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# THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of the Offers and the Delisting, this Composite Document or the accompanying Forms of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this Composite Document and the accompanying Forms of Acceptance to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Document and the accompanying Forms of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Forms of Acceptance.

This Composite Document should be read in conjunction with the accompanying Forms of Acceptance, the contents of which form part of the terms and conditions of the Offers.

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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)

**Kunpeng Asia Limited**

(A company incorporated in Hong Kong  
with limited liability)

## COMPOSITE DOCUMENT

**VOLUNTARY CONDITIONAL OFFER BY UBS ON BEHALF OF THE OFFEROR FOR ALL  
THE ISSUED H SHARES IN ZHEJIANG NEW CENTURY HOTEL MANAGEMENT CO., LTD.  
(OTHER THAN THOSE ALREADY OWNED, CONTROLLED OR AGREED TO BE  
ACQUIRED BY THE OFFEROR AND THE OFFEROR CONCERT PARTIES WHO HAVE  
UNDERTAKEN NOT TO ACCEPT THE H SHARE OFFER)**

**VOLUNTARY CONDITIONAL OFFER BY THE OFFEROR FOR ALL THE ISSUED  
DOMESTIC SHARES IN ZHEJIANG NEW CENTURY HOTEL MANAGEMENT CO., LTD.  
(OTHER THAN THOSE ALREADY OWNED, CONTROLLED OR AGREED TO BE  
ACQUIRED BY THE OFFEROR AND THE OFFEROR CONCERT PARTIES WHO HAVE  
UNDERTAKEN NOT TO ACCEPT THE DOMESTIC SHARE OFFER)**

**SPECIAL DEAL RELATING TO THE SHAREHOLDERS ARRANGEMENT**

**PROPOSED WITHDRAWAL OF LISTING OF THE H SHARES OF ZHEJIANG NEW  
CENTURY HOTEL MANAGEMENT CO., LTD.**

**NOTICE OF THE H SHARE CLASS MEETING**

**NOTICE OF THE EGM**

**Financial Adviser to the Offeror**



**Independent Financial Adviser to the Independent Board Committee**



**SOMERLEY CAPITAL LIMITED**

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Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

This Composite Document is jointly issued by the Company and the Offeror to the Shareholders. A letter from UBS AG containing, among other things, the terms of the Offers and the Delisting is set out on pages 16 to 38 of this Composite Document. A letter from the Board is set out on pages 39 to 53 of this Composite Document. Further terms and procedures for acceptance of the Offers are set out on pages 1-1 to 1-13 of this Composite Document. A letter from the Independent Board Committee containing its recommendations to the Independent H Shareholders in relation to the Offers, the Delisting and the Shareholders Arrangement is set out on pages 54 to 56 of this Composite Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in relation to the Offers, the Delisting and the Shareholders Arrangement is set out on pages 57 to 89 of this Composite Document.

The procedures for acceptance and settlement of the Offers are set out in Appendix I to this Composite Document and in the accompanying Forms of Acceptance. Acceptances of the H Share Offer should be received by the H Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:00 p.m. on Monday, 19 April 2021, being the First Closing Date, or such later date and time as the Offeror may decide and announce, with the consent of the Executive, in accordance with the Takeovers Code. Acceptances of the Domestic Share Offer should be received by the Company at 18th Floor, No. 818 Shixinzhong Road, Beigan Subdistrict, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC by no later than 4:00 p.m. on Monday, 19 April 2021, being the First Closing Date, or such later date and time as the Offeror may decide and announce, with the consent of the Executive, in accordance with the Takeovers Code.

Notices convening the H Share Class Meeting to approve the Delisting at 10:00 a.m. on Tuesday, 13 April 2021 and the EGM to approve the Delisting and the Shareholders Arrangement at 11:00 a.m. on Tuesday, 13 April 2021 (or immediately after the conclusion or adjournment of the H Share Class Meeting) are respectively set out in Appendices IV and V to this Composite Document.

If you do not intend to attend the H Share Class Meeting and/or the EGM in person, you are urged to complete and return the form(s) of proxy in accordance with the instructions printed thereon as soon as possible. To be valid, the form(s) of proxy together with power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power of attorney or authority, must be deposited with the Company's H Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 24 hours before the time appointed for holding the H Share Class Meeting and/or the EGM or its any adjournment(s). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish. In the event that the Shareholder attends the meeting or any adjourned meeting (as the case may be) after having lodged a form of proxy, the form of proxy will be deemed to have been revoked.

This Composite Document will remain on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.kaiyuanhotels.com](http://www.kaiyuanhotels.com)) as long as the Offers remain open.

19 March 2021

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## EXPECTED TIMETABLE

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*The expected timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company by way of announcement(s) as soon as possible. Unless otherwise expressly stated, all references to dates and times contained in this Composite Document refer to Hong Kong dates and times.*

Despatch date of this Composite Document and  
the accompanying Forms of Acceptance, the notices  
and proxy forms for the H Share  
Class Meeting and the EGM and commencement of the Offers <sup>(Note 1)</sup> . . . Friday, 19 March  
2021

Latest time for lodging transfers of the H Shares  
in order to be entitled to attend and vote at  
the H Share Class Meeting and the EGM . . . . . 4:30 p.m. on Wednesday, 7 April 2021

Closure of the H Share Register for the determination of  
entitlements of the Independent H Shareholders  
to attend and vote at the H Share Class Meeting  
and the EGM . . . . . Thursday, 8 April 2021 to  
Tuesday, 13 April 2021 (both dates inclusive)

Latest time for lodging proxy form(s) in respect of  
the H Share Class Meeting <sup>(Note 2)</sup> . . . . . 10:00 a.m. on Monday, 12 April 2021

Latest time for lodging proxy form(s) in respect of  
the EGM <sup>(Note 2)</sup> . . . . . 11:00 a.m. on Monday, 12 April 2021

H Share Class Meeting . . . . . 10:00 a.m. on Tuesday, 13 April 2021

EGM . . . . . 11:00 a.m. on Tuesday, 13 April 2021 or  
immediately after the conclusion or  
adjournment of the H Share Class Meeting

Announcement on the results of the H Share  
Class Meeting and the EGM . . . . . by 7:00 p.m. on Tuesday, 13 April 2021

Re-opening of the H Share Register . . . . . Wednesday, 14 April 2021

First Closing Date <sup>(Note 3)</sup> . . . . . Monday, 19 April 2021

Latest time for acceptance of the Offers on  
the First Closing Date <sup>(Note 4)</sup> . . . . . 4:00 p.m. on Monday, 19 April 2021

Announcement of the results of the Offers on  
the First Closing Date . . . . . by 7:00 p.m. on Monday, 19 April 2021

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## EXPECTED TIMETABLE

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Latest date for posting of remittances for the amounts due under the H Share Offer in respect of valid acceptances received at or before the latest time for acceptances of the H Share Offer on the First Closing Date (assuming the Offers become, or are declared, unconditional in all respects on the First Closing Date) <sup>(Note 5)</sup> ..... Wednesday, 28 April 2021

Final Closing Date (assuming the Offers have become unconditional in all respects on the First Closing Date) <sup>(Note 6)</sup> ..... Monday, 17 May 2021

Latest time for the Offers remaining open for acceptance on the Final Closing Date and closing of the Offers <sup>(Note 6)</sup> ..... 4:00 p.m. on Monday, 17 May 2021

Announcement of the results of the Offers on the Final Closing Date and the voluntary withdrawal of listing of the H Shares from the Stock Exchange (assuming the Delisting is approved and the Offers become, or are declared, unconditional in all respects on the First Closing Date) ..... by 7:00 p.m. on Monday, 17 May 2021

Latest time for the H Share Offer to become or be declared unconditional as to acceptance (if not already unconditional) <sup>(Note 7)</sup> ..... by 7:00 p.m. on Tuesday, 18 May 2021

Last day of trading in the H Shares on the Stock Exchange, assuming the Delisting is approved and the Offers become, or are declared, unconditional in all respects on the First Closing Date ..... Tuesday, 18 May 2021

Voluntary withdrawal of listing of the H Shares from the Stock Exchange (assuming the Delisting is approved and the Offers become, or are declared, unconditional in all respects on the First Closing Date) <sup>(Note 8)</sup> ..... 9:00 a.m. on Monday, 24 May 2021

Latest date for posting of remittances for the amounts due under the H Share Offer in respect of valid acceptances received at or before the latest time for acceptances of the H Share Offer on the Final Closing Date (assuming the Offers have become unconditional in all respects on the First Closing Date) <sup>(Note 5)</sup> ..... Thursday, 27 May 2021

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## EXPECTED TIMETABLE

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*Notes:*

1. The Offers are made on Friday, 19 March 2021, the date of posting of this Composite Document, and are capable of being accepted on and from this date.
2. The proxy form should be deposited with the H Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event by the time stated above, in order to be valid. Completion and return of a proxy form for the H Share Class Meeting and the EGM will not preclude an Independent H Shareholder from attending the H Share Class Meeting and the EGM and, as the case may be, voting in person if he/she/it so wishes. In such event, the returned proxy form will be deemed to have been revoked.
3. It is assumed that the H Share Offer has not become unconditional as to acceptances or in all respects prior to the First Closing Date. In accordance with the Takeovers Code, the Offers must initially be opened for acceptance for at least 21 days following the date on which this Composite Document was posted. Pursuant to Rule 15.5 of the Takeovers Code, except with the consent of the Executive, the H Share Offer may not become or be declared unconditional as to acceptance after 7:00 p.m. on the 60th day after the posting of this Composite Document.
4. Unless the Offers have previously become or been declared unconditional, revised or extended, the latest time and date for acceptance of the Offers is 4:00 p.m. on the First Closing Date. Please refer to Appendix I to this Composite Document for additional information on how to accept the Offers.
5. Pursuant to Rule 20.1 of the Takeovers Code, settlement in cash in respect of acceptances of the H Share Offer will be made within 7 business days (as defined under the Takeovers Code) of the later of the date on which the H Share Offer has become or is declared unconditional and the date on which the H Shares are tendered for acceptance of the H Share Offer. Relevant documents of title must be received by the H Share Registrar to render each acceptance of the H Share Offer complete and valid. Remittances in respect of the H Shares tendered for acceptance and taken up by the Offeror under the H Share Offer (after, if applicable, deducting the seller's ad valorem stamp duty arising therefrom) will be posted to the H Shareholders by ordinary post at their own risk. The Domestic Shareholders who have undertaken to accept the Domestic Share Offer, namely the Chen Group, Kairui Shiqi and Qianhe Qiju (who are all Offeror Concert Parties), have given the Chen Irrevocable Undertakings, the Kairui Shiqi Irrevocable Undertakings and the Qianhe Qiju Irrevocable Undertakings, respectively, pursuant to which each of them have agreed that the settlement of consideration under the Domestic Share Offer will be made within 15 business days after the date on which the relevant Domestic Shareholder notifies the Offeror in writing of such holder's bank account details for the purposes of accepting the Domestic Share Offer. Settlement in respect of acceptances of the Domestic Share Offer will be made in accordance with the Chen Irrevocable Undertakings, the Kairui Shiqi Irrevocable Undertakings and the Qianhe Qiju Irrevocable Undertakings.
6. In compliance with the note to Rule 2.2 and Rule 15.3 of the Takeovers Code, where the Offers become or are declared unconditional in all respects, they should remain open for acceptance for not less than 28 days thereafter. At least 14 days' notice in writing must be given before the Offers are closed to the Shareholders who have not accepted the Offers if the announcement to extend the Offers does not state the next closing date. The Offeror reserves the right to extend the Offers beyond this 28-day period.
7. Pursuant to Rule 15.5 of the Takeovers Code, except with the consent of the Executive, the H Share Offer (whether revised or not) may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th date after this Composite Document was posted. The Offeror may further apply to extend the latest date to declare the H Share Offer unconditional as to acceptances beyond Tuesday, 18 May 2021 and the Executive may or may not grant such consent.
8. It is currently expected that the voluntary withdrawal of listing of the H Shares from the Stock Exchange would happen at 9:00 a.m. on Monday, 24 May 2021, subject to the satisfaction of any conditions for delisting such securities from the Stock Exchange, and receipt of any regulatory approvals required for such delisting.

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## EXPECTED TIMETABLE

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9. Beneficial owners of the H Shares who hold their H Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.
  
10. The latest time and date for acceptance of the Offers, the latest date for posting of remittances for the amounts due under the H Share Offer in respect of valid acceptances, the last day of trading of H Shares and voluntary withdrawal of listing of the H Shares will not take effect if there is a tropical cyclone warning signal number 8 above or “extreme conditions” caused by tropical cyclone, or a “black” rainstorm warning, in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the such relevant date. Instead, such relevant date will be rescheduled to the same time on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

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## IMPORTANT NOTICES

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### NOTICE TO THE HOLDERS OF H SHARES IN THE UNITED STATES

*The H Share Offer is subject to Hong Kong disclosure and procedural requirements, including with respect to offer timetable, settlement procedures, timing of payments and withdrawal rights, which are different from those applicable to tender offers carried out in the United States. In the absence of a relevant exemption under the laws of the United States, the H Share Offer may not be available to persons who are in the United States. Even where an exemption is available, persons in the United States are urged, before accepting the H Share Offer, to consult their own professional advisers regarding the tax consequences of acceptance of the H Share Offer, whether in relation to United States federal income tax or taxes under applicable state and local tax laws, or foreign tax laws.*

*The financial information of the Company has been extracted from the audited financial statements of the Company for the three years ended 31 December 2020, which have been prepared in accordance with the International Financial Reporting Standards, which may not be wholly comparable to financial information of United States companies or companies whose financial statements are solely prepared in accordance with generally accepted accounting principles in the United States.*

*The Company is incorporated under the laws of the People's Republic of China. It may be difficult for holders of H Shares in the United States to enforce their rights and claims arising out of United States federal securities laws, since the Company is located in a country other than the United States, some or all of its officers and directors may be residents of a country other than the United States and the assets of the Company may be located outside the United States. Holders of H Shares in the United States may not be able to sue a non-United States company or its officers or directors in a non-United States court for violations of United States securities laws. It may be difficult for such holders of H Shares to effect service of process within the United States upon the Company or its officers or directors or to enforce against them any judgment of a United States court predicated upon the federal or state securities laws of the United States. In particular holders of H Shares in the United States should note that the Offeror reserves the right itself or through affiliates or nominees or its brokers acting as agents from time to time making purchases of, or arrangements to purchase H Shares outside of the United States whether in open market or by private transaction during the offer period of the H Share Offer other than pursuant to the H Share Offer to the extent permitted by and in accordance with the requirements of the Takeovers Code. Information about such purchases will be reported to the SFC in accordance with the requirements of the Takeovers Code and will be available on the website of the SFC at <http://www.sfc.hk/>.*

### NOTICE TO OVERSEAS SHAREHOLDERS (OTHER THAN U.S. H SHAREHOLDERS)

The making of the Offers to the Shareholders, who are citizens, residents or nationals of jurisdictions outside Hong Kong may be subject to the laws of the relevant jurisdictions. Such Overseas Shareholders may be prohibited or affected by the laws and regulations of the relevant jurisdictions and it is the responsibility of each such Overseas Shareholder who wishes to accept the Offers to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents, or filing and registration

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## IMPORTANT NOTICES

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requirements which may be required to comply with all necessary formalities or legal or regulatory requirements and the payment of any transfer or other taxes due from such Overseas Shareholder in such relevant jurisdictions.

Any acceptance by such Overseas Shareholders will be deemed to constitute a representation and warranty from such persons to the Company, the Offeror, and their respective advisers, including UBS, that those local laws and regulatory requirements have been complied with. If you are in doubt as to your position, you should consult your professional advisers.

For further discussion, please refer to the section headed “Overseas Shareholders” in the “Letter from UBS AG” and the section headed “Overseas Shareholders” in Appendix I to this Composite Document.



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## DEFINITIONS

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*In this Composite Document, the following terms have the meanings set out below, unless the context requires otherwise.*

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code, and “parties acting in concert” shall be construed accordingly
“Announcement”	the joint announcement issued by the Offeror and the Company dated 20 January 2021 in relation to, among other things, the Offers and the Delisting
“associate(s)”	has the meaning ascribed thereto under the Takeovers Code
“beneficial owner”	any beneficial owner of Shares registered in the name of any nominee, trustee, depositary or any other authorised custodian or third party
“BidCo”	Ocean Kumpeng Limited, a company incorporated in the Cayman Islands with limited liability
“BidCo Shareholders’ Agreement”	the shareholders’ agreement dated 18 January 2021 entered into between Ocean Link, Sequoia China and BidCo in respect of the governance of BidCo
“Board”	the board of Directors
“business day”	a day on which the Stock Exchange is open for transaction of business
“Call Option”	the right irrevocably granted by New Century Tourism to the Offeror (or its nominee) to purchase all of 37,598,923 Domestic Shares (representing approximately 13.43% of the Shares in issue as at the Latest Practicable Date) held by New Century Tourism. Please refer to the section headed “Irrevocable Undertakings” under the “Letter from UBS AG” for details
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Chen Group”	Mr. Chen Miaolin and New Century Tourism
“Chen Irrevocable Undertakings”	the deed of irrevocable undertakings dated 18 January 2021 entered into by New Century Tourism and Mr. Chen Miaolin in favour of the Offeror in respect of the Offers

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## DEFINITIONS

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“Closing Date”	the First Closing Date or any subsequent closing date as may be decided and announced by the Offeror and approved by the Executive
“Company”	Zhejiang New Century Hotel Management Co., Ltd. (浙江開元酒店管理股份有限公司), a joint stock company with limited liability incorporated in the PRC with limited liability whose H Shares are listed on the Main Board of the Stock Exchange under stock code 1158
“Company Shareholders’ Agreement”	the shareholders’ agreement dated 18 January 2021 entered into between the Chen Group, Kaihui Taiheng, OC Hotels, NC Hotels Investment, Ouling Bohui, CTrip Hong Kong, the Offeror and the Company in respect of the governance of the Company following the Delisting
“Composite Document”	this composite offer and response document in respect of the Offers jointly issued by the Offeror and the Company in accordance with the Takeovers Code, as may be revised or supplemented as appropriate
“Consortium Agreement”	the consortium agreement dated 18 January 2021 entered into among Sequoia China, Ocean Link, the Offeror and BidCo for the purpose of governing their respective rights and liabilities in connection with the Offers
“controlling shareholder”	has the meaning given to it in the Listing Rules
“CTrip Irrevocable Undertakings”	the deed of irrevocable undertakings dated 18 January 2021 entered into by CTrip Hong Kong in favour of the Offeror in respect of the Offers
“Delisting”	the voluntary withdrawal of the listing of the H Shares from the Stock Exchange
“Director(s)”	the director(s) of the Company
“Disclosure Period”	the period commencing six months prior to the date of the Announcement (i.e. 20 July 2020) and ending with the Latest Practicable Date, both dates inclusive
“Domestic Share(s)”	ordinary share(s) in the capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
“Domestic Shareholders”	holders of the Domestic Shares

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## DEFINITIONS

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“Domestic Share Offer”	the voluntary conditional offer made by the Offeror to acquire all of the issued Domestic Shares (other than those already owned or controlled or agreed to be acquired by the Offeror and the Offeror Concert Parties who have undertaken not to accept the Domestic Share Offer)
“Domestic Share Register”	the register of Domestic Shareholders of the Company
“EGM”	the extraordinary general meeting of the Company to be convened at Wonderland Conference Room, 4th Floor, No. 379 Dongning Road, Pengbu Street, Jianggan District, Hangzhou City, Zhejiang Province, the PRC on Tuesday, 13 April 2021 at 11:00 a.m. (or immediately after the conclusion or adjournment of the H Share Class Meeting) (or any adjournment or postponement thereof, as the case may be) for considering and voting on, among other matters, the Delisting and the Shareholders Arrangement
“Equity Investors Group”	Sequoia China and Ocean Link
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Final Closing Date”	Monday, 17 May 2021, which has assumed that the Offers become unconditional in all respects on the First Closing Date and the Offers will be open for acceptance for 28 days after the First Closing Date
“First Closing Date”	Monday, 19 April 2021, being the first closing date of the Offers assuming the H Share Offer has not become unconditional as to acceptances or in all respects prior to this date
“Form(s) of Acceptance”	the WHITE Form of Acceptance and the GREEN Form of Acceptance
“GEM Holdings Irrevocable Undertakings”	the deed of irrevocable undertakings dated 29 January 2021 entered into by GEM Holdings in favour of the Offeror in respect of the Offers
“GREEN Form of Acceptance”	the green form of acceptance and transfer in respect of the Domestic Share Offer which accompanies this Composite Document

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## DEFINITIONS

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“GreenTree Irrevocable Undertakings”	the deed of irrevocable undertakings dated 20 January 2021 entered into by GreenTree in favour of the Offeror in respect of the Offers
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“H Share(s)”	overseas listed foreign share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HK\$ and listed on the Stock Exchange
“H Share Class Meeting”	the extraordinary general meeting of the Independent H Shareholders to be convened at Wonderland Conference Room, 4th Floor, No. 379 Dongning Road, Pengbu Street, Jianggan District, Hangzhou City, Zhejiang Province, the People’s Republic of China on Tuesday, 13 April 2021 at 10:00 a.m., and any adjournment thereof for the purpose of approving the Delisting
“H Shareholder(s)”	holders of the H Shares
“H Share Offer”	the voluntary conditional offer made by UBS on behalf of the Offeror to acquire all of the issued H Shares (other than those already owned or controlled or agreed to be acquired by the Offeror and the Offeror Concert Parties who have undertaken not to accept the H Share Offer)
“H Share Register”	the register of H Shareholders of the Company
“H Share Registrar”	Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, the H Share registrar of the Company
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Independent Board Committee”	the independent committee of the Board, comprising all of the non-executive Directors (other than Mr. Chen Canrong, Mr. Jiang Tianyi and Mr. Zhou Rong) and all of the independent non-executive Directors, formed pursuant to Rule 2.1 of the Takeovers Code for the purpose of making recommendations as to whether the terms of the Offers are, or are not, fair and reasonable and as to acceptances and whether the Delisting and the Shareholders Arrangement are, or are not, fair and reasonable and as to voting
“Independent Financial Adviser” or “Somerley Capital”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee
“Independent H Shareholders”	H Shareholders other than the Offeror or the Offeror Concert Parties and which, for the avoidance of doubt, includes members of the UBS group which have been granted exempt principal trader or exempt fund manager status for the purpose of the Takeovers Code
“Irrevocable Undertakings”	the CTrip Irrevocable Undertakings, the Ouling Bohui Irrevocable Undertakings, the Chen Irrevocable Undertakings, the Kaihui Taiheng Irrevocable Undertakings, the Kairui Shiqi Irrevocable Undertakings, the Qianhe Qiju Irrevocable Undertakings, the Unlisted Foreign Shares Irrevocable Undertakings, the GreenTree Irrevocable Undertakings, the Rongtong Irrevocable Undertakings, the GEM Holdings Irrevocable Undertakings and the Rex Top Irrevocable Undertakings
“Kaihui Taiheng”	Ningbo Meishan Bonded Area Kaihui Taiheng Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區開匯泰亨投資管理合夥企業(有限合夥)), a limited partnership registered in the PRC
“Kaihui Taiheng Irrevocable Undertakings”	the deed of irrevocable undertakings dated 18 January 2021 entered into by Kaihui Taiheng and Mr. Jin Wenjie, the general partner of Kaihui Taiheng, in favour of the Offeror in respect of the Offers
“Kairui Shiqi”	Ningbo Meishan Bonded Area Kairui Shiqi Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區開瑞世祺投資管理合夥企業(有限合夥)), a limited partnership registered in the PRC

