Agreement, the Company, Sun Meihong and Zhang Zaiping will contribute to the Capital Increase by way of cash. Such payment is expected to be settled by 31 December 2020 as stipulated in the Capital Increase Agreement.

## **II. REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE**

None of Directors has any material interest in the Capital Increase Agreement, and no Directors is required to abstain from voting on the Board resolution of the Company regarding the approval of the Capital Increase Agreement.

The Directors consider that the transaction contemplated under the Capital Increase Agreement is in line with the Company's long-term development strategy, which can enhance the Company's competitive advantage, broaden the development channels, and is expected to bring benefits to the operation of the Company.

The Directors (including the independent non-executive Directors) are of the view that the Capital Increase Agreement and the Transaction are on normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **III. FINANCIAL EFFECT OF THE CAPITAL INCREASE**

Upon completion of the Capital Increase, the total shareholding interest of the Company in New Century Manju will be diluted from 100% to 70%. New Century Manju will remain as a non wholly-owned subsidiary of the Company and its financial results, assets, liabilities and cash flows will continue to be consolidated in the Company's consolidated financial statements. As the Transaction will not result in the Company's loss of control over New Century Manju, the Transaction will be accounted for as an equity transaction and will not result in the recognition of any profit or loss in the Company's consolidated statement of profit or loss and other comprehensive income.

The proceeds from the Capital Increase will be used in the business development and daily operations of New Century Manju after repayment of the loan.

## **IV. INFORMATION ON THE PARTIES**

### **1. The Company**

The Company is a joint stock company with limited liabilities incorporated in the PRC. The Company is one of the leading hotel groups in the PRC, and principally engaged in the operation and management of mid-scale to upscale hotel chains in the PRC. Since inception in Hangzhou, Zhejiang Province, in 1988, the Company has established the homegrown, widely recognized "New Century (開元)" brand series, offering hospitality services of international standards complemented by local Chinese elements.

2. Sun Meihong  
Sun Meihong is a natural person, and an independent third party of the Company.
3. Zhang Zaiping  
Zhang Zaiping is a natural person, and the management and director of New Century Manju.
4. New Century Manju  
New Century Manju is a subsidiary of the Company, which is incorporated in PRC, and mainly engaged in hotel management and consulting services, investment management services, and hotel reservation services.

#### Financial information of New Century Manju

The financial information of New Century Manju for the two years ended 31 December 2018 and 2017 is as follows:

	<b>For the year ended 31 December 2018</b>	<b>For the year ended 31 December 2017</b>
	<i>RMB</i>	<i>RMB</i>
	<i>(Audited)</i>	<i>(Audited)</i>
Total Assets	45,889,516.5	38,952,982.7
Net Assets	31,900,263.1	31,922,814.5
Operating Revenue	25,682,004.9	25,355,468.4
Total Profit	115,144.4	2,778,642.5
Net Profit	-22,551.4	2,448,337.9

#### V. LISTING RULES IMPLICATIONS

As Zhang Zaiping is a director of New Century Manju, he is regarded as a connected person at the subsidiary level. Accordingly, the transaction contemplated under the Capital Increase Agreement constitutes a connected transaction of the Company.

The total shareholding interest of the Company in New Century Manju will be diluted from 100% to 70% after the completion of the Capital Increase. The relevant dilution will be deemed as a disposal of shareholding interest in a wholly-owned subsidiary under Rule 14.29 of the Listing Rules.

As the highest applicable percentage ratio in relation to this transaction is more than 1% but less than 5%, it is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the circular, independent financial opinions and independent shareholders' approval requirement.

#### VI. DEFINITIONS

In this announcement, the following terms have the meanings set out below unless the context requires otherwise:

“Beijing North Asia Asset Assessment Firm”	Beijing North Asia Asset Assessment Firm (Special General Partnership), commissioned by New Century Manju, assessed the market value of all shareholding interest involved in the proposed Capital Increase of New Century Manju on 30 April 2019
“Board”	the board of directors of the Company

“Capital Increase”	the proposed capital increase to New Century Manju by an aggregate amount of RMB 73 million by the Company, Sun Meihong and Zhang Zaiping pursuant to the Capital Increase Agreement
“Capital Increase Agreement”	the agreement dated 9 December 2019 entered into by the Company, Sun Meihong and Zhang Zaiping in relation to Capital Increase
“Company”	Zhejiang New Century Hotel Management Co., Ltd., a joint stock company with limited liabilities incorporated in the PRC
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected subsidiary”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“New Century Manju”	Zhejiang New Century Manju Hotel Management Co., Ltd., a company incorporated in PRC with limited liability
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Transaction”	the proposed capital contribution by the Company in New Century Manju under the Capital Increase as contemplated under the Capital Increase Agreement; and
“%”	per cent

By Order of the Board  
**Zhejiang New Century Hotel Management Co., Ltd.**  
**JIN Wenjie**  
*Chairman and Executive Director*

Hangzhou, the PRC  
9 December 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.*