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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)

CONTINUING CONNECTED TRANSACTION

EXCEEDED 2019 ANNUAL CAP UNDER FULL SERVICE MANAGEMENT SERVICES FRAMEWORK AGREEMENT

EXCEEDED 2019 ANNUAL CAP UNDER FULL SERVICE MANAGEMENT SERVICES FRAMEWORK AGREEMENT

Reference is made to the Prospectus in relation to, among other things, the Full Service Management Services Framework Agreement. As disclosed in the Prospectus, on February 12, 2019, the Group entered into the Framework Agreement with New Century Tourism and New Century Holdings for the provision of full service hotel management services for a term commencing from 11 March 2019 until 31 December 2021.

It came to the attention of the Company, in the course of preparing the consolidated annual results of the Group for the year ended 31 December 2019, that for the year ended 31 December 2019, the actual fee payable by the New Century Group in relation to the services provided by the Group under the Framework Agreement amounted to approximately RMB50.3 million and thereby exceeded the annual cap for the continuing connected transactions under the Framework Agreement for the year ended 31 December 2019 in the amount of RMB43.0 million.

LISTING RULES IMPLICATIONS

New Century Tourism is one of the Controlling Shareholders and therefore is a connected person of the Company under the Listing Rules. New Century Holdings is owned as to 85.2% by Mr. Chen Miaolin, a non-executive Director and one of the Controlling Shareholders and therefore is an associate of Mr. Chen Miaolin and hence a connected person of our Company under the Listing Rules. Accordingly, the transactions under the Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the annual cap for the continuing connected transactions under the Framework Agreement for the year ended 31 December 2019 was exceeded, pursuant to Rule 14A.54(1) of the Listing Rules, the Company is required to re-comply with the reporting and announcement requirements under Chapter 14A of the Listing Rules. Since the applicable percentage ratios in respect of the actual transaction amount under the Framework Agreement exceed 0.1% but are less than 5%, such transaction amount under the Framework Agreement is subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement.

EXCEEDED 2019 ANNUAL CAP UNDER FULL SERVICE MANAGEMENT SERVICES FRAMEWORK AGREEMENT

Reference is made to the Prospectus in relation to, among other things, the Full Service Management Services Framework Agreement.

As disclosed in the Prospectus, on February 12, 2019, the Group entered into the Framework Agreement with New Century Tourism and New Century Holdings for the provision of full service hotel management services, including but not limited to integrated hotel technical and operational management services which consist of market research, development planning, construction advisory, hotel opening preparation and hotel operation management services, staff training services, room reservation services and IT services for a term commencing from 11 March 2019 until 31 December 2021.

It came to the attention of the Company, in the course of preparing the consolidated annual results of the Group for the year ended 31 December 2019, that for the year ended 31 December 2019, the actual fee payable by the New Century Group in relation to the services provided by the Group under the Framework Agreement amounted to approximately RMB50.3 million and thereby exceeded the annual cap for the continuing connected transactions under the Framework Agreement for the year ended 31 December 2019 in the amount of RMB43.0 million. The Directors (including the independent non-executive Directors) are of the view that the transactions under the Framework Agreement were conducted in the ordinary and usual course of business of the Group and on normal commercial terms, which were fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Reasons for actual transaction amount to exceed annual cap for 2019 under the Framework Agreement

The provision of hotel management services is the core business of the Group and the New Century Group is one of the hotel owners which the Group worked with. The transaction amount has exceeded the annual cap for the continuing connected transactions under the Framework Agreement for the year ended 31 December 2019 due to: (i) the high occupancy rate for our newly opened upscale resort hotel, Xianghu New Century Senbo, which had exceeded the Group's financial performance forecast of Xianghu New Century Senbo; and (ii) the entering into of full services management agreements between the Group and the New Century Group for the opening of five additional hotels towards the final quarter of 2019 constituting the provision of pre-opening consultation services and full service hotel management services to these hotels led to a substantial increase in revenue from the services provided by the Group to the New Century Group under the Framework Agreement.

Measures adopted by the Company for future compliance

In order to ensure strict compliance with Chapter 14A of the Listing Rules and to avoid occurrence of similar events in the future, the Group will adopt the following measures: (i) conduct additional compliance training on connected transactions for Directors, senior management and the relevant personnel of the Company; and (ii) strengthen the reporting and monitoring procedures for the annual caps of the existing connected transactions entered into by the Group and improve the process and frequency of data collection and cross-check to ensure the transaction amounts does not exceed the annual caps.

LISTING RULES IMPLICATIONS

New Century Tourism is a controlling shareholder of the Company and therefore is a connected person of the Company under the Listing Rules. New Century Holdings is owned as to 85.2% by Mr. Chen Miaolin, a non-executive Director and a controlling shareholder and therefore is an associate of Mr. Chen Miaolin and hence a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the annual cap for the continuing connected transactions under the Framework Agreement for the year ended 31 December 2019 was exceeded, pursuant to Rule 14A.54(1) of the Listing Rules, the Company is required to re-comply with the reporting and announcement requirements under Chapter 14A of the Listing Rules. Since the applicable percentage ratios in respect of the actual transaction amount under the Framework Agreement exceed 0.1% but are less than 5%, such transaction amount under the Framework Agreement is subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement.

GENERAL INFORMATION

The Company

The Company is a joint stock company with limited liability 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.

New Century Tourism

New Century Tourism is a company established in the PRC with limited liability and is a controlling shareholder of the Company. New Century Tourism is primarily engaged in investment in and operation of tourism-related businesses.

New Century Holding

New Century Holdings is a company established in the PRC with limited liability and is primarily engaged in investment holding.

DEFINITIONS

Unless the context requires otherwise, the capitalised terms used in this announcement shall have the following meanings:

“Board”	means the board of Directors
“Company”	means Zhejiang New Century Hotel Management Co., Ltd., a joint stock company with limited liabilities incorporated in the PRC, the shares of which are listed on the Main Board
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	means the directors of the Company, and each a “Director”
“Framework Agreement” or “Full Service Management Services Framework Agreement”	means the full service management services framework agreement dated 12 February 2019 entered into between New Century Tourism, New Century Holdings and the Group
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“New Century Group”	New Century Holdings and New Century Tourism and their respective subsidiaries
“New Century Holdings”	New Century Holdings Group Ltd* (開元控股集團有限公司), an investment holding company established in the PRC and is owned as to 85.2% by Mr. Chen Miaolin, a non-executive Director and a controlling shareholder of the Company
“New Century Tourism”	New Century Tourism Group Co., Ltd.* (開元旅業集團有限公司), a company established in the PRC and a controlling shareholder of the Company

“PRC”	means the People’s Republic of China excluding, for the purposes of this announcement only, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	prospectus of the Company dated 26 February 2019
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company

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

Hangzhou, the PRC
9 March 2020

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.