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## DEFINITIONS

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“Kairui Shiqi Irrevocable Undertakings”	the deed of irrevocable undertakings dated 18 January 2021 entered into by Kairui Shiqi and Mr. Chen Miaoqiang, the general partner of Kairui Shiqi, in favour of the Offeror in respect of the Offers
“Last Trading Date”	18 January 2021, being the last business day for trading in the H Shares on the Stock Exchange immediately before the suspension of trading in the H Shares pending publication of the Announcement
“Latest Practicable Date”	16 March 2021, being the latest practicable date prior to the despatch of this Composite Document for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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 indirectly owned as to 85.20% by Mr. Chen Miaolin, 8.50% by Mr. Chen Canrong and 6.30% by Mr. Zhang Guanming
“Ocean Link”	Ocean Kunpeng Holding Limited, a company incorporated in the Cayman Islands with limited liability
“Ocean Link Partners”	Ocean Link and its affiliates
“Offeror”	Kunpeng Asia Limited, a company incorporated in Hong Kong with limited liability
“Offeror Concert Party(ies)”	party(ies) acting in concert or presumed to be acting in concert with the Offeror
“Offers”	the Domestic Share Offer and the H Share Offer
“Offer Period”	has the meaning ascribed to it in the Takeovers Code and commencing from 20 January 2021, being the date of the Announcement until 4:00 p.m. on the Closing Date
“Ouling Bohui Irrevocable Undertakings”	the deed of irrevocable undertakings dated 18 January 2021 entered into by Ouling Bohui in favour of the Offeror in respect of the Offers
“Overseas H Shareholders”	H Shareholders who are not residents in Hong Kong

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## DEFINITIONS

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“Overseas Shareholders”	Shareholders who are not residents in Hong Kong
“PRC”	the People’s Republic of China excluding, for the purpose of this Composite Document, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Pre-Condition”	the pre-condition to the making of the Offers as set out under the section headed “2. Pre-Condition to the Offers and the Delisting” in the “Letter from UBS AG”, which was satisfied on 5 February 2021
“Qianhe Qiju”	Hangzhou Qianhe Qiju Investment Management Partnership (Limited Partnership) (杭州謙和祺聚投資管理合夥企業(有限合夥)), a limited partnership registered in the PRC
“Qianhe Qiju Irrevocable Undertakings”	the deed of irrevocable undertakings dated 18 January 2021 entered into by Qianhe Qiju and Mr. Jin Wenjie, the general partner of Qianhe Qiju, in favour of the Offeror in respect of the Offers
“Rex Top”	Rex Top Global Investments Ltd., an Independent H Shareholder
“Rex Top Irrevocable Undertakings”	the deed of irrevocable undertakings dated 8 February 2021 entered into by Rex Top in favour of the Offeror in respect of the Offers
“Rongtong”	Rongtong Fund Management Co., Ltd, an Independent H Shareholder
“Rongtong Irrevocable Undertakings”	the deed of irrevocable undertakings dated 29 January 2021 entered into by Rongtong in favour of the Offeror in respect of the Offers
“RMB”	Renminbi, the lawful currency of the PRC
“SAMR”	State Administration for Market Regulation of the PRC
“Sequoia China”	SCC Growth VI Holdco I, Ltd., a company incorporated in the Cayman Islands with limited liability
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

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## DEFINITIONS

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“Share(s)”	the Domestic Share(s), the H Share(s) and the Unlisted Foreign Share(s)
“Shareholder(s)”	holder(s) of the Shares
“Shareholders Arrangement”	the entry by the Chen Group, Kaihui Taiheng, OC Hotels, NC Hotels Investment, Ouling Bohui and CTrip Hong Kong into the Company Shareholders’ Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it in the Listing Rules
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers (as amended from time to time)
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities
“Transfer of Qianhe Qiju”	the transfer of 34.83% partnership interest in Qianhe Qiju, which held 9,655,590 Domestic Shares as at the Latest Practicable Date, from Hangzhou Qiju Qian Investment Management Co., Ltd. (杭州祺聚謙投資管理有限公司), a company indirectly wholly-owned by New Century Tourism to Mr. Jin Wenjie for a consideration of RMB20,628,019 on 20 October 2020
“UBS”	UBS AG (acting through its Hong Kong Branch), a registered institution under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO, the financial adviser to the Offeror in relation to the Offers. UBS AG is incorporated in Switzerland with limited liability
“Unconditional Date”	the date on which the Offers become or are declared unconditional in all respects
“Unlisted Foreign Share(s)”	ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 each that are held by persons other than PRC nationals or PRC incorporated entities and are not listed on any stock exchange



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## DEFINITIONS

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“Unlisted Foreign Shares Irrevocable Undertakings”	the deed of irrevocable undertakings dated 18 January 2021 entered into by each of NC Hotels Investment and OC Hotels in favour of the Offeror in respect of the Offers
“WHITE Form of Acceptance”	the white form of acceptance and transfer in respect of the H Share Offer which accompanies this Composite Document
“%”	per cent.

*In this Composite Document, unless otherwise stated, the translation of HK\$ into RMB is based on the exchange of rate of HK\$1 to RMB0.83640. Such conversion shall not be construed as a representation that amounts in HK\$ were or may have been converted into RMB using such exchange rate or any other exchange rate or at all.*

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**LETTER FROM UBS AG**

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UBS AG  
Hong Kong Branch  
2 International Finance Centre  
52/F, 8 Finance Street Central, Hong Kong  
Tel. +852-2971-8888  
www.ubs.com

19 March 2021

*To the Shareholders*

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL OFFER BY UBS  
ON BEHALF OF THE OFFEROR  
FOR ALL THE ISSUED H SHARES IN  
ZHEJIANG NEW CENTURY HOTEL MANAGEMENT CO., LTD.  
(OTHER THAN THOSE ALREADY OWNED, CONTROLLED OR AGREED TO  
BE ACQUIRED BY THE OFFEROR  
AND THE OFFEROR CONCERT PARTIES WHO HAVE UNDERTAKEN NOT TO  
ACCEPT THE H SHARE OFFER)**

**VOLUNTARY CONDITIONAL OFFER BY THE OFFEROR  
FOR ALL THE ISSUED DOMESTIC SHARES IN  
ZHEJIANG NEW CENTURY HOTEL MANAGEMENT CO., LTD.  
(OTHER THAN THOSE ALREADY OWNED, CONTROLLED OR AGREED TO  
BE ACQUIRED BY THE OFFEROR  
AND THE OFFEROR CONCERT PARTIES WHO HAVE UNDERTAKEN NOT TO  
ACCEPT THE DOMESTIC SHARE OFFER)**

**SPECIAL DEAL RELATING TO THE SHAREHOLDERS ARRANGEMENT**

**PROPOSED WITHDRAWAL OF LISTING OF THE H SHARES OF  
ZHEJIANG NEW CENTURY HOTEL MANAGEMENT CO., LTD.**

**1. INTRODUCTION**

Reference is made to the Announcement in which the Offeror and the Company jointly announced that the Board received a letter from the Offeror that, subject to the satisfaction of the Pre-Condition, voluntary conditional offers will be made by the Offeror for the H Shares and the Domestic Shares other than those owned, controlled or agreed to be acquired by the Offeror and the Offeror Concert Parties who have undertaken not to accept the Offers in accordance with the Takeovers Code which, if implemented, will result in the Delisting.

This letter forms part of this Composite Document and sets out, amongst other things, certain background information of the Offeror, details of the Offers, reasons for making the Offers and the intentions of the Offeror in relation to the Group. Further details on the terms of the Offers are set out in Appendix I – “Further Terms and Procedures for Acceptance of the Offers” to this Composite Document and in the accompanying Forms of Acceptance.

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## LETTER FROM UBS AG

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Your attention is also drawn to the “Letter from the Board” on pages 39 to 53, the “Letter from the Independent Board Committee” on pages 54 to 56 and the “Letter from the Independent Financial Adviser” on pages 57 to 89 of this Composite Document.

### 2. PRE-CONDITION TO THE OFFERS AND THE DELISTING

The making of the Offers and the proceeding with the Delisting were subject to the satisfaction of the Pre-Condition that, with respect to anti-trust review of the transactions contemplated under the Offers and the Delisting in the PRC under the Anti-Monopoly Law of the PRC, the approval from SAMR having been obtained without any conditions being imposed pursuant to the Anti-Monopoly Law of the PRC or no objection having been raised by SAMR pursuant to the statutory clearance period under the Anti-Monopoly Law of the PRC.

On 5 February 2021, the Offeror and the Company jointly announced that the Pre-Condition had been satisfied.

### 3. THE H SHARE OFFER

#### 3.1 Consideration for the H Share Offer

The H Share Offer is made by UBS on behalf of the Offeror on the following basis:

**For each H Share . . . . . HK\$18.15 in cash**

**The Offeror will not increase the consideration for the H Share Offer as set out above and does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the consideration for the H Share Offer.**

#### 3.2 Comparisons of value

The cash offer price offered under the H Share Offer represents:

- (1) a premium of approximately 10.0% over the offer price of HK\$16.50 per H Share for the global offering of the H Shares in March 2019;
- (2) a premium of approximately 2.4% over HK\$17.72 which is the closing price per H Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (3) a premium of approximately 24.7% over HK\$14.56 which is the closing price per H Share as quoted on the Stock Exchange on the Last Trading Date;
- (4) a premium of approximately 23.9% over HK\$14.64 which is the average closing price per H Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Date;

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## LETTER FROM UBS AG

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- (5) a premium of approximately 20.8% over HK\$15.03 which is the average closing price per H Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Date;
- (6) a premium of approximately 20.3% over HK\$15.08 which is the average closing price per H Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Date;
- (7) a premium of approximately 27.7% over HK\$14.21 which is the average closing price per H Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Date;
- (8) a premium of approximately 203.7% over RMB5.00 which is the unaudited consolidated net asset value of each Share as at 30 June 2020; and
- (9) a premium of approximately 174.8% over RMB5.52 which is the audited consolidated net asset value of each Share as at 31 December 2020.

### **3.3 Highest and lowest prices**

During the Disclosure Period, the highest per share closing price of the H Shares as quoted on the Stock Exchange was HK\$17.78 which was recorded on 23 February 2021, and the lowest per share closing price of the H Shares as quoted on the Stock Exchange was HK\$13.02 which was recorded on 22 July 2020.

### **3.4 Settlement of consideration**

Settlement of the consideration in respect of acceptances received under the H Share Offer will be made as soon as possible but in any event within seven business days following the date of receipt of a complete and valid acceptance or of the Unconditional Date, whichever is the later.

### **3.5 Consideration and confirmation of financial resources**

Based on the cash offer price of HK\$18.15 per H Share and the total number of H Shares subject to the H Share Offer of 55,170,000 H Shares (representing the H Shares not already owned, controlled or agreed to be acquired by the Offeror and the Offeror Concert Parties who have undertaken not to accept the H Share Offer), the total consideration of the H Share Offer (assuming the H Share Offer is accepted in full and there are no changes in the share capital of the Company) is approximately HK\$1,001,335,500.

The consideration payable under the H Share Offer was determined by the Offeror with reference to the prices of the H Shares traded on the Stock Exchange, the most recent published financial information of the Company prior to the Announcement and the Offeror's assessment of the Company's business, prospects and market position.

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## LETTER FROM UBS AG

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The Offeror intends to finance the cash requirement for the H Share Offer by cash investment by the Equity Investors Group. The Offeror has (i) a binding equity commitment letter from Sequoia Capital China Growth Fund VI, L.P., pursuant to which Sequoia Capital China Growth Fund VI, L.P. has committed to make one or more direct or indirect capital contributions in respect of Sequoia China's Committed Investment Amount (as defined below) in the form of cash to the Offeror for its use solely for the purpose of the Offers, and (ii) an irrevocable standby letter of credit issued by Silicon Valley Bank in favour of the Offeror in respect of Ocean Link's Committed Investment Amount (as defined below).

UBS has been appointed as the financial adviser to the Offeror in respect of the H Share Offer and is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the H Share Offer.

#### 4. CONDITIONS OF THE H SHARE OFFER

The H Share Offer is subject to the fulfilment or waiver, as applicable, of the following conditions:

- (a) the passing by the Independent H Shareholders at the H Share Class Meeting to be convened for this purpose of a resolution approving the Delisting, provided that:
  - (i) approval is given by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy; and
  - (ii) the number of votes cast, by way of poll, against the resolution is not more than 10% of the votes attaching to all the H Shares held by the Independent H Shareholders;
- (b) the passing by the Independent H Shareholders at the EGM to be convened for this purpose of a resolution approving the Delisting, provided that:
  - (i) approval is given by at least 75% of the votes attaching to the Shares held by the Independent H Shareholders that are cast either in person or by proxy; and
  - (ii) the number of votes cast, by way of poll, against the resolution is not more than 10% of the votes attaching to all the Shares held by the Independent H Shareholders;
- (c) minimum valid acceptances of the H Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date amounting to at least 90% of the H Shares held by the Independent H Shareholders;

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## LETTER FROM UBS AG

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- (d) all necessary authorisations, consents and approvals (including approval in-principle) of any government or governmental or regulatory body or court or institution in relation to the Delisting and the Offers (including the implementation thereof) having been obtained, and remaining in full force and effect and not having been revoked or rescinded pursuant to the provisions of any laws or regulations in Hong Kong, the PRC and other relevant jurisdictions;
- (e) all necessary third party consents in relation to the Delisting and the Offers, pursuant to any agreement to which the Company or any of its subsidiaries is a party, where any failure to obtain such consent would have a material adverse effect on the business of the Group taken as a whole, having been waived or obtained and remaining in full force and effect and not having been revoked or rescinded by the relevant party(ies);
- (f) no event having occurred which would have a material adverse effect on the legal ability of the Offeror to proceed with or consummate the Delisting or the Offers;
- (g) no event having occurred which would make the Delisting or the Offers void, unenforceable or illegal or which would restrict or prohibit the implementation of, or impose any additional material conditions or obligations with respect to, the Delisting or the Offers or any part thereof;
- (h) (i) the receipt of an opinion from the independent financial adviser to the Independent Board Committee confirming that the Shareholders Arrangement is fair and reasonable; (ii) the passing of an ordinary resolution by the Independent H Shareholders at the EGM to approve the Shareholders Arrangement under the Takeovers Code; and (iii) the consent from the Executive to the Shareholders Arrangement pursuant to Rule 25 of the Takeovers Code; and
- (i) the granting of the waiver by the Executive from the requirements under Rule 2.2(c) and Rule 20.1 of the Takeovers Code.

The Offeror reserves the right to waive any of the conditions set out above (except for the conditions referred to in paragraphs (a), (b), (c), (d), (e), (h) and (i) above) in whole or in part. The Company does not have the right to waive any of the conditions set out above. As at the Latest Practicable Date, save for the condition referred to in paragraph (i) above, none of the conditions has been fulfilled.

In respect of the conditions referred to in paragraphs (d) and (e) above, after consulting its legal advisers, the Offeror is not aware of any necessary authorisations, consents and approvals of any government or governmental or regulatory body or court or institution in relation to the Offers or the Delisting required as at the Latest Practicable Date, save as disclosed in paragraphs (h) and (i) above, the Pre-Condition which was satisfied on 5 February 2021 and the approval of the Delisting by the Stock Exchange. The Company has made an application for the listing of the H Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.12 of the Listing Rules. In addition, the Board confirms

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## LETTER FROM UBS AG

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that as at the Latest Practicable Date, no third party consent in relation to the Offers or the Delisting is required pursuant to any agreement to which any member of the Group is a party.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the conditions set out above as a basis for not proceeding with the H Share Offer only if the circumstances which give rise to the right to invoke such condition are of material significance to the Offeror in the context of the H Share Offer. Except with the consent of the Executive, if any of those conditions is not satisfied within 21 days of the First Closing Date or the date the H Share Offer becomes or is declared unconditional as to acceptances, whichever is later, the H Share Offer will lapse.

The latest time on which the Offeror can declare the H Share Offer unconditional as to acceptances is 7:00 p.m. on the 60th day after the posting of this Composite Document (or such later date to which the Executive may consent). If the H Share Offer becomes or is declared unconditional in all respects, it should remain open for acceptance for at least 28 days, and the H Shareholders will be notified in writing as soon as possible in accordance with the Takeovers Code and the Listing Rules.

The H Share Offer is made in compliance with the Takeovers Code, which is administered by the Executive.

### 5. THE DOMESTIC SHARE OFFER

#### 5.1 Consideration for the Domestic Share Offer

The Domestic Share Offer is made by the Offeror on the following basis:

**For each Domestic Share . . . . . RMB15.180660 in cash\***

\* *equivalent of the H Share offer price in RMB based on an exchange rate of HK\$1 = RMB0.83640, being the exchange rate announced by the People's Bank of China on the date of the Announcement.*

**The Offeror will not increase the consideration for the Domestic Share Offer as set out above and does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the consideration for the Domestic Share Offer.**

#### 5.2 Consideration and confirmation of financial resources

Based on the cash offer price of RMB15.180660 per Domestic Share and the total number of Domestic Shares subject to the Domestic Share Offer of 25,959,477 Domestic Shares (representing the Domestic Shares in respect of which the Offeror Concert Parties have undertaken to accept the Domestic Share Offer), the total consideration of the Domestic Share Offer (assuming the Domestic Share Offer is accepted in full and there are no changes in the share capital of the Company) is approximately RMB394,081,994.11.

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## LETTER FROM UBS AG

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The Offeror intends to finance the cash requirement for the Domestic Share Offer by cash investment by the Equity Investors Group. The Offeror has (i) a binding equity commitment letter from Sequoia Capital China Growth Fund VI, L.P., pursuant to which Sequoia Capital China Growth Fund VI, L.P. has committed to make one or more direct or indirect capital contributions in respect of Sequoia China's Committed Investment Amount (as defined below) in the form of cash to the Offeror for its use solely for the purpose of the Offers, and (ii) an irrevocable standby letter of credit issued by Silicon Valley Bank in favour of the Offeror in respect of Ocean Link's Committed Investment Amount (as defined below).

UBS is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Domestic Share Offer.

### **5.3 Condition of the Domestic Share Offer**

The Domestic Share Offer is subject to the H Share Offer becoming or being declared unconditional in all respects. This condition cannot be waived in any event.

As the Domestic Share Offer is only conditional upon the H Share Offer becoming or being declared unconditional, if the H Share Offer is declared unconditional, the Domestic Share Offer will likewise become unconditional in all respects. There will be no circumstances that either of the Offers becomes or is declared unconditional, with the other not becoming or being declared unconditional. As such, this will have the same effect as if the Offers were inter-conditional.

### **5.4 Settlement of consideration**

As settlement of consideration under the Domestic Share Offer is subject to certain transfer and registration formalities and procedures imposed by China Securities Depository and Clearing Co., Ltd. and the State Administration of Foreign Exchange in the PRC, settlement of the consideration in respect of acceptances received under the Domestic Share Offer will be made by the Offeror as soon as reasonably practicable following completion of such transfer and registration formalities but it will not be able to be made within seven business days following the later of the date on which an offer becomes, or is declared, unconditional and the date of receipt of a duly completed acceptance as required under Rule 20.1 of the Takeovers Code. The Domestic Shareholders who have undertaken to accept the Domestic Share Offer, namely the Chen Group, Kairui Shiqi and Qianhe Qiju (who are all Offeror Concert Parties), have given the Chen Irrevocable Undertakings, the Kairui Shiqi Irrevocable Undertakings and the Qianhe Qiju Irrevocable Undertakings, respectively, pursuant to which each of them have agreed that the settlement of consideration under the Domestic Share Offer will be made within 15 business days after the date on which the relevant Domestic Shareholder notifies the Offeror in writing of such holder's bank account details for the purposes of accepting the Domestic Share Offer. As such, the Offeror has applied to the Executive for, and the Executive has granted, a waiver from strict compliance with Rule 20.1 of the Takeovers Code.



**6. IRREVOCABLE UNDERTAKINGS**

**In respect of the H Shares**

As at the Latest Practicable Date, there are 70,000,000 H Shares in issue. CTrip.com (Hong Kong) Limited (“**CTrip Hong Kong**”), an Offeror Concert Party, holds 14,830,000 H Shares. GreenTree Hospitality Group Ltd. (“**GreenTree**”), an Independent H Shareholder, holds 13,870,000 H Shares. Rongtong Fund Management Co., Ltd (“**Rongtong**”), an Independent H Shareholder, holds 9,420,000 H Shares. GEM Holdings Ltd. (“**GEM Holdings**”), an Independent H Shareholder, holds 3,784,600 H Shares. Rex Top Global Investments Ltd. (“**Rex Top**”), an Independent H Shareholder, holds 6,059,400 H Shares. Details of the shareholding are set out in the section headed “8. Other information – 8.6 Shareholding structure of the Company” in the “Letter from the Board”.

*(i) CTrip Irrevocable Undertakings*

On 18 January 2021 (after trading hours), CTrip Hong Kong entered into the CTrip Irrevocable Undertakings in favour of the Offeror, pursuant to which it has irrevocably agreed and undertaken to the Offeror that, among other things, (i) the H Share Offer does not have to be extended to it and even if it is extended to it, it will not accept the H Share Offer in respect of all the H Shares held by it; (ii) it will not offer, sell, give, transfer, pledge, encumber, charge, grant any right over or otherwise dispose of or deal with any of the H Shares held by it or any interest therein until the later of (a) the date of completion of the Delisting and (b) the date that all consideration payable under the Offers is settled in full pursuant to the Takeovers Code or such other date as agreed with the Executive; and (iii) it will support the Delisting, including to vote in favour of the delisting resolution in the H Share Class Meeting and the EGM (if permitted to do so by the relevant regulators). For the avoidance of doubt, CTrip Hong Kong (being an Offeror Concert Party) will abstain from voting at the H Share Class Meeting and the EGM. The CTrip Irrevocable Undertakings will terminate when the Offers are withdrawn, lapsed or closed.

*(ii) GreenTree Irrevocable Undertakings*

On 20 January 2021, GreenTree entered into the GreenTree Irrevocable Undertakings in favour of the Offeror, pursuant to which it has irrevocably agreed and undertaken to the Offeror that, among other things, (i) it will accept the H Share Offer in respect of all the H Shares held by it, being 13,870,000 H Shares; (ii) it will not offer, sell, give, transfer, pledge, encumber, charge, grant any right over or otherwise dispose of or deal with any of the H Shares held by it or any interest therein until the later of (a) the date of completion of the Delisting and (b) the date that all consideration payable under the Offers is settled in full pursuant to the Takeovers Code or such other date as agreed with the Executive; and (iii) it will support the Delisting, including to vote in favour of the delisting resolution in the H Share Class Meeting and the EGM (if permitted to do so by the relevant regulators). The GreenTree Irrevocable Undertakings will terminate when the Offers are withdrawn, lapsed or closed.

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## LETTER FROM UBS AG

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*(iii) Rongtong Irrevocable Undertakings*

On 29 January 2021 (after trading hours), Rongtong entered into the Rongtong Irrevocable Undertakings in favour of the Offeror, pursuant to which it has irrevocably agreed and undertaken to the Offeror that, among other things, (i) it will accept the H Share Offer in respect of all the H Shares held by it, being 9,420,000 H Shares; (ii) it will not offer, sell, give, transfer, pledge, encumber, charge, grant any right over or otherwise dispose of or deal with any of the H Shares held by it or any interest therein until the later of (a) the date of completion of the Delisting and (b) the date that all consideration payable under the Offers is settled in full pursuant to the Takeovers Code or such other date as agreed with the Executive; and (iii) it will support the Delisting, including to vote in favour of the delisting resolution in the H Share Class Meeting and the EGM (if permitted to do so by the relevant regulators). The Rongtong Irrevocable Undertakings will terminate when the Offers are withdrawn, lapsed or closed.

*(iv) GEM Holdings Irrevocable Undertakings*

On 29 January 2021 (after trading hours), GEM Holdings entered into the GEM Holdings Irrevocable Undertakings in favour of the Offeror, pursuant to which it has irrevocably agreed and undertaken to the Offeror that, among other things, (i) it will accept the H Share Offer in respect of all the H Shares held by it, being 3,784,600 H Shares; (ii) it will not offer, sell, give, transfer, pledge, encumber, charge, grant any right over or otherwise dispose of or deal with any of the H Shares held by it or any interest therein until the later of (a) the date of completion of the Delisting and (b) the date that all consideration payable under the Offers is settled in full pursuant to the Takeovers Code or such other date as agreed with the Executive; and (iii) it will support the Delisting, including to vote in favour of the delisting resolution in the H Share Class Meeting and the EGM (if permitted to do so by the relevant regulators). The GEM Holdings Irrevocable Undertakings will terminate when the Offers are withdrawn, lapsed or closed.

*(v) Rex Top Irrevocable Undertakings*

On 8 February 2021 (after trading hours), Rex Top entered into the Rex Top Irrevocable Undertakings in favour of the Offeror, pursuant to which it has irrevocably agreed and undertaken to the Offeror that, among other things, (i) it will accept the H Share Offer in respect of all the H Shares held by it, being 6,059,400 H Shares; (ii) it will not offer, sell, give, transfer, pledge, encumber, charge, grant any right over or otherwise dispose of or deal with any of the H Shares held by it or any interest therein until the later of (a) the date of completion of the Delisting and (b) the date that all consideration payable under the Offers is settled in full pursuant to the Takeovers Code or such other date as agreed with the Executive; and (iii) it will support the Delisting, including to vote in favour of the delisting resolution in the H Share Class Meeting and the EGM (if permitted to do so by the relevant regulators). The Rex Top Irrevocable Undertakings will terminate when the Offers are withdrawn, lapsed or closed.

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## LETTER FROM UBS AG

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As at the Latest Practicable Date, taking into account the GreenTree Irrevocable Undertakings, the Rongtong Irrevocable Undertakings, the GEM Holdings Irrevocable Undertakings and the Rex Top Irrevocable Undertakings, the Offeror has received irrevocable undertakings with respect to 33,134,000 H Shares, representing approximately 62.73% of the H Shares held by the Independent H Shareholders, pursuant to which the relevant Independent H Shareholders have irrevocably agreed and undertaken to, among other things, accept the H Share Offer and support the Delisting.

### **In respect of the Domestic Shares**

As at the Latest Practicable Date, there are 159,659,640 Domestic Shares in issue. New Century Tourism, an Offeror Concert Party, holds 125,676,180 Domestic Shares. Kaihui Taiheng (an Offeror Concert Party), the general partner of which is Mr. Jin Wenjie (an executive Director), holds 13,437,900 Domestic Shares. Kairui Shiqi (an Offeror Concert Party), the general partner of which is Mr. Chen Miaoqiang (an executive Director), holds 7,223,580 Domestic Shares. Qianhe Qiju (an Offeror Concert Party), the general partner of which is Mr. Jin Wenjie (an executive Director), holds 9,655,590 Domestic Shares. Shanghai Ouling Bohui Investment Center (Limited Partnership) (上海鷗翎鉅卉投資中心(有限合夥)) (“**Ouling Bohui**”), an Offeror Concert Party, holds the remaining 3,666,390 Domestic Shares. Details of the shareholding are set out in the section headed “8. Other information – 8.6 Shareholding structure of the Company” in the “Letter from the Board”.

#### *(i) Chen Irrevocable Undertakings*

On 18 January 2021 (after trading hours), New Century Tourism and its controlling shareholder Mr. Chen Miaolin entered into the Chen Irrevocable Undertakings in favour of the Offeror, pursuant to which each of them has irrevocably agreed and undertaken to the Offeror that, among other things, (i) New Century Tourism will not accept the Domestic Share Offer in respect of an aggregate of 116,595,873 Domestic Shares held by it; (ii) New Century Tourism will accept the Domestic Share Offer in respect of the remaining Domestic Shares held by it, being 9,080,307 Domestic Shares; (iii) each of New Century Tourism and Mr. Chen Miaolin will not offer, sell, give, transfer, pledge, encumber, charge, grant any right over or otherwise dispose of or deal with any of the Domestic Shares held by New Century Tourism or any interest therein until the earlier of the date of the lapse or withdrawal of the Offers or the completion date (i.e. the later of (a) the date of completion of the Delisting and (b) the date that all consideration payable under the Offers is settled in full pursuant to the Takeovers Code or such other date as agreed with the Executive); and (iv) New Century Tourism will vote in favour of any resolution which is necessary to implement or otherwise relates to the Offers and the Delisting in the EGM (if permitted to do so by the relevant regulators). For the avoidance of doubt, New Century Tourism and Mr. Chen Miaolin (being Offeror Concert Parties) will abstain from voting at the EGM. Under the Chen Irrevocable Undertakings, Mr. Chen Miaolin and New Century Tourism have agreed that the settlement of consideration under the Domestic Share Offer will be made within 15 business days after the date on which the relevant Domestic Shareholder notifies the Offeror in writing of such holder’s bank account details for the purposes of accepting the Domestic Share Offer.

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## LETTER FROM UBS AG

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Under the Chen Irrevocable Undertakings, New Century Tourism has irrevocably granted to the Offeror (or its nominee) a right to purchase all of 37,598,923 Domestic Shares (representing approximately 13.43% of the Shares in issue as at the Latest Practicable Date) held by New Century Tourism (the “**Call Option**”), upon the written request of the Offeror exercisable at any time from the date of Delisting until the date that is 12 months from the date of Delisting. The aggregate purchase price to be paid in consideration for the Domestic Shares under the Call Option following exercise of the Call Option shall be equivalent to the offer price under the Domestic Share Offer multiplied by the number of Domestic Shares under the Call Option. The aggregate purchase price for the Domestic Shares under the Call Option is not subject to any adjustment. Completion of the sale and purchase of the Domestic Shares under the Call Option pursuant to the exercise of the Call Option (the “**Call Option Completion**”) shall be conditional upon the obtaining of all relevant authorisations.

The Chen Irrevocable Undertakings will terminate when the Offers are withdrawn, lapsed or closed, except for the provisions on the Call Option which shall continue to have full force and effect if the Offers have been closed, in which case such provisions shall terminate on (i) the date which is 12 months from the date of Delisting if the Call Option is not exercised, or (ii) the date of the Call Option Completion.

*(ii) Kairui Shiqi Irrevocable Undertakings*

On 18 January 2021 (after trading hours), Kairui Shiqi and its general partner Mr. Chen Miaoqiang entered into the Kairui Shiqi Irrevocable Undertakings in favour of the Offeror, pursuant to which each of them has irrevocably agreed and undertaken to the Offeror that, among other things, (i) Kairui Shiqi will accept the Domestic Share Offer in respect of all the Domestic Shares held by it; (ii) each of Kairui Shiqi and Mr. Chen Miaoqiang will not offer, sell, give, transfer, pledge, encumber, charge, grant any right over or otherwise dispose of or deal with any of the Domestic Shares held by Kairui Shiqi or any interest therein until the earlier of the date of the lapse or withdrawal of the Offers or the completion date (i.e. the later of (a) the date of completion of the Delisting and (b) the date that all consideration payable under the Offers is settled in full pursuant to the Takeovers Code or such other date as agreed with the Executive); and (iii) Kairui Shiqi will vote in favour of any resolution which is necessary to implement or otherwise relates to the Offers and the Delisting in the EGM (if permitted to do so by the relevant regulators). For the avoidance of doubt, Kairui Shiqi and Mr. Chen Miaoqiang (being Offeror Concert Parties) will abstain from voting at the EGM. Under the Kairui Shiqi Irrevocable Undertakings, Mr. Chen Miaoqiang and Kairui Shiqi have agreed that the settlement of consideration under the Domestic Share Offer will be made within 15 business days after the date on which the relevant Domestic Shareholder notifies the Offeror in writing of such holder’s bank account details for the purposes of accepting the Domestic Share Offer. The Kairui Shiqi Irrevocable Undertakings will terminate when the Offers are withdrawn, lapsed or closed.

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## LETTER FROM UBS AG

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*(iii) Kaihui Taiheng Irrevocable Undertakings*

On 18 January 2021 (after trading hours), Kaihui Taiheng and its general partner Mr. Jin Wenjie entered into the Kaihui Taiheng Irrevocable Undertakings in favour of the Offeror, pursuant to which each of them has irrevocably agreed and undertaken to the Offeror that, among other things, (i) the Domestic Share Offer does not have to be extended to Kaihui Taiheng and even if it is extended to it, Kaihui Taiheng will not accept the Domestic Share Offer in respect of all the Domestic Shares held by it; (ii) each of Kaihui Taiheng and Mr. Jin Wenjie will not offer, sell, give, transfer, pledge, encumber, charge, grant any right over or otherwise dispose of or deal with any of the Domestic Shares held by Kaihui Taiheng or any interest therein until the earlier of the date of the lapse or withdrawal of the Offers or the completion date (i.e. the later of (a) the date of completion of the Delisting and (b) the date that all consideration payable under the Offers is settled in full pursuant to the Takeovers Code or such other date as agreed with the Executive); and (iii) Kaihui Taiheng will vote in favour of any resolution which is necessary to implement or otherwise relates to the Offers and the Delisting in the EGM (if permitted to do so by the relevant regulators). For the avoidance of doubt, Kaihui Taiheng and Mr. Jin Wenjie (being Offeror Concert Parties) will abstain from voting at the EGM. The Kaihui Taiheng Irrevocable Undertakings will terminate when the Offers are withdrawn, lapsed or closed.

*(iv) Qianhe Qiju Irrevocable Undertakings*

On 18 January 2021 (after trading hours), Qianhe Qiju and its general partner Mr. Jin Wenjie entered into the Qianhe Qiju Irrevocable Undertakings in favour of the Offeror, pursuant to which each of them has irrevocably agreed and undertaken to the Offeror that, among other things, (i) Qianhe Qiju will accept the Domestic Share Offer in respect of all the Domestic Shares held by it; (ii) each of Qianhe Qiju and Mr. Jin Wenjie will not offer, sell, give, transfer, pledge, encumber, charge, grant any right over or otherwise dispose of or deal with any of the Domestic Shares held by Qianhe Qiju or any interest therein until the earlier of the date of the lapse or withdrawal of the Offers or the completion date (i.e. the later of (a) the date of completion of the Delisting and (b) the date that all consideration payable under the Offers is settled in full pursuant to the Takeovers Code or such other date as agreed with the Executive); and (iii) Qianhe Qiju will vote in favour of any resolution which is necessary to implement or otherwise relates to the Offers and the Delisting in the EGM (if permitted to do so by the relevant regulators). Under the Qianhe Qiju Irrevocable Undertakings, Mr. Jin Wenjie and Qianhe Qiju have agreed that the settlement of consideration under the Domestic Share Offer will be made within 15 business days after the date on which the relevant Domestic Shareholder notifies the Offeror in writing of such holder's bank account details for the purposes of accepting the Domestic Share Offer. For the avoidance of doubt, Qianhe Qiju and Mr. Jin Wenjie (being Offeror Concert Parties) will abstain from voting at the EGM. The Qianhe Qiju Irrevocable Undertakings will terminate when the Offers are withdrawn, lapsed or closed.

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## LETTER FROM UBS AG

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*(v) Ouling Bohui Irrevocable Undertakings*

On 18 January 2021 (after trading hours), Ouling Bohui entered into the Ouling Bohui Irrevocable Undertakings in favour of the Offeror, pursuant to which it has irrevocably agreed and undertaken to the Offeror that, among other things, (i) the Domestic Share Offer does not have to be extended to it and even if it is extended to it, it will not accept the Domestic Share Offer in respect of all the Domestic Shares held by it; (ii) it will not offer, sell, give, transfer, pledge, encumber, charge, grant any right over or otherwise dispose of or deal with any of the Domestic Shares held by it or any interest therein until the later of (a) the date of completion of the Delisting and (b) the date that all consideration payable under the Offers is settled in full pursuant to the Takeovers Code or such other date as agreed with the Executive; and (iii) it will support the Delisting, including to vote in favour of the delisting resolution in the EGM (if permitted to do so by the relevant regulators). For the avoidance of doubt, Ouling Bohui (being an Offeror Concert Party) will abstain from voting at the EGM. The Ouling Bohui Irrevocable Undertakings will terminate when the Offers are withdrawn, lapsed or closed.

**In respect of the Unlisted Foreign Shares**

As at the Latest Practicable Date, there are 50,340,360 Unlisted Foreign Shares in issue. NC Hotels Investment Holding Pte. Ltd. (“**NC Hotels Investment**”), an Offeror Concert Party, holds 40,482,540 Unlisted Foreign Shares. Ocean Century Hotels Limited (“**OC Hotels**”), an Offeror Concert Party, holds the remaining 9,857,820 Unlisted Foreign Shares. Details of the shareholding are set out in the section headed “8. Other information – 8.6 Shareholding structure of the Company” in the “Letter from the Board”.

On 18 January 2021 (after trading hours), each of NC Hotels Investment and OC Hotels entered into the Unlisted Foreign Shares Irrevocable Undertakings in favour of the Offeror, pursuant to which each of them has irrevocably agreed and undertaken to the Offeror that, among other things, (i) no offer has to be extended to it if a voluntary conditional offer is made by the Offeror or its nominee; (ii) even if such offer is extended to it, it will not accept such offer in respect of the Unlisted Foreign Shares held by it; (iii) it will not offer, sell, give, transfer, pledge, encumber, charge, grant any right over or otherwise dispose of or deal with any of the Unlisted Foreign Shares held by it or any interest therein until the later of (a) the date of completion of the Delisting and (b) the date that all consideration payable under the Offers is settled in full pursuant to the Takeovers Code or such other date as agreed with the Executive; and (iv) it will support the Delisting, including to vote in favour of the delisting resolution in the EGM (if permitted to do so by the relevant regulators). For the avoidance of doubt, NC Hotels Investment and OC Hotels (being Offeror Concert Parties) will abstain from voting at the EGM. The Unlisted Foreign Shares Irrevocable Undertakings will terminate when the Offers are withdrawn, lapsed or closed.

Given that both holders of Unlisted Foreign Shares have given the Unlisted Foreign Shares Irrevocable Undertakings, no comparable offer will be made to holders of Unlisted Foreign Shares.

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## LETTER FROM UBS AG

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### 7. NO RIGHT OF COMPULSORY ACQUISITION

The Offeror has no rights under the laws of the PRC and the Articles of Association of the Company to compulsorily acquire the H Shares that are not tendered for acceptance pursuant to the H Share Offer. Accordingly, the Independent H Shareholders are reminded that if they do not accept the H Share Offer and the H Share Offer subsequently becomes unconditional in all respects, and the H Shares are delisted from the Stock Exchange, this will result in the Independent H Shareholders holding securities that are not listed on the Stock Exchange and the liquidity of the H Shares may be severely reduced. In addition, the Company will no longer be subject to the requirements under the Listing Rules and may or may not continue to be subject to the Takeovers Code after completion of the Offers depending on whether it remains as a public company in Hong Kong for the purposes of the Takeovers Code thereafter.

Independent H Shareholders should also note that if they do not agree to the terms of the Offers, they can vote against the Delisting at the H Share Class Meeting and/or the EGM. If the number of votes cast, by way of poll, against the Delisting at the H Share Class Meeting is more than 10% of the votes attaching to all the H Shares held by the Independent H Shareholders, or if the number of votes cast, by way of poll, against the Delisting at the EGM is more than 10% of the votes attaching to all the Shares held by the Independent H Shareholders, the Offers would not become unconditional and the Company would remain listed on the Stock Exchange.

The Offeror has applied to the Executive for, and the Executive has granted, a waiver from the requirements under Rule 2.2(c) of the Takeovers Code, which requires a resolution to approve a delisting to be made subject to the relevant offeror(s) being entitled to exercise, and exercising, its rights of compulsory acquisition.

### 8. OTHER INFORMATION

#### 8.1 Reasons for and benefits of the Offers

##### *For H Shareholders*

The Offeror considers that the H Share Offer will provide an opportunity to H Shareholders to realise their investment in the Company at an attractive premium over the prevailing price of the H Shares. The offer price of HK\$18.15 per H Share represents a premium of approximately 23.9% over the average closing price of approximately HK\$14.64 per H Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Date.

The average daily trading volume of the H Shares for the 60 trading days up to and including the Last Trading Date was approximately 29,153 H Shares per day, representing only approximately 0.04% of the issued H Shares. The relatively low trading liquidity of the H Shares makes it difficult for H Shareholders to sell their shareholdings in large volume on the secondary market. The H Share Offer will provide an opportunity for H Shareholders to realise their investment in the Company without suffering any illiquidity discount.

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## LETTER FROM UBS AG

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### *For the Offeror and the Company*

As disclosed in the interim report of the Company for the six months ended 30 June 2020, the outbreak of the COVID-19 pandemic has caused significant decline in the occupancy rate and average daily rate across all classes of the Company's hotels. Given such uncertainties to the Group's prospects and future financial performance, investors may have different expectations and requirements with regards to return on investment of the Group, which may differ from the development plan of the Group in the long run. The Delisting, if completed, will provide the Company with flexibility to pursue certain strategic alternatives that it may not be practicable to pursue as a public company, including the ability to pursue business initiatives and improve operation performance without focusing on the short-term market reaction.

The Offeror also considers that the Delisting will give the Offeror more flexibility to support the future business development of the Group without being subject to regulatory restrictions and compliance obligations arising from the listing status of the H Shares on the Stock Exchange.

The Directors (excluding the members of the Independent Board Committee whose recommendation is set out in the "Letter from the Independent Board Committee") believe that the terms of the Offers are fair and reasonable and in the interests of the Shareholders as a whole.

### **8.2 Proposed change of Board composition**

As at the Latest Practicable Date, the Board is currently made up of nine Directors, comprising two executive Directors, namely Mr. Jin Wenjie and Mr. Chen Miaoqiang; four non-executive Directors, namely Mr. Chen Canrong, Mr. Jiang Tianyi, Mr. Zhou Rong and Mr. Xie Bingwu; and three independent non-executive Directors, namely Mr. Zhang Rungang, Mr. Khoo Wun Fat William and Ms. Qiu Yun.

Subject to the Delisting, it is expected that some Directors will resign from the Board, and new Directors will be nominated and appointed to the Board, and Mr. Zheng Nanyan will be appointed to be the Chairman of the Company in accordance with the Company Shareholders' Agreement.

Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and a further announcement will be made as and when appropriate.

### **8.3 Future plans for the Group**

The Offeror intends to continue with the existing business of the Group and does not intend to make any major changes to the current business operations of the Group, including any redeployment of the fixed assets of the Company, following completion of the Offers. Save as disclosed in the sub-section headed "8.2 Proposed change of



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## LETTER FROM UBS AG

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Board composition”, the Offeror does not intend to introduce any material changes in the management or the continued employment of the employees of the Group as a result of the Offers.

### **8.4 Information on the Offeror and other arrangements**

#### *Offeror*

The Offeror is a company incorporated in Hong Kong with limited liability and set up for the implementation of the Offers. The Offeror is wholly-owned by BidCo (a company incorporated in the Cayman Islands with limited liability).

As at the Latest Practicable Date, BidCo is wholly-owned by Ocean Link. Upon payment of the Committed Investment Amount by each of Sequoia China and Ocean Link, BidCo will be owned as to 68% and 32% by Sequoia China and Ocean Link, respectively. Please refer to the sub-section headed “Consortium Agreement – (a) Committed Investment Amount” below for details.

As at the Latest Practicable Date, the Offeror does not hold any Shares.

#### *Ocean Link*

As at the Latest Practicable Date, Ocean Link is a wholly-owned subsidiary of a fund whose general partner is Ocean Link Partners II GP, L.P., whose general partner is Ocean Link Partners II GP Limited, in which each of Mr. Zheng Nanyan and Mr. Jiang Tianyi (a non-executive Director) indirectly owns 50% equity interest. After the Latest Practicable Date, Ocean Link may issue additional shares to a co-investment fund or limited partnership, the general partner of which will be indirectly owned as to 50% by each of Mr. Zheng Nanyan and Mr. Jiang Tianyi, in exchange for a subscription amount from such co-investment fund or limited partnership of not more than 30% of Ocean Link’s Committed Investment Amount. For the avoidance of doubt, after such issuance, Ocean Link will remain wholly-owned by funds whose general partners are indirectly owned as to 50% by each of Mr. Zheng Nanyan and Mr. Jiang Tianyi.

#### *Sequoia China*

Sequoia China is a wholly-owned subsidiary of fund(s) whose general partner is SC China Growth VI Management, L.P., whose general partner is SC China Holding Limited. SC China Holding Limited is indirectly wholly-owned by Mr. Shen Nanpeng.

Save for the Independent H Shareholders who hold an aggregate of 52,820,000 H Shares (representing approximately 75.46% of the H Shares and approximately 18.86% of the Shares as at the Latest Practicable Date), all of the Domestic Shares, the Unlisted Foreign Shares and the remaining H Shares are held by the Offeror Concert Parties (representing approximately 81.14% of the Shares as at the Latest Practicable Date).

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## LETTER FROM UBS AG

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### *Consortium Agreement*

On 18 January 2021, Sequoia China, Ocean Link, the Offeror and BidCo entered into the Consortium Agreement for the purposes of, among other things: (i) governing their respective rights and liabilities in connection with the Offers; (ii) setting out the basis upon which the parties have agreed to conduct and implement the Offers in consultation with each other; and (iii) setting out the investment amounts to be contributed by each of Sequoia China and Ocean Link to BidCo in order to implement the Offers, and their corresponding shareholding in BidCo. A summary of the key terms of the Consortium Agreement is set out below:

#### *(a) Committed Investment Amount*

Each of Sequoia China and Ocean Link shall contribute the following investment amount (the “**Committed Investment Amount**”) to BidCo in order to implement the Offers:

<b>Investor</b>	<b>Committed Investment Amount</b>	<b>Percentage Shareholding in BidCo</b>
Sequoia China	HK\$1,030,750,000	68%
Ocean Link	<u>HK\$480,500,000</u>	<u>32%</u>
Total	<u>HK\$1,511,250,000</u>	<u>100%</u>

Out of Sequoia China’s Committed Investment Amount, (i) HK\$692,850,000 will be used to finance the H Share Offer, and is payable on or prior to the date that is 4 business days after the date that the H Share Offer becomes unconditional in all respects (the “**H Share Funding Date**”); and (ii) HK\$337,900,000 will be used to finance the Domestic Share Offer, and is payable on or prior to the date that is 10 business days after the date on which the first Domestic Shareholder under the Domestic Share Offer notifies the Offeror in writing of such holder’s bank account details for the purposes of accepting the Domestic Share Offer (the “**Domestic Share Funding Date**”).

Out of Ocean Link’s Committed Investment Amount, (i) HK\$322,400,000 will be used to finance the H Share Offer, and is payable on or prior to the H Share Funding Date; and (ii) HK\$158,100,000 will be used to finance the Domestic Share Offer, and is payable on or prior to the Domestic Share Funding Date.

#### *(b) Termination*

The Consortium Agreement will be terminated if the Offers are withdrawn or lapse.

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## LETTER FROM UBS AG

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### *BidCo Shareholders' Agreement*

On 18 January 2021, Ocean Link, Sequoia China and BidCo entered into the BidCo Shareholders' Agreement in respect of the governance of BidCo, which is intended to take full effect on the date that is 4 business days after the date that the H Share Offer becomes unconditional in all respects. A summary of the key terms of the BidCo Shareholders' Agreement is set out below:

- (a) **Shareholding and voting rights.** Each share of BidCo shall carry one vote each.
- (b) **Board composition.** Each of Ocean Link and Sequoia China shall have the right to appoint directors on the board of BidCo. The board of BidCo shall be responsible for the overall direction and management of BidCo and its subsidiaries, subject to a limited number of reserved matters.

### *Company Shareholders' Agreement and special deal*

On 18 January 2021, Mr. Chen Miaolin, New Century Tourism, Kaihui Taiheng, OC Hotels, NC Hotels Investment, Ouling Bohui, CTrip Hong Kong, the Offeror and the Company entered into the Company Shareholders' Agreement in respect of the governance of the Company, which is intended to take full effect on the date that is 4 business days after the date that the H Share Offer becomes unconditional in all respects. A summary of the key terms of the Company Shareholders' Agreement is set out below:

- (a) **Voting rights.** Each Share shall carry one vote each.
- (b) **Board composition.** On and with effect from the date of Delisting and prior to the Call Option Completion, each of the Offeror and New Century Tourism shall have the right to appoint three Directors on the Board, and CTrip Hong Kong shall have the right to appoint one Director. Immediately following the Call Option Completion, each of the Offeror, New Century Tourism and CTrip Hong Kong shall have the right to appoint four Directors, two Directors and one Director, respectively. The Board shall be responsible for the overall direction and management of the Group, subject to a limited number of matters requiring shareholders' approval under applicable laws and regulations of the PRC.
- (c) **Share transfer restrictions.** Each of Mr. Chen Miaolin and New Century Tourism shall be subject to a 3-year lock-up in respect of transfers of Shares. The lock-up does not apply to any transfer of Shares pursuant to the Call Option and is subject to certain customary carve-outs.

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## LETTER FROM UBS AG

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- (d) **Right of first refusal, drag-along and tag-along.** The parties (other than the Company) shall have customary rights of first refusal, drag-along rights and tag-along rights. The rights of first refusal, drag-along rights and tag-along rights do not apply to any transfer of Shares pursuant to the Call Option.
- (e) **Pre-emption rights.** Each of the parties (other than the Company) shall have customary pre-emptive rights (on a pro rata basis based on its percentage ownership in the Company) with respect to the issuance of new equity securities by the Company, subject to customary exceptions.
- (f) **Non-compete undertakings from Mr. Chen Miaolin and New Century Tourism.** Each of Mr. Chen Miaolin and New Century Tourism jointly and severally undertakes to the other parties that for so long as they or any of their affiliates remains a Shareholder and for two (2) years after they or their affiliates cease to hold any Share, he or it will not, whether directly or indirectly, carry on, engage, invest, participate or otherwise be interested in any business that competes with the business of any member of the Group including but not limited to operating or managing hotels in the PRC (the “**Restricted Business**”), provided that Mr. Chen Miaolin, New Century Tourism and their affiliates taken together may hold passive investment interests of below 10% of the securities of a company conducting any Restricted Business.

The Chen Group, Kaihui Taiheng, OC Hotels, NC Hotels Investment, Ouling Bohui and CTrip Hong Kong are Offeror Concert Parties by virtue of being parties to the Company Shareholders’ Agreement. As the Shareholders Arrangement is available only to the Chen Group, Kaihui Taiheng, OC Hotels, NC Hotels Investment, Ouling Bohui and CTrip Hong Kong, and is not offered to all Shareholders, the Shareholders Arrangement constitutes a special deal under Rule 25 of the Takeovers Code and requires the consent of the Executive under Rule 25 of the Takeovers Code. The Offeror has made an application to the Executive for its consent to the Shareholders Arrangement, and such consent, if granted, will be conditional on (i) an opinion from the independent financial adviser to the Independent Board Committee confirming that the Shareholders Arrangement is fair and reasonable; and (ii) the passing of an ordinary resolution by the Independent H Shareholders at the EGM to approve the Shareholders Arrangement under the Takeovers Code.

### 8.5 Information on the Group

Your attention is drawn to the section headed “8. Other information – 8.5 Information of the Group” in the “Letter from the Board” in this Composite Document.

## **8.6 Shareholding structure of the Company**

Your attention is drawn to the section headed “8. Other information – 8.6 Shareholding structure of the Company” in the “Letter from the Board” in this Composite Document.

As at the Latest Practicable Date:

- (i) save for the existing shareholding of the Offeror and the Offeror Concert Parties as set out in the section headed “8. Other information – 8.6 Shareholding structure of the Company” in the “Letter from the Board”, there was no existing holding of voting rights and rights over Shares which the Offeror owned or over which it had control or direction;
- (ii) save for the existing shareholding of the Offeror and the Offeror Concert Parties as set out in the section headed “8. Other information – 8.6 Shareholding structure of the Company” in the “Letter from the Board”, there was no existing holding of voting rights and rights over Shares which was owned or controlled or directed by the Offeror Concert Parties;
- (iii) save for the Irrevocable Undertakings, there was no existing holding of voting rights and rights over Shares in respect of which the Offeror or the Offeror Concert Parties had received an irrevocable commitment to accept or reject the Offers or to vote for or against the Delisting;
- (iv) save for the Call Option, there was no existing holding of voting rights and rights over Shares in respect of which the Offeror or the Offeror Concert Parties held convertible securities, warrants or options;
- (v) save for the Call Option, there was no outstanding derivative in respect of securities in the Company entered into by the Offeror or the Offeror Concert Parties;
- (vi) save for the Call Option, there was no arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Offeror or the Offeror Concert Parties in relation to the shares of the Offeror or the Shares;
- (vii) there was no agreement or arrangement to which the Offeror was a party which related to the circumstances in which it may or may not invoke or seek to invoke a condition to the Offers;
- (viii) there were no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or the Offeror Concert Parties (other than those with exempt principal trader or exempt fund manager status) had borrowed or lent;

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## LETTER FROM UBS AG

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- (ix) save for the consideration in respect of acceptance of the Offers, there was no other consideration, compensation or benefits in whatever form provided (or to be provided) by the Offeror or the Offeror Concert Parties to the Independent H Shareholders and any parties acting in concert with them; and
- (x) save for the Shareholders Arrangement, there was no understanding, arrangement or agreement which constitutes a special deal (as defined under Rule 25 of the Takeovers Code) in relation to the Offers between (i) the Offeror or the Offeror Concert Parties on one hand and the Independent H Shareholders and parties acting concert with them on the other hand; and (ii) any Shareholder on one hand and (a) the Offeror and the Offeror Concert Parties, or (b) the Company, its subsidiaries or associated companies on the other hand.

Save for the Transfer of Qianhe Qiju, the Offeror and the Offeror Concert Parties had not dealt for value in any Shares or any options, warrants, derivatives or securities convertible into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) during the Disclosure Period.

### **8.7 Further terms and general matters relating to the Offers**

#### *Effect of accepting the Offers*

##### *Hong Kong stamp duty*

Seller's ad valorem stamp duty arising in connection with acceptance of the H Share Offer will be payable by each accepting H Shareholder at the rate of 0.1% of (i) the market value of the H Shares; or (ii) the consideration payable by the Offeror for such person's H Shares, whichever is higher, and will be deducted from the cash amount due to such H Shareholder under the H Share Offer. The Offeror will pay the buyer's ad valorem stamp duty on its own behalf.

##### *Shares will be acquired with all rights attaching thereto and free from all encumbrances*

Any acceptance of the Offers by any Shareholder will constitute a representation and warranty to the Offeror by such Shareholder that the Shares acquired under the Offers and sold by such persons are free from all liens, charges, claims, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching thereto as at the date of the Announcement or subsequently becoming attached thereto, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of the Announcement.

Acceptance of the Offers would be irrevocable and would not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

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## LETTER FROM UBS AG

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There are no dividends attaching to the H Shares and the Domestic Shares which are outstanding or in contemplation to be declared as at the Latest Practicable Date. The Company expects that no dividends attaching to the H Shares and the Domestic Shares will be outstanding or in contemplation to be declared before close of the Offers.

### *Overseas Shareholders*

The Offeror intends to make available the Offers to all Shareholders (other than holders of the Shares which are owned, controlled or agreed to be acquired by the Offeror and the Offeror Concert Parties who have undertaken not to accept the Offers), including those who are resident outside Hong Kong, to the extent practicable. If you are an Overseas Shareholder, please see the important information in the section headed “Overseas Shareholders” in Appendix I to this Composite Document.

**The making of the Offers to the overseas Shareholders and/or their ability to participate in the Offers may be subject to the laws of the relevant jurisdictions in which they are resident or domiciled. Any acceptance of the Offers by any Shareholder will be deemed to constitute a representation and warranty from such Shareholder to the Offeror and the Company that all applicable legal and regulatory requirements to which they may be subject, including obtaining any governmental, exchange control and other consents, filing and registration and other necessary formalities, and the payment of any transfer or other taxes, have been complied with and that the Offers can be extended to and/or accepted by such Shareholder lawfully under such requirements. It is the responsibility of the Overseas Shareholders wishing to accept the Offers to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith. Shareholders should consult their professional advisers if in doubt.**

Based on the H Share Register, as at the Latest Practicable Date, there were no Overseas H Shareholders with registered addresses outside Hong Kong. Based on the Domestic Share Register, as at the Latest Practicable Date, all Domestic Shareholders had registered addresses in the PRC. The director of the Offeror and the Directors had been advised by their PRC legal counsel that there is no restriction under PRC laws or regulations against extending the Domestic Share Offer automatically or despatching this Composite Document together with the accompanying Forms of Acceptance to the Domestic Shareholders. The Domestic Share Offer will be extended and this Composite Document together with the accompanying GREEN Form of Acceptance will be despatched to the Domestic Shareholders.

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## LETTER FROM UBS AG

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### 9. WITHDRAWAL OF LISTING OF THE H SHARES

The Company has made an application for the listing of the H Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.12 of the Listing Rules. H Shareholders will be notified by way of an announcement of the date of the last day of dealing in the H Shares and on which the withdrawal of the listing of the H Shares on the Hong Kong Stock Exchange will become effective.

### 10. ADDITIONAL INFORMATION

Your attention is drawn to the “Letter from the Board” on pages 39 to 53, the “Letter from the Independent Board Committee” on pages 54 to 56 and the “Letter from the Independent Financial Adviser” on pages 57 to 89 of this Composite Document in relation to their respective recommendations and advice with respect to the Offers.

Your attention is also drawn to the additional information set out in the appendices to this Composite Document.

Yours faithfully,  
For and on behalf of  
**UBS AG Hong Kong Branch**  
**Samson LO**      **Esther CHAN**  
*Managing Director*      *Director*



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LETTER FROM THE BOARD

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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)**

*Executive Directors:*  
Mr. JIN Wenjie  
Mr. CHEN Miaoqiang

*Non-executive Directors:*  
Mr. CHEN Canrong  
Mr. JIANG Tianyi  
Mr. ZHOU Rong  
Mr. XIE Bingwu

*Independent Non-executive Directors:*  
Mr. ZHANG Rungang  
Mr. KHOO Wun Fat William  
Ms. QIU Yun

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

*Principal Place of Business Hong Kong:*  
Level 54, Hopewell Centre  
183 Queen's Road East, Hong Kong

19 March 2021

*To the Shareholders*

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL OFFER BY UBS  
ON BEHALF OF THE OFFEROR  
FOR ALL THE ISSUED H SHARES IN  
ZHEJIANG NEW CENTURY HOTEL MANAGEMENT CO., LTD.  
(OTHER THAN THOSE ALREADY OWNED, CONTROLLED OR AGREED TO  
BE ACQUIRED BY THE OFFEROR  
AND THE OFFEROR CONCERT PARTIES WHO HAVE UNDERTAKEN NOT TO  
ACCEPT THE H SHARE OFFER)**

**VOLUNTARY CONDITIONAL OFFER BY THE OFFEROR  
FOR ALL THE ISSUED DOMESTIC SHARES IN  
ZHEJIANG NEW CENTURY HOTEL MANAGEMENT CO., LTD.  
(OTHER THAN THOSE ALREADY OWNED, CONTROLLED OR AGREED TO  
BE ACQUIRED BY THE OFFEROR  
AND THE OFFEROR CONCERT PARTIES WHO HAVE UNDERTAKEN NOT TO  
ACCEPT THE DOMESTIC SHARE OFFER)**

**SPECIAL DEAL RELATING TO THE SHAREHOLDERS ARRANGEMENT**

**PROPOSED WITHDRAWAL OF LISTING OF THE H SHARES OF  
ZHEJIANG NEW CENTURY HOTEL MANAGEMENT CO., LTD.**

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# LETTER FROM THE BOARD

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## 1. INTRODUCTION

Reference is made to the Announcement in which the Offeror and the Company jointly announced that the Board received a letter from the Offeror that, subject to the satisfaction of the Pre-Condition, voluntary conditional offers will be made by the Offeror for the H Shares and the Domestic Shares other than those owned, controlled or agreed to be acquired by the Offeror and the Offeror Concert Parties who have undertaken not to accept the Offers in accordance with the Takeovers Code which, if implemented, will result in the Delisting.

This letter forms part of this Composite Document and sets out, amongst other things, certain background information of the Group, details of the Offers, the reasons for making the Offers and the intentions of the Offeror in relation to the Group. Further details on the terms of the Offers are set out in Appendix I – “Further Terms and Procedures for Acceptance of the Offers” to this Composite Document and in the accompanying Forms of Acceptance.

Your attention is also drawn to the “Letter from UBS AG” on pages 16 to 38, the “Letter from the Independent Board Committee” on pages 54 to 56 and the “Letter from the Independent Financial Adviser” on pages 57 to 89 of this Composite Document.

## 2. PRE-CONDITION TO THE OFFERS AND THE DELISTING

The making of the Offers and the proceeding with the Delisting were subject to the satisfaction of the Pre-Condition that, with respect to anti-trust review of the transactions contemplated under the Offers and the Delisting in the PRC under the Anti-Monopoly Law of the PRC, the approval from SAMR having been obtained without any conditions being imposed pursuant to the Anti-Monopoly Law of the PRC or no objection having been raised by SAMR pursuant to the statutory clearance period under the Anti-Monopoly Law of the PRC.

On 5 February 2021, the Offeror and the Company jointly announced that the Pre-Condition had been satisfied.

## 3. THE H SHARE OFFER

### 3.1 Consideration for the H Share Offer

The H Share Offer is made by UBS on behalf of the Offeror on the following basis:

**For each H Share . . . . . HK\$18.15 in cash**

**The Offeror will not increase the consideration for the H Share Offer as set out above and does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the consideration for the H Share Offer.**

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## LETTER FROM THE BOARD

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### 3.2 Comparisons of value

The cash offer price offered under the H Share Offer represents:

- (1) a premium of approximately 10.0% over the offer price of HK\$16.50 per H Share for the global offering of the H Shares in March 2019;
- (2) a premium of approximately 2.4% over HK\$17.72 which is the closing price per H Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (3) a premium of approximately 24.7% over HK\$14.56 which is the closing price per H Share as quoted on the Stock Exchange on the Last Trading Date;
- (4) a premium of approximately 23.9% over HK\$14.64 which is the average closing price per H Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Date;
- (5) a premium of approximately 20.8% over HK\$15.03 which is the average closing price per H Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Date;
- (6) a premium of approximately 20.3% over HK\$15.08 which is the average closing price per H Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Date;
- (7) a premium of approximately 27.7% over HK\$14.21 which is the average closing price per H Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Date;
- (8) a premium of approximately 203.7% over RMB5.00 which is the unaudited consolidated net asset value of each Share as at 30 June 2020; and
- (9) a premium of approximately 174.8% over RMB5.52 which is the audited consolidated net asset value of each Share as at 31 December 2020.

### 3.3 Highest and lowest prices

During the Disclosure Period, the highest per share closing price of the H Shares as quoted on the Stock Exchange was HK\$17.78 which was recorded on 23 February 2021, and the lowest per share closing price of the H Shares as quoted on the Stock Exchange was HK\$13.02 which was recorded on 22 July 2020.

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## LETTER FROM THE BOARD

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### 3.4 Settlement of consideration

Settlement of the consideration in respect of acceptances received under the H Share Offer will be made as soon as possible but in any event within seven business days following the date of receipt of a complete and valid acceptance or of the Unconditional Date, whichever is the later.

### 3.5 Consideration and confirmation of financial resources

Your attention is drawn to the section headed “3.5 Consideration and confirmation of financial resources” in the “Letter from UBS AG” in this Composite Document.

## 4. CONDITIONS OF THE H SHARE OFFER

The H Share Offer is subject to the fulfilment or waiver, as applicable, of the following conditions:

- (a) the passing by the Independent H Shareholders at the H Share Class Meeting to be convened for this purpose of a resolution approving the Delisting, provided that:
  - (i) approval is given by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy; and
  - (ii) the number of votes cast, by way of poll, against the resolution is not more than 10% of the votes attaching to all the H Shares held by the Independent H Shareholders;
- (b) the passing by the Independent H Shareholders at the EGM to be convened for this purpose of a resolution approving the Delisting, provided that:
  - (i) approval is given by at least 75% of the votes attaching to the Shares held by the Independent H Shareholders that are cast either in person or by proxy; and
  - (ii) the number of votes cast, by way of poll, against the resolution is not more than 10% of the votes attaching to all the Shares held by the Independent H Shareholders;
- (c) minimum valid acceptances of the H Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date amounting to at least 90% of the H Shares held by the Independent H Shareholders;
- (d) all necessary authorisations, consents and approvals (including approval in-principle) of any government or governmental or regulatory body or court or institution in relation to the Delisting and the Offers (including the

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## LETTER FROM THE BOARD

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implementation thereof) having been obtained, and remaining in full force and effect and not having been revoked or rescinded pursuant to the provisions of any laws or regulations in Hong Kong, the PRC and other relevant jurisdictions;

- (e) all necessary third party consents in relation to the Delisting and the Offers, pursuant to any agreement to which the Company or any of its subsidiaries is a party, where any failure to obtain such consent would have a material adverse effect on the business of the Group taken as a whole, having been waived or obtained and remaining in full force and effect and not having been revoked or rescinded by the relevant party(ies);
- (f) no event having occurred which would have a material adverse effect on the legal ability of the Offeror to proceed with or consummate the Delisting or the Offers;
- (g) no event having occurred which would make the Delisting or the Offers void, unenforceable or illegal or which would restrict or prohibit the implementation of, or impose any additional material conditions or obligations with respect to, the Delisting or the Offers or any part thereof;
- (h) (i) the receipt of an opinion from the independent financial adviser to the Independent Board Committee confirming that the Shareholders Arrangement is fair and reasonable; (ii) the passing of an ordinary resolution by the Independent H Shareholders at the EGM to approve the Shareholders Arrangement under the Takeovers Code; and (iii) the consent from the Executive to the Shareholders Arrangement pursuant to Rule 25 of the Takeovers Code; and
- (i) the granting of the waiver by the Executive from the requirements under Rule 2.2(c) and Rule 20.1 of the Takeovers Code.

The Offeror reserves the right to waive any of the conditions set out above (except for the conditions referred to in paragraphs (a), (b), (c), (d), (e), (h) and (i) above) in whole or in part. The Company does not have the right to waive any of the conditions set out above. As at the Latest Practicable Date, save for the condition referred to in paragraph (i) above, none of the conditions has been fulfilled.

In respect of the conditions referred to in paragraphs (d) and (e) above, after consulting its legal advisers, the Offeror is not aware of any necessary authorisations, consents and approvals of any government or governmental or regulatory body or court or institution in relation to the Offers or the Delisting required as at the Latest Practicable Date, save as disclosed in paragraphs (h) and (i) above, the Pre-Condition which was satisfied on 5 February 2021 and the approval of the Delisting by the Stock Exchange. The Company has made an application for the listing of the H Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.12 of the Listing Rules. In addition, the Board confirms that as at the Latest Practicable Date, no third party consent in relation to the Offers or the Delisting is required pursuant to any agreement to which any member of the Group is a party.

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## LETTER FROM THE BOARD

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Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the conditions set out above as a basis for not proceeding with the H Share Offer only if the circumstances which give rise to the right to invoke such condition are of material significance to the Offeror in the context of the H Share Offer. Except with the consent of the Executive, if any of those conditions is not satisfied within 21 days of the First Closing Date or the date the H Share Offer becomes or is declared unconditional as to acceptances, whichever is later, the H Share Offer will lapse.

The latest time on which the Offeror can declare the H Share Offer unconditional as to acceptances is 7:00 p.m. on the 60th day after the posting of this Composite Document (or such later date to which the Executive may consent). If the H Share Offer becomes or is declared unconditional in all respects, it should remain open for acceptance for at least 28 days, and the H Shareholders will be notified in writing as soon as possible in accordance with the Takeovers Code and the Listing Rules.

The H Share Offer is made in compliance with the Takeovers Code, which is administered by the Executive.

### 5. THE DOMESTIC SHARE OFFER

#### 5.1 Consideration for the Domestic Share Offer

The Domestic Share Offer is made by the Offeror on the following basis:

**For each Domestic Share . . . . . RMB15.180660 in cash\***

\* *equivalent of the H Share offer price in RMB based on an exchange rate of HK\$1 = RMB0.83640, being the exchange rate announced by the People's Bank of China on the date of the Announcement.*

**The Offeror will not increase the consideration for the Domestic Share Offer as set out above and does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the consideration for the Domestic Share Offer.**

#### 5.2 Consideration and confirmation of financial resources

Your attention is drawn to the section headed “5.2 Consideration and confirmation of financial resources” in the “Letter from UBS AG” in this Composite Document.

#### 5.3 Condition of the Domestic Share Offer

The Domestic Share Offer is subject to the H Share Offer becoming or being declared unconditional in all respects. This condition cannot be waived in any event.

As the Domestic Share Offer is only conditional upon the H Share Offer becoming or being declared unconditional, if the H Share Offer is declared unconditional, the Domestic Share Offer will likewise become unconditional in all

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## LETTER FROM THE BOARD

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respects. There will be no circumstances that either of the Offers becomes or is declared unconditional, with the other not becoming or being declared unconditional. As such, this will have the same effect as if the Offers were inter-conditional.

### **5.4 Settlement of consideration**

As settlement of consideration under the Domestic Share Offer is subject to certain transfer and registration formalities and procedures imposed by China Securities Depository and Clearing Co., Ltd. and the State Administration of Foreign Exchange in the PRC, settlement of the consideration in respect of acceptances received under the Domestic Share Offer will be made by the Offeror as soon as reasonably practicable following completion of such transfer and registration formalities but it will not be able to be made within seven business days following the later of the date on which an offer becomes, or is declared, unconditional and the date of receipt of a duly completed acceptance as required under Rule 20.1 of the Takeovers Code. The Domestic Shareholders who have undertaken to accept the Domestic Share Offer, namely the Chen Group, Kairui Shiqi and Qianhe Qiju (who are all Offeror Concert Parties), have given the Chen Irrevocable Undertakings, the Kairui Shiqi Irrevocable Undertakings and the Qianhe Qiju Irrevocable Undertakings, respectively, pursuant to which each of them have agreed that the settlement of consideration under the Domestic Share Offer will be made within 15 business days after the date on which the relevant holder of Domestic Shares notifies the Offeror in writing of such holder's bank account details for the purposes of accepting the Domestic Share Offer. As such, the Offeror has applied to the Executive for, and the Executive has granted, a waiver from strict compliance with Rule 20.1 of the Takeovers Code.

### **6. IRREVOCABLE UNDERTAKINGS**

Your attention is drawn to the section headed "Irrevocable Undertakings" in the "Letter from UBS AG" in this Composite Document.

### **7. NO RIGHT OF COMPULSORY ACQUISITION**

**The Offeror has no rights under the laws of the PRC and the Articles of Association of the Company to compulsorily acquire the H Shares that are not tendered for acceptance pursuant to the H Share Offer. Accordingly, the Independent H Shareholders are reminded that if they do not accept the H Share Offer and the H Share Offer subsequently becomes unconditional in all respects, and the H Shares are delisted from the Stock Exchange, this will result in the Independent H Shareholders holding securities that are not listed on the Stock Exchange and the liquidity of the H Shares may be severely reduced. In addition, the Company will no longer be subject to the requirements under the Listing Rules and may or may not continue to be subject to the Takeovers Code after completion of the Offers depending on whether it remains as a public company in Hong Kong for the purposes of the Takeovers Code thereafter.**

**Independent H Shareholders should also note that if they do not agree to the terms of the Offers, they can vote against the Delisting at the H Share Class Meeting and/or the EGM. If the number of votes cast, by way of poll, against the Delisting at**

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## LETTER FROM THE BOARD

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**the H Share Class Meeting is more than 10% of the votes attaching to all the H Shares held by the Independent H Shareholders, or if the number of votes cast, by way of poll, against the Delisting at the EGM is more than 10% of the votes attaching to all the Shares held by the Independent H Shareholders, the Offers would not become unconditional and the Company would remain listed on the Stock Exchange.**

The Offeror has applied to the Executive for, and the Executive has granted, a waiver from the requirements under Rule 2.2(c) of the Takeovers Code, which requires a resolution to approve a delisting to be made subject to the relevant offeror(s) being entitled to exercise, and exercising, its rights of compulsory acquisition.

### **8. OTHER INFORMATION**

#### **8.1 Reasons for and benefits of the Offers**

Your attention is drawn to the section headed the “Reasons for and benefits of the Offers” in the “Letter from UBS AG” in this Composite Document.

#### **8.2 Proposed change of Board composition**

Your attention is drawn to the section headed the “Proposed change of Board composition” in the “Letter from UBS AG” in this Composite Document.

#### **8.3 Future plans for the Group**

Your attention is drawn to the section headed the “Future plans for the Group” in the “Letter from UBS AG” in this Composite Document.

The Board is pleased to note that the Offeror intends to continue with the existing business of the Group and does not intend to make any major changes to the current business operations of the Group, including any redeployment of the fixed assets of the Company, following completion of the Offers. Save as disclosed in the sub-section headed “8.2 Proposed change of Board composition” in the “Letter from UBS AG” in this Composite Document, the Offeror does not intend to introduce any material changes in the management or the continued employment of the employees of the Group as a result of the Offers.

#### **8.4 Information on the Offeror and other arrangements**

Your attention is drawn to the section headed the “Information on the Offeror and other arrangements” in the “Letter from UBS AG” in this Composite Document.

#### **8.5 Information on the Group**

The Company is a joint stock limited company established under the laws of the PRC with limited liability whose H Shares have been listed on the Main Board of the Stock Exchange since 11 March 2019.



## LETTER FROM THE BOARD

The Group is principally engaged in the operation and management of mid-scale to upscale hotel chains business. The Group operates its business through two segments: hotel operation segment and hotel management segment. Hotel operation segment is principally engaged in the operation of its own hotels and leased hotels. Hotel management segment is mainly engaged in hotel full service management business and franchise management business. The Group mainly conducts its business in the Chinese domestic market.

Selected financial information of the Group as extracted from the Company's audited consolidated financial statements for the three years ended 31 December 2020 prepared in accordance with the International Financial Reporting Standards is set out below:

	<b>For the year ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,797,968	1,927,980	1,597,716
Profit before tax	243,081	268,617	39,040
Profit attributable to owners of the Company	186,787	202,405	19,673

There are no dividends attaching to the H Shares and the Domestic Shares which are outstanding or in contemplation to be declared as at the Latest Practicable Date. The Company expects that no dividends attaching to the H Shares and the Domestic Shares will be outstanding or in contemplation to be declared before close of the Offers.

### 8.6 Shareholding structure of the Company

The shareholding structure of the Company as at the Latest Practicable Date, immediately after completion of the Offers and immediately after the Call Option Completion is as follows, assuming that (i) the Offers are fully accepted, taking into account the undertakings given by the relevant Shareholders under the Irrevocable Undertakings; and (ii) the total issued share capital of the Company remains unchanged:

	As at the Latest Practicable Date		Immediately after completion of the Offers (assuming the Offers are fully accepted and the total issued share capital of the Company remains unchanged)		Immediately after the Call Option Completion (assuming the Offers are fully accepted and the total issued share capital of the Company remains unchanged)	
	<i>Number of Shares</i>	<i>Approximate % of the total issued Shares</i>	<i>Number of Shares</i>	<i>Approximate % of the total issued Shares</i>	<i>Number of Shares</i>	<i>Approximate % of the total issued Shares</i>
<b>Offeror and Offeror Concert Parties</b>	227,180,000 Shares	81.14%	280,000,000 Shares	100%	280,000,000 Shares	100%

## LETTER FROM THE BOARD

	As at the Latest Practicable Date		Immediately after completion of the Offers (assuming the Offers are fully accepted and the total issued share capital of the Company remains unchanged)		Immediately after the Call Option Completion (assuming the Offers are fully accepted and the total issued share capital of the Company remains unchanged)	
	Number of Shares	Approximate % of the total issued Shares	Number of Shares	Approximate % of the total issued Shares	Number of Shares	Approximate % of the total issued Shares
- Offeror	-	-	81,129,477 Shares (consist of 25,959,477 Domestic Shares and 55,170,000 H Shares)	28.97%	118,728,400 Shares (consist of 63,558,400 Domestic Shares and 55,170,000 H Shares)	42.40%
- Ouling Bohui (Note 1)	3,666,390 Domestic Shares	1.31%	3,666,390 Domestic Shares	1.31%	3,666,390 Domestic Shares	1.31%
- Chen Group (Note 2)	125,676,180 Domestic Shares	44.88%	116,595,873 Domestic Shares	41.64%	78,996,950 Domestic Shares	28.21%
- Qianhe Qiju (Note 3)	9,655,590 Domestic Shares	3.45%	-	-	-	-
- Kairui Shiqi (Note 4)	7,223,580 Domestic Shares	2.58%	-	-	-	-
- Kaihui Taiheng (Note 5)	13,437,900 Domestic Shares	4.80%	13,437,900 Domestic Shares	4.80%	13,437,900 Domestic Shares	4.80%
- Tongcheng-Elong Holdings Ltd. ("Tongcheng-Elong") (Note 6)	2,350,000 H Shares	0.84%	-	-	-	-
- CTrip Hong Kong (Note 7)	14,830,000 H Shares	5.30%	14,830,000 H Shares	5.30%	14,830,000 H Shares	5.30%
- NC Hotels Investment (Note 8)	40,482,540 Unlisted Foreign Shares	14.46%	40,482,540 Unlisted Foreign Shares	14.46%	40,482,540 Unlisted Foreign Shares	14.46%
- OC Hotels (Note 9)	9,857,820 Unlisted Foreign Shares	3.52%	9,857,820 Unlisted Foreign Shares	3.52%	9,857,820 Unlisted Foreign Shares	3.52%
<b>Independent H Shareholders</b>	52,820,000 H Shares	18.86%	-	-	-	-
- GreenTree (Note 10)	13,870,000 H Shares	4.95%	-	-	-	-
- Rongtong (Note 11)	9,420,000 H Shares	3.36%	-	-	-	-
- GEM Holdings (Note 12)	3,784,600 H Shares	1.35%	-	-	-	-
- Rex Top (Note 13)	6,059,400 H Shares	2.16%	-	-	-	-
- Other Independent H Shareholders	19,686,000 H Shares	7.03%	-	-	-	-
<b>Total share capital of the Company</b>	<b>280,000,000 Shares</b>	<b>100.00%</b>	<b>280,000,000 Shares</b>	<b>100.00%</b>	<b>280,000,000 Shares</b>	<b>100.00%</b>

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## LETTER FROM THE BOARD

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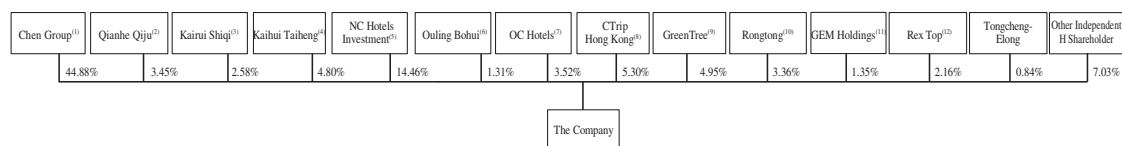
*Notes:*

1. Ouling Bohui is an Offeror Concert Party by virtue of being a party to the Company Shareholders' Agreement.
2. These Domestic Shares are directly held by New Century Tourism, which are owned as to 85.20%, 8.50% and 6.30% by each of Mr. Chen Miaolin, Mr. Chen Canrong (a non-executive Director) and Mr. Zhang Guanming, respectively. New Century Tourism is an Offeror Concert Party by virtue of being a party to the Company Shareholders' Agreement.
3. The general partner of Qianhe Qiju is Mr. Jin Wenjie, an executive Director. Qianhe Qiju is related to the Chen Group and is an Offeror Concert Party by virtue of the Chen Group being parties to the Company Shareholders' Agreement.
4. The general partner of Kairui Shiqi is Mr. Chen Miaoqiang, an executive Director. The spouse of Mr. Chen Miaoqiang, Ms. Lu Jun, owns 20% of Kairui Shiqi. Kairui Shiqi is related to the Chen Group and is an Offeror Concert Party by virtue of the Chen Group being parties to the Company Shareholders' Agreement.
5. The general partner of Kaihui Taiheng is Mr. Jin Wenjie, an executive Director. Kaihui Taiheng is an Offeror Concert Party by virtue of being a party to the Company Shareholders' Agreement.
6. Tongcheng-Elong is an Offeror Concert Party because a fund advised by Ocean Link Partners has an equity interest in Tongcheng-Elong.
7. CTrip Hong Kong is an Offeror Concert Party by virtue of being a party to the Company Shareholders' Agreement.
8. NC Hotels Investment is an Offeror Concert Party by virtue of being a party to the Company Shareholders' Agreement.
9. OC Hotels is an Offeror Concert Party by virtue of being a party to the Company Shareholders' Agreement.
10. Pursuant to the GreenTree Irrevocable Undertakings, GreenTree, an Independent H Shareholder, will accept the H Share Offer in respect of all the 13,870,000 H Shares held by it.
11. Pursuant to the Rongtong Irrevocable Undertakings, Rongtong, an Independent H Shareholder, will accept the H Share Offer in respect of all the 9,420,000 H Shares held by it.
12. Pursuant to the GEM Holdings Irrevocable Undertakings, GEM Holdings, an Independent H Shareholder, will accept the H Share Offer in respect of all the 3,784,600 H Shares held by it.
13. Pursuant to the Rex Top Irrevocable Undertakings, Rex Top, an Independent H Shareholder, will accept the H Share Offer in respect of all the 6,059,400 H Shares held by it.
14. UBS is the financial adviser to the Offeror in respect of the Offers. Accordingly, UBS and relevant members of the UBS group are presumed to be acting in concert with the Offeror in accordance with class (5) of the definition of "Acting in concert" in the Takeovers Code (except in respect of Shares held by exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purposes of the Takeovers Code).
15. The percentage figures in the table above are approximate figures which have been rounded to the second decimal place.

## LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company does not have any other outstanding convertible securities, options, warrants or derivatives in issue which confer any right to subscribe for, convert or exchange into Domestic Shares, H Shares or Unlisted Foreign Shares and/or rights over the Domestic Shares, H Shares or Unlisted Foreign Shares in issue.

The simplified shareholding charts of the Company as at the Latest Practicable Date, immediately after completion of the Offers and immediately after the Call Option Completion (assuming the Offers are fully accepted, taking into account the undertakings given by the relevant Shareholders under the Irrevocable Undertakings, and the total issued share capital of the Company remains unchanged) are as follows:



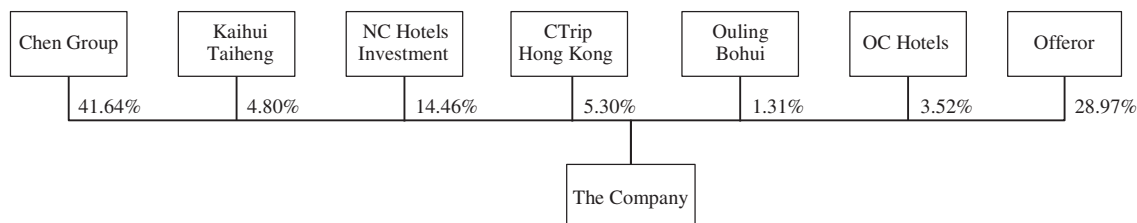
As at the Latest Practicable Date:

*Notes:*

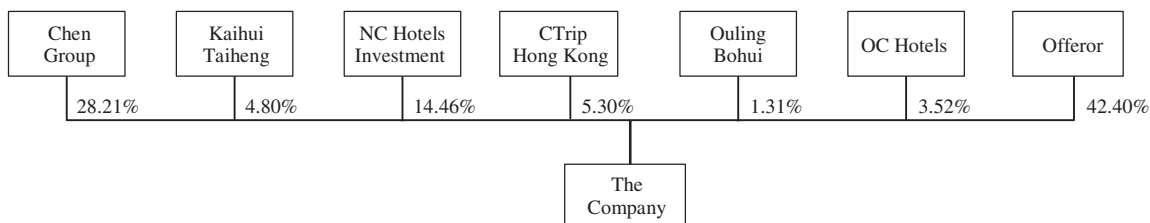
- (1) Pursuant to the Chen Irrevocable Undertakings, New Century Tourism will accept the Domestic Share Offer in respect of 9,080,307 Domestic Shares held by it and will not accept the Domestic Share Offer in respect of the remaining 116,595,873 Domestic Shares held by it.
- (2) Pursuant to the Qianhe Qiju Irrevocable Undertakings, Qianhe Qiju will accept the Domestic Share Offer in respect of all the 9,655,590 Domestic Shares held by it.
- (3) Pursuant to the Kairui Shiqi Irrevocable Undertakings, Kairui Shiqi will accept the Domestic Share Offer in respect of all the 7,223,580 Domestic Shares held by it.
- (4) Pursuant to the Kaihui Taiheng Irrevocable Undertakings, Kaihui Taiheng will not accept the Domestic Share Offer in respect of all the 13,437,900 Domestic Shares held by it.
- (5) Pursuant to the Unlisted Foreign Shares Irrevocable Undertakings entered into by NC Hotels Investment, no offer has to be extended to NC Hotels Investment in respect of all the 40,482,540 Unlisted Foreign Shares held by it.
- (6) Pursuant to the Ouling Bohui Irrevocable Undertakings, Ouling Bohui will not accept the Domestic Share Offer in respect of all the 3,666,390 Domestic Shares held by it.
- (7) Pursuant to the Unlisted Foreign Shares Irrevocable Undertakings entered into by OC Hotels, no offer has to be extended to OC Hotels in respect of the 9,857,820 Unlisted Foreign Shares held by it.
- (8) Pursuant to the CTrip Irrevocable Undertakings, CTrip Hong Kong will not accept the H Share Offer in respect of all the 14,830,000 H Shares held by it.
- (9) Pursuant to the GreenTree Irrevocable Undertakings, GreenTree, an Independent H Shareholder, will accept the H Share Offer in respect of all the 13,870,000 H Shares held by it.
- (10) Pursuant to the Rongtong Irrevocable Undertakings, Rongtong, an Independent H Shareholder, will accept the H Share Offer in respect of all the 9,420,000 H Shares held by it.
- (11) Pursuant to the GEM Holdings Irrevocable Undertakings, GEM Holdings, an Independent H Shareholder, will accept the H Share Offer in respect of all the 3,784,600 H Shares held by it.
- (12) Pursuant to the Rex Top Irrevocable Undertakings, Rex Top, an Independent H Shareholder, will accept the H Share Offer in respect of all the 6,059,400 H Shares held by it.

## LETTER FROM THE BOARD

Immediately after completion of the Offers (assuming that (i) the Offers are fully accepted, taking into account the undertakings given by the relevant Shareholders under the Irrevocable Undertakings; and (ii) the total issued share capital of the Company remains unchanged):



Immediately after the Call Option Completion (assuming that (i) the Offers are fully accepted, taking into account the undertakings given by the relevant Shareholders under the Irrevocable Undertakings; and (ii) the total issued share capital of the Company remains unchanged):



### 9. INDEPENDENT BOARD COMMITTEE

In accordance with Rule 2.1 of the Takeovers Code, an independent committee of the Board has been established to make recommendations as to whether the terms of the Offers are, or are not, fair and reasonable and as to acceptances and whether the Delisting and the Shareholders Arrangement are, or are not, fair and reasonable and as to voting. The Independent Board Committee comprises of all of the non-executive Directors (other than Mr. Chen Canrong, Mr. Jiang Tianyi and Mr. Zhou Rong), namely, Mr. Xie Bingwu, and all of the independent non-executive Directors, namely, Mr. Zhang Rungang, Mr. Khoo Wun Fat William and Ms. Qiu Yun, each of whom has no direct or indirect interest in the Offers, the Delisting and the Shareholders Arrangement. Mr. Chen Canrong, a non-executive Director, is an indirect shareholder of New Century Tourism, an Offeror Concert Party which gives the Chen Irrevocable Undertakings and is a party to the Company Shareholders' Agreement which may affect his independence as a member of the Independent Board Committee. Mr. Jiang Tianyi, a non-executive Director, is the director of the Offeror and therefore an Offeror Concert Party, which may affect his independence as a member of the Independent Board Committee. Mr. Zhou Rong, a non-executive Director, holds senior management positions with Trip.com Group Limited, the parent company of CTrip Hong Kong, an Offeror Concert Party which gives the CTrip Irrevocable Undertakings and is a party to the Company Shareholders' Agreement which may affect his independence as a member of the Independent Board Committee. As such, each of Mr. Chen Canrong, Mr. Jiang Tianyi and Mr. Zhou Rong is excluded from the Independent Board Committee.

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## LETTER FROM THE BOARD

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Rule 13.39(6)(a) of the Listing Rules requires that an independent board committee of the Company comprising only of independent non-executive Directors be established to advise on the Delisting. The Company has applied to the Stock Exchange for, and was granted, a waiver from the requirements under Rule 13.39(6)(a) of the Listing Rules as the non-executive Director on the Independent Board Committee, namely, Mr. Xie Bingwu, has no material interest in the Offers, the Delisting and the Shareholders Arrangement.

### **10. THE EGM AND THE H SHARE CLASS MEETING**

The H Share Class Meeting will be convened to approve the Delisting at 10:00 a.m. on Tuesday, 13 April 2021 and the EGM will be convened to approve the Delisting and the Shareholders Arrangement at 11:00 a.m. on Tuesday, 13 April 2021 (or immediately after the conclusion or adjournment of the H Share Class Meeting), respectively. A notice of the H Share Class Meeting is set out in Appendix IV to this Composite Document. A notice of the EGM is set out in Appendix V to this Composite Document. The Offeror and the Offeror Concert Parties will abstain from voting in respect of all their Shares at the EGM and the H Share Class Meeting in accordance with Rule 2.2 of the Takeovers Code. As all the Domestic Shareholders of and holders of Unlisted Foreign Shares are Offeror Concert Parties, all such Shareholders will abstain from voting at the EGM and only Independent H Shareholders are entitled to vote at the EGM.

Whether or not you are able to attend the H Share Class Meeting and/or the EGM or any adjournment thereof, you are strongly urged to complete the accompanying proxy form(s) in accordance with the instructions printed thereon and return the same to the H Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than twenty four (24) hours before the time appointed for the H Share Class Meeting and the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the H Share Class Meeting and the EGM or any adjournment thereof, should you so wish. In the event that you attend and vote at any of the H Share Class Meeting and the EGM or any adjournment thereof after having deposited the relevant form of proxy, that form of proxy will be deemed to have been revoked.

Voting at the H Share Class Meeting and the EGM will be taken by way of poll as required under the Listing Rules and the Takeovers Code.

### **11. FURTHER INFORMATION**

Please refer to the "Letter from UBS AG" set out in this Composite Document, Appendix I to this Composite Document and the accompanying Forms of Acceptance for information relating to the Offers, the acceptance and settlement procedures of the Offers, the making of the Offers to Overseas Shareholders and taxation.

### **12. RECOMMENDATION**

Your attention is drawn to the letter from the Independent Board Committee set out in this Composite Document, which contains its recommendation in respect of the Offers, the Delisting and the Shareholders Arrangement. Your attention is also drawn to the letter from

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## LETTER FROM THE BOARD

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the Independent Financial Adviser in this Composite Document, which contains its advice to the Independent Board Committee in respect of the Offers, the Delisting and the Shareholders Arrangement, and the principal factors and reasons it has considered before arriving at its advice to the Independent Board Committee. You are also advised to read this Composite Document and the accompanying Forms of Acceptance in respect of the acceptance and settlement procedures of the Offers.

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

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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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)**

19 March 2021

*To the Independent H Shareholders*

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL OFFER BY UBS  
ON BEHALF OF THE OFFEROR  
FOR ALL THE ISSUED H SHARES IN  
ZHEJIANG NEW CENTURY HOTEL MANAGEMENT CO., LTD.  
(OTHER THAN THOSE ALREADY OWNED, CONTROLLED OR AGREED TO  
BE ACQUIRED BY THE OFFEROR  
AND THE OFFEROR CONCERT PARTIES WHO HAVE UNDERTAKEN NOT TO  
ACCEPT THE H SHARE OFFER)**

**VOLUNTARY CONDITIONAL OFFER BY THE OFFEROR  
FOR ALL THE ISSUED DOMESTIC SHARES IN  
ZHEJIANG NEW CENTURY HOTEL MANAGEMENT CO., LTD.  
(OTHER THAN THOSE ALREADY OWNED, CONTROLLED OR AGREED TO  
BE ACQUIRED BY THE OFFEROR  
AND THE OFFEROR CONCERT PARTIES WHO HAVE UNDERTAKEN NOT TO  
ACCEPT THE DOMESTIC SHARE OFFER)**

**SPECIAL DEAL RELATING TO THE SHAREHOLDERS ARRANGEMENT**

**PROPOSED WITHDRAWAL OF LISTING OF THE H SHARES OF  
ZHEJIANG NEW CENTURY HOTEL MANAGEMENT CO., LTD.**

**INTRODUCTION**

We refer to the Composite Document dated 19 March 2021 jointly issued by the Offeror and the Company, of which this letter forms part, in connection with, among other things, the Offers and the Delisting. Unless the context otherwise requires, terms defined in the Composite Document shall have the same meanings when used in this letter.



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We have been appointed by the Board to form the Independent Board Committee to consider the terms of the Offers, the Delisting and the Shareholders Arrangement and to make a recommendation to the Independent H Shareholders as to whether the terms of the Offers are, or are not, fair and reasonable and as to acceptances and whether the Delisting and the Shareholders Arrangement are, or are not, fair and reasonable and as to voting.

Somerley Capital Limited has been appointed, with our approval, as the Independent Financial Adviser to advise us in this respect. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the “Letter from the Independent Financial Adviser” on pages 57 to 89 of the Composite Document.

We also wish to draw your attention to, and advise you to read, the “Letter from the Board” on pages 39 to 53 of the Composite Document, the “Letter from UBS AG” on pages 16 to 38 of the Composite Document and the appendices to the Composite Document.

We, being the members of the Independent Board Committee, have declared that, we are independent and do not have any conflict of interest in respect of the Offers, the Delisting and the Shareholders Arrangement or any direct or indirect interest therein and are therefore able to consider the terms of the Offers, the Delisting and the Shareholders Arrangement and to make recommendations to the Shareholders.

### RECOMMENDATION

Having taken into account the terms of the Offers, the Delisting and the Shareholders Arrangement, together with the advice and recommendations from the Independent Financial Adviser:

- (a) we consider that the terms of the Offers and the Delisting are fair and reasonable so far as the Independent H Shareholders are concerned, and recommend the Independent H Shareholders to accept the H Share Offer and vote in favour of the resolutions approving the Delisting at the H Share Class Meeting and the EGM; and
- (b) we consider that the terms of the Shareholders Arrangement are fair and reasonable so far as the Independent H Shareholders are concerned, and recommend the Independent H Shareholders to vote in favour of the resolution approving the Shareholders Arrangement at the EGM.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Furthermore, the Independent H Shareholders who wish to accept the H Share Offer are recommended to read carefully the procedures for accepting the H Share Offer as detailed in the Composite Document and the accompanying WHITE Form of Acceptance.

Yours faithfully,

For and on behalf of

*The Independent Board Committee*

**Mr. Xie Bingwu**

*Non-executive Director*

**Mr. Khoo Wun Fat William**

*Independent Non-executive Director*

**Mr. Zhang Rungang**

*Independent Non-executive Director*

**Ms. Qiu Yun**

*Independent Non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Set out below is the letter of advice from the Independent Financial Adviser, Somerley Capital Limited, to the Independent Board Committee, which has been prepared for the purpose of inclusion in this Composite Document.*



**SOMERLEY CAPITAL LIMITED**  
20th Floor  
China Building  
29 Queen's Road Central  
Hong Kong

19 March 2021

*To: the Independent Board Committee*

Dear Sirs,

**VOLUNTARY CONDITIONAL OFFER BY UBS  
ON BEHALF OF THE OFFEROR  
FOR ALL THE ISSUED H SHARES IN  
ZHEJIANG NEW CENTURY HOTEL MANAGEMENT CO., LTD.  
(OTHER THAN THOSE ALREADY OWNED, CONTROLLED OR AGREED  
TO BE ACQUIRED BY THE OFFEROR  
AND THE OFFEROR CONCERT PARTIES WHO HAVE UNDERTAKEN NOT  
TO ACCEPT THE H SHARE OFFER)  
VOLUNTARY CONDITIONAL OFFER BY THE OFFEROR  
FOR ALL THE ISSUED DOMESTIC SHARES IN  
ZHEJIANG NEW CENTURY HOTEL MANAGEMENT CO., LTD.  
(OTHER THAN THOSE ALREADY OWNED, CONTROLLED OR AGREED  
TO BE ACQUIRED BY THE OFFEROR  
AND THE OFFEROR CONCERT PARTIES WHO HAVE UNDERTAKEN NOT  
TO ACCEPT THE DOMESTIC SHARE OFFER)  
SPECIAL DEAL RELATING TO THE SHAREHOLDERS ARRANGEMENT  
PROPOSED WITHDRAWAL OF LISTING OF THE H SHARES OF  
ZHEJIANG NEW CENTURY HOTEL MANAGEMENT CO., LTD.**

### INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the Offers, the Delisting and the Shareholders Arrangement, details of which are set out in the Composite Document dated 19 March 2021, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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On 20 January 2021, the Offeror and the Company jointly announced that the Board received a letter from the Offeror that, subject to the satisfaction of the Pre-Condition, voluntary conditional offers will be made by the Offeror for the H Shares and the Domestic Shares other than those owned, controlled or agreed to be acquired by the Offeror and the Offeror Concert Parties who have undertaken not to accept the Offers in accordance with the Takeovers Code which, if implemented, will result in the Delisting. The making of the Offers and the proceeding with the Delisting were subject to the satisfaction of the Pre-Condition that, with respect to anti-trust review of the transactions contemplated under the Offers and the Delisting in the PRC under the Anti-Monopoly Law of the PRC, the approval from SAMR having been obtained without any conditions being imposed pursuant to the Anti-Monopoly Law of the PRC or no objection having been raised by SAMR pursuant to the statutory clearance period under the Anti-Monopoly Law of the PRC. On 5 February 2021, the Offeror and the Company jointly announced that the Pre-Condition had been satisfied.

On 18 January 2021, Mr. Chen Miaolin, New Century Tourism, Kaihui Taiheng, OC Hotels, NC Hotels Investment, Ouling Bohui, CTrip Hong Kong, the Offeror and the Company entered into the Company Shareholders' Agreement in respect of the governance of the Company, which is intended to take full effect on the date that is 4 business days after the date that the H Share Offer becomes unconditional in all respects. The Chen Group, Kaihui Taiheng, OC Hotels, NC Hotels Investment, Ouling Bohui and CTrip Hong Kong are Offeror Concert Parties by virtue of being parties to the Company Shareholders' Agreement. As the Shareholders Arrangement is available only to the Chen Group, Kaihui Taiheng, OC Hotels, NC Hotels Investment, Ouling Bohui and CTrip Hong Kong, and is not offered to all Shareholders, the Shareholders Arrangement constitutes a special deal under Rule 25 of the Takeovers Code and requires the consent of the Executive under Rule 25 of the Takeovers Code. The Offeror has made an application to the Executive for its consent to the Shareholders Arrangement, and such consent, if granted, will be conditional on (i) an opinion from the independent financial adviser to the Independent Board Committee confirming that the Shareholders Arrangement is fair and reasonable; and (ii) the passing of an ordinary resolution by the Independent H Shareholders at the EGM to approve the Shareholders Arrangement under the Takeovers Code.

The Independent Board Committee, comprising all the non-executive Directors (other than Mr. Chen Canrong, Mr. Jiang Tianyi and Mr. Zhou Rong), namely, Mr. Xie Bingwu, and all the independent non-executive Directors, namely, Mr. Zhang Rungang, Mr. Khoo Wun Fat William and Ms. Qiu Yun, has been established to make recommendations as to (i) whether the terms of the Offers are, or are not, fair and reasonable and as to acceptances; and (ii) whether the Delisting and the Shareholders Arrangement are, or are not, fair and reasonable and as to voting. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise the Independent Board Committee in this regard.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We are not associated with the Company, the Offeror, the Chen Group, Kaihui Taiheng, OC Hotels, NC Hotels Investment, Ouling Bohui, CTrip Hong Kong or their respective substantial shareholders (if applicable) or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Offers, the Delisting and the Shareholders Arrangement. Apart from normal professional fees paid or payable to us in connection with this appointment, and save for our appointments as independent financial adviser to New Century Real Estate Investment Trust (stock code: 1275) (“**New Century REIT**”), where Mr. Chen Miaolin is an effective ultimate beneficial owner of a substantial unitholder of New Century REIT, in relation to, among others, certain connected party transactions set out in the circular of New Century REIT dated 21 May 2019 and the announcements of New Century REIT dated 8 July 2019, 6 July 2020 and 27 January 2021), no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror, the Chen Group, Kaihui Taiheng, OC Hotels, NC Hotels Investment, Ouling Bohui, CTrip Hong Kong or their respective substantial shareholders (if applicable) or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have reviewed, among other things, (i) the Composite Document; (ii) the Company’s 2019 annual report; (iii) the Company’s 2020 annual results announcement; (iv) the unaudited consolidated management accounts of the Company for the month ended 31 January 2021; (v) the announcements published by the Company on the website of the Stock Exchange since 11 March 2019, being the day of listing of the Company’s H Shares; and (vi) the material change statement set out in Appendix II to the Composite Document.

We have relied on the information and facts supplied by the Company and the opinions expressed by the executive Directors and the management of the Company, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at the Latest Practicable Date. We have further assumed that all representations contained or referred to in the Composite Document were true at the time they were made and at the Latest Practicable Date. Shareholders will be informed as soon as possible if we become aware of any material change to such representations up to the end of the Offer Period. We have sought and received confirmation from the executive Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Company, the Offeror, the Chen Group, Kaihui Taiheng, OC Hotels, NC Hotels Investment, Ouling Bohui, CTrip Hong Kong or any of their respective associates, substantial shareholders (if applicable) or any party acting, or presumed to be acting, in concert with any of them; nor have we carried out any independent verification of the information supplied.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have not considered the tax and regulatory implications on the Shareholders of acceptance or non-acceptance of the Offers since these are particular to their individual circumstances. In particular, the Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on security dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

### PRINCIPAL TERMS OF THE OFFERS

The terms set out below are summarised from the “Letter from the Board” and the “Letter from UBS AG” contained in the Composite Document. Shareholders are encouraged to read the Composite Document in full.

#### A. The H Share Offer

The H Share Offer is made by UBS on behalf of the Offeror on the following basis:

**For each H Share . . . . . HK\$18.15 in cash**

The consideration payable under the H Share Offer was determined by the Offeror with reference to the prices of the H Shares traded on the Stock Exchange, the most recent published financial information of the Company prior to the Announcement and the Offeror’s assessment of the Company’s business, prospects and market position.

**The Offeror will not increase the consideration for the H Share Offer as set out above and does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the consideration for the H Share Offer.**

#### *Conditions of the H Share Offer*

The H Share Offer is subject to the fulfilment or waiver (as applicable) of, among others, the following conditions:

- (a) the passing by the Independent H Shareholders at the H Share Class Meeting to be convened for this purpose of a resolution approving the Delisting, provided that:
  - (i) approval is given by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy; and
  - (ii) the number of votes cast, by way of poll, against the resolution is not more than 10% of the votes attaching to all the H Shares held by the Independent H Shareholders;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (b) the passing by the Independent H Shareholders at the EGM to be convened for this purpose of a resolution approving the Delisting, provided that:
  - (i) approval is given by at least 75% of the votes attaching to the Shares held by the Independent H Shareholders that are cast either in person or by proxy; and
  - (ii) the number of votes cast, by way of poll, against the resolution is not more than 10% of the votes attaching to all the Shares held by the Independent H Shareholders;
- (c) minimum valid acceptances of the H Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date amounting to at least 90% of the H Shares held by the Independent H Shareholders; and
- (d) (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Shareholders Arrangement is fair and reasonable; (ii) the passing of an ordinary resolution by the Independent H Shareholders at the EGM to approve the Shareholders Arrangement under the Takeovers Code; and (iii) the consent from the Executive to the Shareholders Arrangement pursuant to Rule 25 of the Takeovers Code.

Further details regarding the conditions of the H Share Offer are set out in the section headed “4. Conditions of The H Share Offer” in the “Letter from the Board” and the “Letter from UBS AG” contained in the Composite Document. As at the Latest Practicable Date, save for the condition referred to in paragraph (i) in the abovementioned section in the Composite Document (i.e. the granting of the waiver by the Executive from the requirements under Rule 2.2(c) and Rule 20.1 of the Takeovers Code), none of the conditions has been fulfilled.

### *No Right of Compulsory Acquisition*

**The Offeror has no rights under the laws of the PRC and the Articles of Association of the Company to compulsorily acquire the H Shares that are not tendered for acceptance pursuant to the H Share Offer. Accordingly, the Independent H Shareholders are reminded that if they do not accept the H Share Offer and the H Share Offer subsequently becomes unconditional in all respects, and the H Shares are delisted from the Stock Exchange, this will result in the Independent H Shareholders holding securities that are not listed on the Stock Exchange and the liquidity of the H Shares may be severely reduced. In addition, the Company will no longer be subject to the requirements under the Listing Rules and may or may not continue to be subject to the Takeovers Code after completion of the Offers depending on whether it remains as a public company in Hong Kong for the purposes of the Takeovers Code thereafter.**

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Independent H Shareholders should also note that if they do not agree to the terms of the Offers, they can vote against the Delisting at the H Share Class Meeting and/or the EGM. If the number of votes cast, by way of poll, against the Delisting at the H Share Class Meeting is more than 10% of the votes attaching to all the H Shares held by the Independent H Shareholders, or if the number of votes cast, by way of poll, against the Delisting at the EGM is more than 10% of the votes attaching to all the Shares held by the Independent H Shareholders, the Offers would not become unconditional and the Company would remain listed on the Stock Exchange.

### B. The Domestic Share Offer

The Domestic Share Offer is made by the Offeror on the following basis:

**For each Domestic Share . . . . . RMB15.180660 in cash\***

\* *equivalent of the H Share offer price in RMB based on an exchange rate of HK\$1 = RMB0.83640, being the exchange rate announced by the People's Bank of China on the date of the Announcement.*

**The Offeror will not increase the consideration for the Domestic Share Offer as set out above and does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the consideration for the Domestic Share Offer.**

#### *Condition of the Domestic Share Offer*

The Domestic Share Offer is subject to the H Share Offer becoming or being declared unconditional in all respects. This condition cannot be waived in any event.

As the Domestic Share Offer is only conditional upon the H Share Offer becoming or being declared unconditional, if the H Share Offer is declared unconditional, the Domestic Share Offer will likewise become unconditional in all respects. There will be no circumstances that either of the Offers becomes or is declared unconditional, with the other not becoming or being declared unconditional. As such, this will have the same effect as if the Offers were inter-conditional.

### C. Irrevocable Undertakings

As at the Latest Practicable Date, there are 280,000,000 Shares in issue, of which there are (i) 70,000,000 H Shares, (ii) 159,659,640 Domestic Shares, and (iii) 50,340,360 Unlisted Foreign Shares. Certain Shareholders have entered into the Irrevocable Undertakings, a summary of which is set out below.

#### *In respect of the H Shares*

- (i) CTrip Hong Kong (an Offeror Concert Party) has irrevocably agreed and undertaken to the Offeror that, among other things, the H Share Offer does not have to be extended to it and even if it is extended to it, it will not accept the H Share Offer in respect of all the H Shares held by it, being 14,830,000 H Shares;



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (ii) GreenTree (an Independent H Shareholder) has irrevocably agreed and undertaken to the Offeror that, among other things, it will accept the H Share Offer in respect of all the H Shares held by it, being 13,870,000 H Shares;
- (iii) Rongtong (an Independent H Shareholder) has irrevocably agreed and undertaken to the Offeror that, among other things, it will accept the H Share Offer in respect of all the H Shares held by it, being 9,420,000 H Shares;
- (iv) GEM Holdings (an Independent H Shareholder) has irrevocably agreed and undertaken to the Offeror that, among other things, it will accept the H Share Offer in respect of all the H Shares held by it, being 3,784,600 H Shares; and
- (v) Rex Top (an Independent H Shareholder) has irrevocably agreed and undertaken to the Offeror that, among other things, it will accept the H Share Offer in respect of all the H Shares held by it, being 6,059,400 H Shares.

As at the Latest Practicable Date, taking into account the GreenTree Irrevocable Undertakings, the Rongtong Irrevocable Undertakings, the GEM Holdings Irrevocable Undertakings and the Rex Top Irrevocable Undertakings, the Offeror has received irrevocable undertakings with respect to 33,134,000 H Shares, representing approximately 62.73% of the H Shares held by the Independent H Shareholders, pursuant to which the relevant Independent H Shareholders have irrevocably agreed and undertaken to, among other things, accept the H Share Offer and support the Delisting.

### *In respect of the Domestic Shares*

- (i) Each of New Century Tourism (an Offeror Concert Party) and its controlling shareholder Mr. Chen Miaolin has irrevocably agreed and undertaken to the Offeror that, among other things, (a) New Century Tourism will not accept the Domestic Share Offer in respect of an aggregate of 116,595,873 Domestic Shares held by it; and (b) New Century Tourism will accept the Domestic Share Offer in respect of the remaining Domestic Shares held by it, being 9,080,307 Domestic Shares;
- (ii) each of Kairui Shiqi (an Offeror Concert Party) and its general partner Mr. Chen Miaoqiang has irrevocably agreed and undertaken to the Offeror that, among other things, Kairui Shiqi will accept the Domestic Share Offer in respect of all the Domestic Shares held by it, being 7,223,580 Domestic Shares;
- (iii) each of Kaihui Taiheng (an Offeror Concert Party) and its general partner Mr. Jin Wenjie has irrevocably agreed and undertaken to the Offeror that, among other things, the Domestic Share Offer does not have to be extended to Kaihui Taiheng and even if it is extended to it, Kaihui Taiheng will not accept the Domestic Share Offer in respect of all the Domestic Shares held by it, being 13,437,900 Domestic Shares;

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- (iv) each of Qianhe Qiju (an Offeror Concert Party) and its general partner Mr. Jin Wenjie has irrevocably agreed and undertaken to the Offeror that, among other things, Qianhe Qiju will accept the Domestic Share Offer in respect of all the Domestic Shares held by it, being 9,655,590 Domestic Shares; and
- (v) Ouling Bohui (an Offeror Concert Party) has irrevocably agreed and undertaken to the Offeror that, among other things, the Domestic Share Offer does not have to be extended to it and even if it is extended to it, it will not accept the Domestic Share Offer in respect of all the Domestic Shares held by it, being 3,666,390 Domestic Shares.

### *In respect of the Unlisted Foreign Shares*

- (i) Each of NC Hotels Investment (an Offeror Concert Party) and OC Hotels (an Offeror Concert Party) has irrevocably agreed and undertaken to the Offeror that, among other things, (a) no offer has to be extended to it if a voluntary conditional offer is made by the Offeror or its nominee; and (b) even if such offer is extended to it, it will not accept such offer in respect of the Unlisted Foreign Shares held by it (being 40,482,540 Unlisted Foreign Shares held by NC Hotels Investment and 9,857,820 Unlisted Foreign Shares held by OC Hotels).

Further details regarding the Irrevocable Undertakings and the shareholding structures of the Company are set out in the section headed “6. Irrevocable Undertakings” in the “Letter from UBS AG” and the sub-section headed “8.6 Shareholding structure of the Company” in the “Letter from the Board” contained in the Composite Document, respectively.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

### A. The Offers

#### *1. Background to and reasons for the Offers*

As stated in the sub-section headed “Reasons for and benefits of the Offers” in the “Letter from UBS AG” contained in the Composite Document, the Offeror considers that the H Share Offer will provide an opportunity to H Shareholders to realise their investment in the Company at a premium over the prevailing price of the H Shares. The offer price of HK\$18.15 per H Share represents a premium of approximately 23.9% over the average closing price of approximately HK\$14.64 per H Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Date. The average daily trading volume of the H Shares for the 60 trading days up to and including the Last Trading Date was approximately 29,153 H Shares per day, representing approximately 0.04% of the issued H Shares. The relatively low trading liquidity of the H Shares makes it difficult for H Shareholders to sell their shareholdings in large volume on the market. The H Share Offer will provide an opportunity for H Shareholders to realise their investment in the Company without suffering any illiquidity discount.

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As disclosed in the Company's interim report for the six months ended 30 June 2020, the outbreak of COVID-19 pandemic at the beginning of 2020 has seriously affected the hotel industries and caused significant decline in the occupancy rate and average daily rate across all classes of the Company's hotels. It is further set out in the abovementioned sub-section of the Composite Document that uncertainties to the Group's prospects and future financial performance persist. The Delisting, if completed, will provide the Company with flexibility to pursue certain strategic alternatives that it may not be practicable to pursue as a public company (i.e. the listing of the Company incurs administrative, compliance and other listing-related costs and expenses which, if eliminated, could be allocated towards further development of the Company's business; such may not be as practicable should the Company remain listed). Further, following the Delisting, the Company can be relieved from market expectations and share price fluctuations as a publicly listed company. The Offeror also considers that the Delisting will give the Offeror more flexibility to support the future business development of the Group without being subject to regulatory restrictions and compliance obligations arising from the listing status of the H Shares on the Stock Exchange. As set out in the "Letter from UBS AG" in the Composite Document, the Offeror intends to continue with the existing business of the Group and does not intend to make any major changes to the current business operations of the Group following completion of the Offers. Further details on the reasons and background of the Offers are stated in the sub-section headed "Reasons for and benefits of the Offers" in the "Letter from UBS AG" contained in the Composite Document.

### **2. Information and prospects of the Group**

#### *(i) Background of the Company*

The Company is a joint stock limited company established under the laws of the PRC with limited liability whose H Shares have been listed on the Main Board of the Stock Exchange since 11 March 2019. The Group is principally engaged in the operation and management of mid-scale to upscale hotel chains business and operates its business through two segments: hotel operation segment and hotel management segment. Revenue from the hotel operation segment is derived from the operation of the Group's own hotels and leased hotels. For the hotel management segment, the Group is mainly engaged in hotel full service management business and franchise management business. The Group mainly conducts its business in the Chinese domestic market.

#### *(ii) Financial information of the Group*

##### **(a) Financial performance and operating data of hotels in operation**

The following is a summary of the financial results of the Group for the three years ended 31 December 2018, 2019 and 2020 (2018 annual results having been extracted from the Company's 2019 annual report, and both 2019 and 2020 annual results having been extracted from the Company's 2020 annual results announcement).

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	<b>For the year ended 31 December</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<i>(Audited)</i> <i>(RMB'000)</i>	<i>(Audited)</i> <i>(RMB'000)</i>	<i>(Audited)</i> <i>(RMB'000)</i>
Revenue from contract with customers	1,597,716	1,927,980	1,797,968
– Hotel operation	1,408,008	1,690,081	1,628,981
– Hotel management	189,708	237,899	168,987
Profit for the year	26,644	204,974	189,069
Profit attributable to owners of the Company	19,673	202,405	186,787
Earnings per Share attributable to owners of the Company <i>(in RMB)</i>			
– Basic	0.07	0.76	0.89
– Diluted	0.07	0.76	0.89
Dividend per Share <i>(in RMB)</i>	nil	0.40	0.36
<b>Operating data of hotels in operation</b>			
– Average occupancy rate	41.9%-53.7%	57.1%-62.4%	52.4%-65.4%
– Annual daily room rate <i>(RMB/room)</i>	277.6-599.7	315.5-676.1	349.6-697.5
– Utilisation rate of seats for food and beverage services	51.7%	72.4%	73.0%
– Revenue per square room meter of banquet rooms <i>(RMB)</i>	8,738.7	10,378.7	13,518.8

**(1) Revenue**

*2019 vs 2018*

For the year ended 31 December 2019, the Group recorded revenue for the hotel operation segment of approximately RMB1,690.1 million, which accounted for approximately 87.7% of the Group's total revenue and representing a year-on-year increase of approximately 3.8% from approximately RMB1,629.0 million in 2018. The increase in revenue for the hotel operation segment was primarily due to (i) an approximately 8.4% increase in revenue from accommodation services; (ii) an approximately 17.4% increase in revenue from ancillary services (including, among other things, hotel-related value-added services and sales of goods and products); and (iii) an approximately 11.3% increase in rental income in 2019. Such increases were partially offset by an

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approximately 6.4% decrease in revenue from food and beverage services, which was largely due to the decrease in market demand for wedding banquet services in Zhejiang Province in 2019.

During the year ended 31 December 2019, revenue for the hotel management segment, which accounted for approximately 12.3% of the Group's total revenue, increased by approximately 40.8% from approximately RMB169.0 million in 2018 to approximately RMB237.9 million in 2019, mainly due to an approximately 49.6% increase in the number of managed hotels from 119 in 2018 to 178 in 2019.

### *2020 vs 2019*

For the year ended 31 December 2020, the Group's revenue generated from the hotel operation segment amounted to approximately RMB1,408.0 million, representing a decrease of approximately 16.7% as compared to the previous year. Such decrease was primarily due to (i) an approximately 23.0% decrease in revenue from accommodation services from approximately RMB805.9 million in 2019 to approximately RMB620.4 million in 2020; (ii) an approximately 11.8% decrease in revenue from ancillary services from approximately RMB243.1 million in 2019 to approximately RMB214.3 million in 2020; and (iii) an approximately 11.0% decrease in revenue from food and beverage services from approximately RMB600.2 million in 2019 to RMB534.2 million in 2020. The decrease in revenue for the hotel operation segment was largely due to travel restrictions related to the COVID-19 pandemic in the PRC, which led to a decrease in the room occupancy rate from 57.1% to 62.4% in 2019 to 41.9% to 53.7% in 2020, and a decrease in annual daily room rate from RMB315.5 to RMB676.1 in 2019 to RMB277.6 to RMB599.7 in 2020. This also caused year-on-year decrease in revenue from food and beverage and ancillary services.

For the year ended 31 December 2020, the Group recorded a revenue of approximately RMB189.7 million from the hotel management segment, representing a year-on-year decrease of approximately 20.3% comparing to revenue of approximately RMB237.9 million in 2019. Although the number of new managed hotels increased during 2020, after the outbreak of the pandemic, the Group proactively waived the management fees of all entrusted hotels from 24 January to 31 March 2020, and from April to June 2020, and the performance of each hotel also dropped significantly.

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### (2) Profit attributable to owners of the Company

#### *2019 vs 2018*

As set out in the table above, profit for the year and profit attributable to owners of the Company in 2019 was approximately RMB205.0 million and RMB202.4 million respectively. Profit for the year ended 31 December 2019 increased by approximately RMB15.9 million from approximately RMB189.1 million in 2018, representing a year-on-year increase of 8.4%. The improvement in the financial performance of the Group for the year ended 31 December 2019 was attributable to combined effects of, among other things, (a) increase in gross profit of approximately RMB96.9 million; (b) increase in other income and other gains of approximately RMB10.3 million; (c) increase in selling and marketing expenses of approximately RMB6.2 million; and (d) a net finance cost of approximately RMB70.4 million as compared to a net finance income of RMB330,000 in 2018.

#### *2020 vs 2019*

For the year ended 31 December 2020, profit for the year and profit attributable to the owners of the Company amounted to approximately RMB26.7 million and RMB19.7 million, respectively. Profit for 2020 decreased by approximately RMB178.3 million from approximately RMB205.0 million in 2019, representing a year-on-year decrease of 87.0%. Such decrease in profit for 2020 was mainly attributable to a combined effect of, among other things, (a) decrease in gross profit of approximately RMB230.4 million; (b) decrease in selling and marketing expenses of approximately RMB18.0 million; and (c) decrease in administrative expenses of approximately RMB3.5 million.

### (3) Earnings per Share

Basic and diluted earnings per Share for the financial years ended 31 December 2018, 2019 and 2020 was approximately RMB0.89, RMB0.76 and RMB0.07 respectively. The movements in the earnings per Share generally followed the movements of the Group's financial results and total number of issued Shares.

### (4) Dividends

Dividend per Share for the financial years ended 31 December 2018 and 2019 was RMB0.36 and RMB0.40 respectively. The Company's implied dividend yield based on the cash offer price of HK\$18.15 per H Share and the total dividend of the Company of RMB0.40 (equivalent to HK\$0.437062 as published on the website of the Stock Exchange) for the year ended 31 December 2019 was approximately 2.4%. No dividend was declared by the Company for the year ended 31 December 2020.

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(b) Financial position

Set out below is an extract of the financial position of the Group as at 31 December 2018, 2019 and 2020 (2018 financial position having been extracted from the Company's 2019 annual report, and both 2019 and 2020 financial position having been extracted from the Company's 2020 annual results announcement).

	As at 31 December		
	2020	2019	2018
	(Audited)	(Audited)	(Audited)
	(RMB'000)	(RMB'000)	(RMB'000)
Total assets	4,564,983	4,492,126	1,546,845
Total liabilities	3,018,217	2,902,083	872,900
Equity attributable to owners of the Company	1,486,162	1,578,471	663,848
Gearing ratio	49%	50%	12%

(1) **Total assets**

As at 31 December 2020, the Group's total assets were approximately RMB4,565.0 million. Assets of the Group mainly include (a) right-of-use assets of approximately RMB2,100.4 million; (b) restricted cashs and cash and cash equivalents of approximately RMB904.8 million; and (c) property, plant and equipment of approximately RMB790.7 million. The property, plant and equipment of the Group mainly include leasehold improvements, construction in progress, building and facilities, machinery and equipment, office and electronic equipment and vehicles. As at 31 December 2020, the Group owned two hotels with 382 hotel rooms, accounting for approximately 0.6% of the total hotel rooms in operation.

(2) **Total liabilities**

As at 31 December 2020, the Group recorded total liabilities amounted to approximately RMB3,018.2 million, which mainly consisted of (a) lease liabilities of approximately RMB2,241.4 million; (b) trade and other payables of approximately RMB442.1; and (c) contract liabilities of approximately RMB280.5 million.

(3) **Net assets**

The Group's consolidated net asset value as at 31 December 2020 amounted to approximately RMB1,546.8 million, with net asset value per Share of approximately RMB5.52. The cash offer price of HK\$18.15 per H Share represents a substantial premium of (i) approximately 203.7% to the unaudited consolidated net asset value per Share of approximately RMB5.0

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as at 30 June 2020; and (ii) approximately 174.8% to the audited consolidated net asset value per Share of approximately RMB5.52 as at 31 December 2020.

#### **(4) Gearing ratio**

The gearing ratio of the Group is calculated as total interest-bearing debt divided by total assets. As at 31 December 2020, the Group had total interest-bearing debt (i.e. the aggregate amount of lease liabilities) of approximately RMB2,241.4 million, and the gearing ratio of the Group was approximately 49%, as compared to approximately 50% as at 31 December 2019.

#### *(iii) Prospects of the Group*

The Group is principally engaged in the operation and management of mid-scale to upscale hotel chains business. The outbreak of the COVID-19 pandemic at around the beginning of 2020 imposed severe challenges on the tourism and hotel industries. As disclosed on the official website of the Ministry of Culture And Tourism of the People's Republic of China (中華人民共和國文化和旅游部), total revenue generated by all one-star to five-star hotels in the PRC amounted to approximately RMB190.8 billion in 2019 and approximately RMB118.9 billion in 2020, representing a year-on-year decrease of approximately 38%. Total revenue generated by all one-star to five-star hotels in the PRC in each of the four quarters of 2020 amounted to approximately RMB17.8 billion (1st quarter), RMB21.8 billion (2nd quarter), RMB36.9 billion (3rd quarter) and RMB42.4 billion (4th quarter) respectively. In the second half of 2020, the domestic hotel industry gradually recovered, and the hotel occupancy and revenue per available room of the Group were significantly improved as compared to those for the first half of 2020, but the Group still recorded a year-on year decrease in revenue and net profit attributable to owners of the Company of approximately 17.1% and 90.3% for the year ended 31 December 2020 respectively. For food and beverage services, demand for wedding banquets and conference services dropped due to impact of the COVID-19 pandemic. The utilisation rate of seats and revenue per square meter of banquet rooms of the Group decreased by approximately 20.7 percentage points and 15.8% respectively in 2020 as compared to last year.

Although as set out above, the domestic hotel industry in the PRC showed signs of revival in the second half of 2020, duration and effect of the restrictions due to the COVID-19 pandemic remained uncertain. Under the influence of the COVID-19 pandemic, the Group continues to implement various measures such as internal re-organisation to maintain better segregation of duties between different departments, system innovation of the management support system to improve operation efficiency, strengthening of operation management such as project development and marketing, and at the same time increasing strategic investment in order to enhance the Group's performance. Notwithstanding the measures implemented by the Group, the executive Directors of the Company consider, and



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we concur, as the duration and effects of the restrictions due to the COVID-19 pandemic remain uncertain (which in turn would affect demand for tourism and business travels), the Group continues to face challenging operating environment and uncertainties remain as regards the Group's prospects including the time required for the Group and the hotel industry to recover performance to the pre-pandemic level.

### ***3. Information on the Offeror and future plans for the Group***

The Offeror is a company incorporated in Hong Kong with limited liability and set up for the implementation of the Offers. The Offeror is wholly-owned by BidCo (a company incorporated in the Cayman Islands with limited liability). As at the Latest Practicable Date, BidCo is wholly-owned by Ocean Link. Upon payment of the Committed Investment Amount by each of Sequoia China and Ocean Link, BidCo will be owned as to 68% and 32% by Sequoia China and Ocean Link, respectively. Further details regarding the Offeror, Sequoia China and Ocean Link are set out in the sub-section headed "8.4 Information on the Offeror and other arrangements" in the "Letter from UBS AG" contained in the Composite Document.

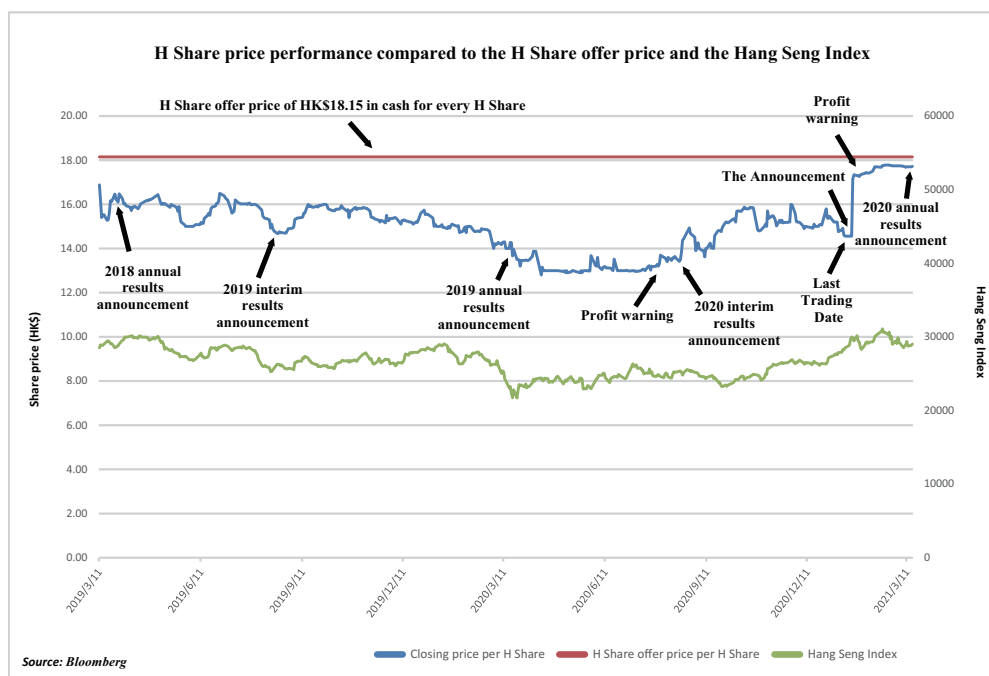
The Offeror intends to continue with the existing business of the Group and does not intend to make any major changes to the current business operations of the Group, including any redeployment of the fixed assets of the Company, following completion of the Offers. Save as disclosed in the sub-section headed "8.2 Proposed change of Board composition" in the "Letter from UBS AG" in the Composite Document, the Offeror does not intend to introduce any material changes in the management or the continued employment of the employees of the Group as a result of the Offers. The Company further understands from the Offeror that, as at the Latest Practicable Date, the proposed change of Board composition has not been decided, save for the appointment of Mr. Zheng Nanyan to be the Chairman of the Company as set out in the Composite Document. According to the information provided by the Offeror, Mr. Zheng Nanyan has relevant experience in the hospitality industry, including having founded 7 Days Group in 2004 and having served as chief executive officer of 7 Days Group from 2004 to 2019, having served as the chairman of Plateno Group Ltd. (which wholly owns 7 Days Group after its privatisation and launched a series of new mid-level and upscale hotel brands) from 2014 to 2019.

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### 4. Analysis of the H Share offer price

#### (i) Historical price performance of the H Shares

The chart below illustrates the daily closing price per H Share from 11 March 2019 (the listing date of the H Shares) up to and including the Latest Practicable Date (the “**Review Period**”), and the comparison of the H Share price performance with the H Share offer price of HK\$18.15 per H Share and the Hang Seng Index.



As illustrated in the chart above, H Share price closed below the H Share offer price of HK\$18.15 per H Share for all trading days since the H Shares were listed on the Main Board of the Stock Exchange. During the Review Period, the H Share price closed in a range of HK\$12.80 to HK\$17.78 per H Share, with an average of approximately HK\$15.05 per H Share. On the first day of listing of the H Shares (11 March 2019), the H Share price closed at HK\$16.88. The H Share offer price of HK\$18.15 per H Share represents a premium of approximately 7.5% over the H Share closing price of HK\$16.88 on the first day of listing of the H Shares.

Since 12 March 2019 and up to the end of 2019, the H Shares closing prices fluctuated between HK\$14.68 to HK\$16.50. The performance of the H Shares was generally in line with that of the Hang Seng Index during the same period. On 25 March 2019 (after trading hours), the Company released its annual results announcement for the year ended 31 December 2018, showing an increase in net profit by approximately 13.5% as compared to 2017.

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From January 2020 to early April 2020, the H Shares demonstrated a general downward trend, hitting the lowest closing price of HK\$12.80 on 14 April 2020. The Company released its annual results announcement for the year ended 31 December 2019 on 22 March 2020 (after trading hours), showing an increase in net profit of approximately 8.4% as compared to 2018.

The H Share prices closed in a narrow range of HK\$12.90 to HK\$13.70 from 15 April 2020 to 17 August 2020, despite the release of a profit warning announcement on 27 July 2020 (after trading hours), stating that the Group's consolidated results for the six months ended 30 June 2020 may record a net loss in the range of approximately RMB90 million to RMB100 million as compared to a net profit of approximately RMB80.9 million for the corresponding period in 2019. On 18 August 2020 (after trading hours), the Company released its interim results announcement for the six months ended 30 June 2020, showing a net loss of approximately RMB90.7 million as compared to a net profit of RMB80.9 million for the six months ended 30 June 2019. Such loss was mainly due to the decrease in occupancy rate under the outbreak of the COVID-19 pandemic since early 2020. The H Share price then fluctuated in a range between HK\$13.48 to HK\$16.00 before trading of the H Shares was suspended on 19 January 2021, pending publication of the Announcement.

On 20 January 2021 (after trading hours), the Company published the Announcement. Trading in the H Shares resumed on 21 January 2021 and the H Shares closed at HK\$17.14, representing an increase of approximately 17.7% comparing to the H Share closing price on the Last Trading Date (i.e. 18 January 2021). While such increase in the H Share price is, in our view, likely to be driven by the Offers, there is no assurance that the price of the H Shares will remain at the current level if the Offers are withdrawn or lapsed. From 22 January 2021 to 1 February 2021, the H Shares prices fluctuated in a narrow range between HK\$17.26 to HK\$17.40. On 1 February 2021 (after trading hours), the Company published a profit warning announcement, stating that, among others, the sharp decline in net profit for the year ended 31 December 2020 was mainly due to the huge impact on the hotel industry caused by the outbreak of the COVID-19 pandemic in early 2020. From 2 February 2021 to 15 March 2021, the H Shares prices fluctuated in a range between HK\$17.42 to HK\$17.78. On 15 March 2021 (after trading hours), the Company published its 2020 annual results announcement, showing a year-on-year decrease of approximately 87.0% in the Company's profit in 2020. The H Shares closed at HK\$17.72 as at the Latest Practicable Date. The H Share offer price of HK\$18.15 per H Share represents a premium of approximately 2.4% over the H Share closing price on the Latest Practicable Date.

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(ii) *Trading liquidity*

As at the Latest Practicable Date, all H Shares are held in public hands. Set out in the table below are the monthly total trading volume of the H Shares and the percentages of such volume to the total number of issued H Shares and issued Shares during the Review Period:

	<b>Monthly total trading volume of the H Shares (Note 1)</b>	<b>Percentage of the monthly total trading volume of the H Shares to the total issued H Shares (Note 2)</b>	<b>Percentage of the monthly total trading volume of the H Shares to the total issued Shares (Note 2)</b>
<b>2019</b>			
March (since listing of the H Shares)	12,427,400	17.75%	4.44%
April	2,716,000	3.88%	0.97%
May	1,277,400	1.82%	0.46%
June	1,026,900	1.47%	0.37%
July	1,106,200	1.58%	0.40%
August	766,600	1.10%	0.27%
September	1,101,800	1.57%	0.39%
October	943,800	1.35%	0.34%
November	854,200	1.22%	0.31%
December	592,200	0.85%	0.21%

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	<b>Monthly total trading volume of the H Shares (Note 1)</b>	<b>Percentage of the monthly total trading volume of the H Shares to the total issued H Shares (Note 2)</b>	<b>Percentage of the monthly total trading volume of the H Shares to the total issued Shares (Note 2)</b>
<b>2020</b>			
January	316,600	0.45%	0.11%
February	236,700	0.34%	0.08%
March	181,700	0.26%	0.06%
April	1,615,400	2.31%	0.58%
May	835,000	1.19%	0.30%
June	1,267,800	1.81%	0.45%
July	779,200	1.11%	0.28%
August	908,400	1.30%	0.32%
September	775,000	1.11%	0.28%
October	655,400	0.94%	0.23%
November	783,800	1.12%	0.28%
December	517,600	0.74%	0.18%
<b>2021</b>			
January	1,197,400	1.71%	0.43%
February	358,600	0.51%	0.13%
From 1 March 2021 to the Latest Practicable Date	265,200	0.38%	0.09%

*Notes:*

1. Source: Bloomberg
2. The calculation is based on the monthly total trading volume of the H Shares divided by the total issued H Share or the total issued share capital of the Company at the end of each month (or at the Latest Practicable Date for March 2021).

In the first month of the listing of the H Shares on the Stock Exchange (from 11 March 2019 to 31 March 2019), the total trading volume of the H Shares was 12,427,400 H Shares, representing approximately 17.75% of the total issued H Shares and 4.44% of the total issued Shares. In April 2019, the percentages of the monthly total trading volume of the H Shares to the total issued H Shares and total issued Shares were 3.88% and 0.97% respectively.

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During the period from May 2019 to February 2021, the monthly total trading volume of the H Shares represented approximately 0.26% to 2.31% to the total issued H Shares, and the percentages of the monthly total trading volume of the H Shares to the total issued Shares were within the range of approximately 0.06% to 0.58%. From 1 March 2021 to the Latest Practicable Date, the total trading volume of the H Shares was 265,200 H Shares, representing approximately 0.38% of the total issued H Shares and 0.09% of the total issued Shares.

Given the generally low liquidity of the H Shares (save for that in the first month of listing of the H Shares), if the Independent H Shareholders wish to realise their investments in the Company within a short period in the market, especially those with a significant number of H Shares, it is possible that a downward pressure would be exerted on the market price of the H Shares. The H Share Offer provides an exit alternative for the Independent H Shareholders who would like to realise their investments in the Company at a fixed cash price without disturbing the market price.

*(iii) H Share offer price comparisons*

The cash offer price of HK\$18.15 per H Share offered under the H Share Offer represents:

- a premium of approximately 10.0% over the offer price of HK\$16.50 per H Share for the global offering of the H Shares in March 2019;
- a premium of approximately 2.4% over HK\$17.72 which is the closing price per H Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 24.7% over HK\$14.56 which is the closing price per H Share as quoted on the Stock Exchange on the Last Trading Date;
- a premium of approximately 23.9% over HK\$14.64 which is the average closing price per H Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Date;
- a premium of approximately 20.8% over HK\$15.03 which is the average closing price per H Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Date;
- a premium of approximately 20.3% over HK\$15.08 which is the average closing price per H Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Date; and

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- a premium of approximately 27.7% over HK\$14.21 which is the average closing price per H Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Date.

In summary, the cash offer price of HK\$18.15 per H Share represents (a) a premium of approximately 10% over the offer price of HK\$16.50 per H Share for the global offering of the H Shares in March 2019; (b) premia in a range of approximately 20.3% to 27.7% over the average closing H Share prices for different periods up to and including the Last Trading Date; and (c) a premium of approximately 203.7% and 174.8% to the unaudited consolidated net asset value per Share as at 30 June 2020 and the audited consolidated net asset value per Share as at 31 December 2020 respectively. The H Shares closed at HK\$17.72 per H Share on the Latest Practicable Date, the H Share offer price represents a premium of approximately 2.4% over it.

*(iv) Peer company analysis*

As mentioned in the sub-section headed “Background of the Company” of this letter, the Group is principally engaged in hotel operation and management business in the Chinese domestic market. Accordingly, we have conducted a search on Bloomberg for listed companies which (i) are classified as lodging sector under the Bloomberg Industry Classification Standard; (ii) generate at least 90 percent of their group’s total revenue from hotel operation and management business for their respective latest financial year; and (iii) generate a majority (>50%) of their group’s total revenue from mainland China market in the same financial year (the “**Comparable Companies**”). Considering the above, we are of the view that the selection of the Comparable Companies in the following table based on the aforementioned criteria is fair and representative, while allowing a sufficient number of Comparable Companies to be obtained for a meaningful peer company analysis.

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The Comparable Companies set out below represent an exhaustive list of companies comparable to the Company based on the above criteria.

Company name (stock code)	Closing market capitalisation <sup>(1)</sup> <i>(Approximate HK\$ million)</i>	Historical P/E(2019) ratio <sup>(2)</sup> <i>(Approximate times)</i>	Historical P/E(TTM) ratio <sup>(3)</sup> <i>(Approximate times)</i>	Historical P/B ratio <sup>(4)</sup> <i>(Approximate times)</i>
Huazhu Group Limited (HTHT. NASDAQ; 1179.HK)	144,385	71.9	NM	12.8
Shanghai Jin Jiang International Hotels Co., Ltd. (600754.SH; 900934.SH)	50,228	40.5	87.1	3.4
BTG Hotels (Group) Co., Ltd (600258.SH)	31,947	31.8	NM	3.4
GreenTree Hospitality Group Ltd. (GHG.NYSE)	10,426	20.8	37.4	4.5
Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd. (000613.SZ; 200613.SZ)	1,717	2,000.2*	NM	21.6
Greater Bay Area Dynamic Growth Holding Limited (1189.HK)	156	NM	NM	0.1
Minimum		20.8	37.4	0.1
Maximum		71.9	87.1	21.6
Average		41.3	62.2	7.6
Median		36.2	62.2	3.9
<b>The Company</b>	4,077 <sup>(5)</sup>	21.0 <sup>(6)(9)</sup>	216.4 <sup>(7)(9)</sup>	2.9 <sup>(8)(9)</sup>

*TTM: trailing twelve months*

*NM: not meaningful due to net loss or net liability position*

*Notes:*

- (1) *Sourced from Bloomberg as at 4:10 p.m. (Hong Kong market closing time) on the Latest Practicable Date.*
- (2) *Calculated based on the market capitalisation as at 4:10 p.m. (Hong Kong market closing time) on the Latest Practicable Date and net income available to common equity (for the year of 2019) of the respective Comparable Company, both sourced from Bloomberg.*
- (3) *Calculated based on the market capitalisation as at 4:10 p.m. (Hong Kong market closing time) on the Latest Practicable Date and net income available to common equity (on a trailing twelve months basis) of the respective Comparable Company, both sourced from Bloomberg.*



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- (4) *Calculated based on the market capitalisation as at 4:10 p.m. (Hong Kong market closing time) on the Latest Practicable Date and total equity before minority interest (based on latest published financial statements) of the respective Comparable Company, both sourced from Bloomberg.*
  - (5) *Calculated based on the closing price per H Share of HK\$14.56 and 280,000,000 Shares in issue as at the Last Trading Date.*
  - (6) *The implied P/E (2019) ratio of the Company is calculated based on the H Share offer price of HK\$18.15 per H Share, the total number of Shares in issue as at the Latest Practicable Date, and the profit attributable to owners of the Company for the year ended 31 December 2019.*
  - (7) *The implied P/E (TTM) ratio of the Company is calculated based on the H Share offer price of HK\$18.15 per H Share, the total number of Shares in issue as at the Latest Practicable Date, and the trailing twelve months profit attributable to owners of the Company for the year ended 31 December 2020. As the basis of trailing twelve months profits was also adopted in the calculations for the Comparable Companies and there are only two P/E ratios from the Comparable Companies on a trailing twelve months basis (where the P/E ratio of Shanghai Jin Jiang International Hotels Co., Ltd. is approximately 87 times), there is insufficient indication to conclude that the implied P/E (trailing twelve months) ratio of the Company is an outlier.*
  - (8) *The implied P/B ratio of the Company is calculated based on the H Share offer price of HK\$18.15 per H Share, the total number of Shares in issue as at the Latest Practicable Date, and the equity attributable to owners of the Company as at 31 December 2020.*
  - (9) *Calculated based on an exchange rate of HK\$1 = RMB0.83754, being the exchange rate announced by the People's Bank of China as at the Latest Practicable Date.*
- \* *Excluded in the calculation of minimum/maximum/average/median value as an outlier.*

As set out in the table above, the implied P/E ratio (based on 2019 earnings) and implied P/B ratio of the Company at the H Share offer price of approximately 21.0 times and 2.9 times, respectively, are within the range of the corresponding ratios of the Comparable Companies (although below the averages and medians of the corresponding ratios of the Comparable Companies). As set out in the paragraph headed “Financial information of the Group” above, the profit attributable to owners of the Company decreased significantly in 2020 year-on-year under the huge impact imposed by the COVID-19 pandemic. In addition to the Group, the financial performance of the Comparable Companies was also adversely affected by the COVID-19 pandemic. Amid recent challenging operating environment faced by the hotel industry, the implied P/E ratio (based on trailing twelve months) of the Company at the H Share offer price of HK\$18.15 per H Share is approximately 216.4 times, whereas the historical P/E ratio of Shanghai Jin Jiang International Hotels Co., Ltd. and GreenTree Hospitality Group Ltd. are approximately 87.1 times and 37.4 times respectively. The historical P/E ratio of the remaining Comparable Companies cannot be calculated due to their loss-making position (based on trailing twelve months). While the implied P/E ratio of the Company appears to be high on a trailing twelve months basis, the use of trailing twelve months earnings reflects the most recent financial data available to the market. In contrast to the earnings based on 2019, which reflect the pre-COVID-19 pandemic earnings, earnings based on trailing twelve months generally reflected the earnings with the direct impact of COVID-19 pandemic on the hotel industry. Given the direct impact of COVID-19 pandemic on earnings in the hotel industry generally, we consider that comparing P/E ratios

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based on trailing twelve months earnings provide a more complete picture for Shareholders' information. In addition, considering that the Comparable Companies have similar characteristics of the Company in terms of industry classification, business segment and geographic segment, and P/B ratio is a commonly adopted multiple in peer company analysis, we are of the view that a comparison between the Company and the Comparable Companies based on P/B ratio is also meaningful for the purpose of this peer company analysis.

(v) *Privatisation precedents*

We have compared the H Share Offer to privatisation proposals of companies listed on the Main Board of the Stock Exchange announced since 1 January 2019 and up to the Latest Practicable Date, excluding privatisation proposals (i) which were not/yet to be approved (or, where applicable, required acceptance level were not/yet to be achieved), or failed; or (ii) without a cash cancellation consideration (the “**Privatisation Precedents**”), which represents an exhaustive list of privatisation proposals we were able to identify from the Stock Exchange's website satisfying the above selection criteria. The table below illustrates the premia/discounts represented by the cancellation consideration/offer price over/to the respective last trading day and respective last 5 trading days, last 30 trading days, last 90 trading days, last 180 trading days average share prices in respect of such privatisation proposals:

Date of Rule 3.5/3.7 announcement	Company (stock code)	Premium/(discount) of offer price/cancellation price* over/to closing/average share price on/over				
		Last trading day <sup>(1)(2)</sup>	5 trading days <sup>(1)(2)</sup>	30 trading days <sup>(1)(2)</sup>	90 trading days <sup>(1)(2)</sup>	180 trading days <sup>(1)(2)</sup>
22-Dec-20	Huifu Payment Limited (1806)	26.8%	39.1%	47.0%	44.9%	45.7%
18-Dec-20	SHK Hong Kong Industries Limited (666)	50.0%	54.4%	57.1%	69.4%	71.5%
13-Nov-20	CAR Inc.(699)	18.0%	22.3%	52.2%	57.1%	44.9%
30-Oct-20	Tonly Electronics Holdings Limited (1249)	19.0%	19.7%	28.0%	35.8%	59.4%
15-Oct-20	Shanghai Prime Machinery Company Limited (2345)	68.4%	101.0%	110.9%	129.8%	138.4%
4-Oct-20	CIMC-TianDa Holdings Company Limited (445)	20.4%	21.9%	18.5%	36.8%	40.3%
27-Sep-20	China ZhongDi Dairy Holdings Company Limited (1492)	11.0%	16.9%	22.8%	77.6%	124.7%
24-Sep-20	AMVIG Holdings Limited (2300)	51.4%	51.6%	56.5%	56.1%	40.5%
7-Sep-20	Changshouhua Food Company Limited (1006)	16.4%	22.2%	43.2%	65.8%	59.1%
27-Aug-20	Leyou Technologies Holdings Limited (1089)	4.5%	5.9%	8.3%	24.6%	29.1%

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Date of Rule 3.5/3.7 announcement	Company (stock code)	Premium/(discount) of offer price/cancellation price* over/to closing/average share price on/over				180 trading days <sup>(1)(2)</sup>
		Last trading day <sup>(1)(2)</sup>	5 trading days <sup>(1)(2)</sup>	30 trading days <sup>(1)(2)</sup>	90 trading days <sup>(1)(2)</sup>	
29-Jul-20	Xinghua Port Holdings Ltd. (1990)	23.7%	31.3%	55.2%	124.8%	142.9%
8-Jul-20	O-Net Technologies (Group) Limited (877)	23.6%	24.7%	24.6%	34.3%	43.2%
2-Jul-20	Vantage International (Holdings) Limited (15)	80.0%	90.7%	119.5%	104.1%	78.6%
21-Jun-20	China Baofeng (International) Limited (3966)	27.5%	57.8%	52.3%	38.9%	30.7%
17-Jun-20	Golden Meditech Holdings Limited (801)	41.9%	48.6%	61.3%	39.1%	21.6%
12-Jun-20	Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited (6139)	30.4%	57.8%	82.6%	64.6%	38.0%
5-Jun-20	Capxon International Electronic Company Limited (469)	79.1%	89.3%	88.4%	76.1%	54.6%
1-Jun-20	Huadian Fuxin Energy Corporation Limited (816)	65.6%	82.2%	87.9%	85.3%	75.8%
20-Apr-20	Allied Properties (H.K.) Limited (56)(“ <b>Allied Properties</b> ”) <sup>(3)</sup>	34.3%	36.6%	39.5%	30.1%	22.7%
3-Apr-20	Elec & Eltek International Company Limited (1151)(“ <b>Elec &amp; Eltek</b> ”) <sup>(4)</sup>	67.5%	46.5%	39.0%	42.5%	51.8%
20-Mar-20	Li & Fung Limited (494)	150.0%	157.7%	95.2%	62.1%	43.3%
20-Jan-20	BBI Life Sciences Corporation (1035)	16.3%	23.8%	42.5%	47.9%	56.7%
12-Dec-19	Joyce Boutique Group Limited (647)	91.8%	91.3%	82.2%	50.1%	32.2%
27-Nov-19	China Agri-Industries Holdings Limited (606)	34.1%	35.6%	53.2%	72.5%	70.0%
1-Nov-19	Springland International Holdings Limited (1700)	63.1%	67.9%	56.8%	53.2%	48.6%
20-Oct-19	Dah Chong Hong Holdings Limited (1828)	37.5%	37.3%	54.9%	54.2%	41.5%
3-Oct-19	Huaneng Renewables Corporation Limited (958)	46.1%	51.0%	55.7%	51.3%	45.3%
2-Oct-19	AVIC International Holdings Limited (161)	29.1%	43.8%	81.3%	100.2%	92.1%
12-Aug-19	TPV Technology Limited (903)	41.4%	46.8%	54.5%	87.4%	138.8%

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Date of Rule 3.5/3.7 announcement	Company (stock code)	Premium/(discount) of offer price/cancellation price* over/to closing/average share price on/over				
		Last trading day <sup>(1)(2)</sup>	5 trading days <sup>(1)(2)</sup>	30 trading days <sup>(1)(2)</sup>	90 trading days <sup>(1)(2)</sup>	180 trading days <sup>(1)(2)</sup>
27-Jun-19	Asia Satellite Telecommunications Holdings Limited (1135)	23.4%	31.5%	44.4%	56.5%	71.0%
18-Jun-19	C.P. Lotus Corporation (121)	10.0%	10.2%	29.4%	26.5%	21.9%
14-Jun-19	China Automation Group Limited (569)	24.0%	27.3%	47.8%	46.6%	42.5%
4-Apr-19	China Hengshi Foundation Company Limited (1197)	10.6%	14.6%	17.5%	24.4%	27.5%
28-Mar-19	China Power Clean Energy Development Company Limited (735)	41.9%	54.9%	78.4%	101.8%	88.8%
	Maximum	150.0%	157.7%	119.5%	129.8%	142.9%
	Minimum	4.5%	5.9%	8.3%	24.4%	21.6%
	Average	40.5%	47.5%	55.5%	60.9%	59.8%
	Median	32.3%	41.5%	53.8%	55.2%	47.2%
	<b>The Company</b>	24.7%	23.9%	20.8%	20.3%	27.7%

Source: Bloomberg and the Stock Exchange website, as at 4:10 p.m. (Hong Kong market closing time) on the Latest Practicable Date.

Notes:

- (1) Subject to rounding differences.
- (2) Up to and including the last trading day of the shares prior to the publication of the Rule 3.5 announcement or Rule 3.7 announcement (where applicable).
- (3) The relevant premia of Allied Properties are calculated based on a total price representing the aggregate of the scheme consideration and a special dividend.
- (4) The relevant premia of Elec & Eltek are calculated based on the ex-dividend offer price.

\* Unadjusted unless otherwise stated.

Based on the table above, the premia represented by the H Share offer price of HK\$18.15 per H Share over the closing H Share prices for different periods up to and including the last trading day, which ranged from approximately 20.3% to 27.7%, were within the corresponding range of premia of the Privatisation Precedents (save for the average share price over 90 trading days up to and including the last trading day), despite being lower than the corresponding average (which ranges from approximately 40.5% to 60.9%) and median (which ranges from approximately 32.3% to 55.2%).

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The terms of the privatisation proposals set out above provide, in our view, a general guide to the premium over market prices needed in Hong Kong to secure a successful privatisation, i.e. how much the shareholders are being offered and the level of premium that is acceptable to shareholders in terms of historical share price ranges. Analysis of privatisation precedents is widely used in assessing the pricing of privatisation proposals in Hong Kong. Although the business nature and scale of each company vary and some aspects of pricing are likely to be industry-specific, this analysis, in our view, demonstrates the pricing of recent successful privatisations of Main Board listed companies in Hong Kong (with cash cancellation consideration offered both in the H Share Offer and the Privatisation Precedents which were approved) under recent market sentiment. Accordingly, we regard the Privatisation Precedents as a relevant benchmark for acceptable privatisation premium range in the market and one of the factors we consider meaningful in assessing the fairness and reasonableness of the H Share offer price of HK\$18.15 per H Share.

### **B. The Shareholders Arrangement**

#### *(i) Background*

As set out in the “Letter from UBS AG” in the Composite Document, on 18 January 2021, Mr. Chen Miaolin, New Century Tourism, Kaihui Taiheng, OC Hotels, NC Hotels Investment, Ouling Bohui, CTrip Hong Kong, the Offeror and the Company entered into the Company Shareholders’ Agreement in respect of the governance of the Company, which is intended to take full effect on the date that is 4 business days after the date that the H Share Offer becomes unconditional in all respects. As the Shareholders Arrangement is available only to the Chen Group, Kaihui Taiheng, OC Hotels, NC Hotels Investment, Ouling Bohui and CTrip Hong Kong, and is not offered to all Shareholders, the Shareholders Arrangement constitutes a special deal under Rule 25 of the Takeovers Code and requires the consent of the Executive under Rule 25 of the Takeovers Code. The Offeror has made an application to the Executive for its consent to the Shareholders Arrangement, and such consent, if granted, will be conditional on (i) an opinion from the independent financial adviser to the Independent Board Committee confirming that the Shareholders Arrangement is fair and reasonable; and (ii) the passing of an ordinary resolution by the Independent H Shareholders at the EGM to approve the Shareholders Arrangement under the Takeovers Code.

Further details on the shareholding structuring of the Company as at the Latest Practicable Date, immediately after completion of the Offers and immediately after the Call Option Completion (assuming the Offers are fully accepted, taking into account the undertakings given by the relevant Shareholders under the Irrevocable Undertakings, and the total issued share capital of the Company remains unchanged) are set out in the “Letter from the Board” contained in the Composite Document.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(ii) *Principal terms*

A summary of the key terms of the Company Shareholders' Agreement is set out below. Further details with respect to the Shareholders Arrangement are set out in the "Letter from UBS AG" in the Composite Document.

- (a) **Voting rights.** Each Share shall carry one vote each.
- (b) **Board composition.** On and with effect from the date of Delisting and prior to the Call Option Completion, each of the Offeror and New Century Tourism shall have the right to appoint three Directors on the Board, and CTrip Hong Kong shall have the right to appoint one Director. Immediately following the Call Option Completion, each of the Offeror, New Century Tourism and CTrip Hong Kong shall have the right to appoint four Directors, two Directors and one Director, respectively. The Board shall be responsible for the overall direction and management of the Group, subject to a limited number of matters requiring shareholders' approval under applicable laws and regulations of the PRC.
- (c) **Share transfer restrictions.** Each of Mr. Chen Miaolin and New Century Tourism shall be subject to a 3-year lock-up in respect of transfers of Shares. The lock-up does not apply to any transfer of Shares pursuant to the Call Option and is subject to certain customary carve-outs.
- (d) **Right of first refusal, drag-along and tag-along.** The parties (other than the Company) shall have customary rights of first refusal, drag-along rights and tag-along rights. The rights of first refusal, drag-along rights and tag-along rights do not apply to any transfer of Shares pursuant to the Call Option.
- (e) **Pre-emption rights.** Each of the parties (other than the Company) shall have customary pre-emptive rights (on a pro rata basis based on its percentage ownership in the Company) with respect to the issuance of new equity securities by the Company, subject to customary exceptions.
- (f) **Non-compete undertakings from Mr. Chen Miaolin and New Century Tourism.** Each of Mr. Chen Miaolin and New Century Tourism jointly and severally undertakes to the other parties that for so long as they or any of their affiliates remains a Shareholder and for two (2) years after they or their affiliates cease to hold any Share, he or it will not, whether directly or indirectly, carry on, engage, invest, participate or otherwise be interested in any business that competes with the business of any member of the Group including but not limited to operating or managing hotels in the PRC (the "**Restricted Business**"), provided that Mr. Chen Miaolin, New Century Tourism and their affiliates taken together may hold passive investment interests of below 10% of the securities of a company conducting any Restricted Business.

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### *(iii) Our view*

As advised by the executive Directors, Mr. Chen Miaolin (the founder and together with New Century Tourism, the current controlling Shareholder of the Company) and Mr. Jin Wenjie (an executive Director and the general partner of Kaihui Taiheng), have played pivotal roles in the strategic direction and management of the Company in the past. Both of them have extensive operational expertise and an in-depth understanding of the core business of the Company and are important to the operation and business performance of the Company. The remaining existing Shareholders who are parties to the Company Shareholders' Agreement have been long-term strategic investors of the Company prior to/upon the listing of the H Shares. It is important, from the Offeror's perspective, to retain them as Shareholders to continue to contribute to the development of the Company after the Delisting. On the other hand, regulations relating to minority protection applicable to listed companies on the Stock Exchange would no longer be applied to the Company post Delisting. Given the reduced protection, potential risks in investing in an unlisted company and difficulties in realising their shareholdings in a unlisted company due to lack of public trading in the Shares, we consider not extending the Shareholders Arrangement to the Independent H Shareholders is acceptable in these circumstances.

The Company Shareholders' Agreement sets out, among other things, the principal terms with respect to governance of the Company and the rights and obligations of the parties after the H Share Offer becomes unconditional in all respects. The approval by the Independent H Shareholders of the Shareholders Arrangement at the EGM is one of the condition precedents of the H Share Offer. The key terms of the Company Shareholders' Agreement, in our view, are not uncommon in arrangements of similar nature among shareholders for the purpose of governing a company. In terms of management of the Company, there are provisions in the Company Shareholders' Agreement setting out entitlement of voting right for each Share in the Company, responsibility of the Board, power to nominate directors of the board by key shareholders, as well as specific matters requiring shareholders' approval under applicable laws and regulations of the PRC. Further, the share transfer restrictions on each of Mr. Chen Miaolin and New Century Tourism and the non-compete undertakings are commonly adopted mechanisms for protecting the interests of the Company.

Taking into account (a) the reasons for the Shareholders Arrangement and we consider not extending the Shareholders Arrangement to the Independent H Shareholders acceptable for the reasons as discussed above; (b) the purpose of the Company Shareholders' Agreement, that is, to set out rights and obligations of the parties with respect to the governance of the Company which is intended to take effect after the H Share Offer becomes unconditional in all respects; (c) the key terms of the Company Shareholders' Agreement are not uncommon in the context and for its purpose set out above; and (d) the offer price of the H Share Offer is considered fair and reasonable (the basis of which is set out in the section headed "Discussion" of this letter below) and the H Share Offer allows the Independent H Shareholders to realise their investment at a premium to the Company's historical H Share prices and net asset

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value per Share, we are of the view that the Shareholders Arrangement, the approval of which is a condition to the H Share Offer, is fair and reasonable so far as the Independent H Shareholders are concerned.

### DISCUSSION

#### In respect of the Offers

##### *(i) Challenging operating environment faced by the Group*

As set out in the paragraph headed “Financial information of the Group” above, the Group’s 2020 financial performance and operations have been adversely affected by the outbreak of the COVID-19 pandemic. The Group recorded a decrease in revenue and net profit attributable to owners of the Company of approximately 17.1% and 90.3% for the year ended 31 December 2020 respectively comparing to 2019, despite in the second half of 2020, the domestic hotel industry gradually recovered, and the hotel occupancy and revenue per available room of the Group significantly improved as compared to those of the first half of 2020. No dividend was declared by the Company for the year ended 31 December 2020. Although the domestic hotel industry in the PRC showed signs of revival in the second half of 2020, duration and effect of the restrictions due to the COVID-19 pandemic (which in turn would affect demand for tourism and business travels), and hence the impact on the Group’s prospects including the time required for the Group and the hotel industry to recover performance to the pre-pandemic level remained uncertain. The Offers provide, in our view, an opportunity to the Shareholders to realise their investment in the Company amid these uncertainties, through receiving a fixed cash consideration at a premium over historical H Share prices and net assets value per Share (as further discussed below).

##### *(ii) Premium over market price of H Shares*

The offer price under the H Share Offer is HK\$18.15. The offer price for each Domestic Share is the equivalent of the H Share offer price in RMB (i.e. RMB15.180660). **The Offeror will not increase the consideration for the H Share Offer and the Domestic Share Offer and does not reserve the right to do so.** The H Share offer price of HK\$18.15 per H Share exceeds the closing Share prices during the entire Review Period, with a premium of approximately 10% over the offer price of HK\$16.50 per H Share for the global offering of the H Shares in March 2019. The H Share offer price represents premia in a range of approximately 20.3% to 27.7% over the average closing Share prices for different periods up to and including the Last Trading Date. The H Shares closed at HK\$17.72 per Share on the Latest Practicable Date, which we consider showing the market price is being principally determined by the H Share offer price and may not remain at current level if the Offers are withdrawn or lapsed. The H Share offer price of HK\$18.15 represents a premium of approximately 2.4% over the closing H Share price on the Latest Practicable Date.

The Domestic Share Offer price of RMB15.180660 in cash is equivalent of the H Share offer price in RMB based on an exchange rate announced by the People’s Bank of China on the date of the Announcement.



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*(iii) H Share offer price represents substantial premia over net assets*

The H Share offer price represents premia of approximately 203.7% and 174.8% over the net asset value per Share as at 30 June 2020 and 31 December 2020, respectively, which we consider favourable to the Independent H Shareholders.

*(iv) Trading volume thin*

Trading in the H Shares was generally low during the Review Period (save for that in the first month of its listing). Accordingly, if the Independent H Shareholders (especially those with sizable shareholdings) wish to sell a significant number of H Shares within a short period in the market, it is possible that a downward pressure would be exerted on the market price of the H Shares. The H Share Offer provides an opportunity for the Independent H Shareholders (especially those with sizable shareholdings) to realise their investments in the Company for cash at a premium if they so wish.

*(v) Peer company analysis*

The implied P/E ratio (based on 2019 earnings) and implied P/B ratio of the Company at the H Share offer price of approximately 21 times and 2.9 times, respectively, are within the range of the corresponding ratios of the Comparable Companies (although below the averages and medians of the corresponding ratios of the Comparable Companies). The outbreak of the COVID-19 pandemic has adversely affected the hotel industry and individual financial performance of the Group and the Comparable Companies. The implied P/E ratio (based on trailing twelve months) of the Company at the H Share offer price of HK\$18.15 per H Share is approximately 216.4 times, whereas those of Shanghai Jin Jiang International Hotels Co., Ltd. and GreenTree Hospitality Group Ltd. are approximately 87.1 times and 37.4 times respectively. The historical P/E ratio of the remaining Comparable Companies cannot be calculated due to their loss-making position (based on trailing twelve months).

*(vi) Privatisation precedents*

As set out in the paragraph headed “Privatisation precedents” of this letter above, the terms of the privatisation proposals provide, in our view, a general guide to the premium over market prices needed in Hong Kong to secure a successful privatisation. The premia represented by the H Share offer price of HK\$18.15 per H Share over the closing H Share prices for different periods up to and including the last trading day, which range from approximately 20.3% to 27.7%, were within the corresponding ranged of acceptable privatisation premia in the market as demonstrated by the Privatisation Precedents (save for the average share price over 90 trading days up to and including the last trading day), despite being lower than the corresponding average (which ranges from approximately 40.5% to 60.9%) and median (which range from approximately 32.3% to 55.2%).

In view of the factors summarised in this section above, taking into account that (i) uncertainties and challenges remain with respect to the Group’s operating environment and speed of recovery of its performance as discussed in this letter above; (ii) the H Share offer price represents premia in a range of approximately 20.3% to 27.7% over the average closing Share prices for different periods up to and including the Last Trading Date; (iii) the

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H Share price closed below the H Share offer price of HK\$18.15 per H Share for all trading days since the H Shares were listed on the Main Board of the Stock Exchange in March 2019; and the H Share offer price represents a premium of approximately 10% over the offer price of HK\$16.50 per H Share for the global offering of the H Shares; (iv) the H Share offer price represents significant premium over the Company's net asset value per Share as at 31 December 2020 of approximately 174.8%; (v) the trading volume of the H Shares has been low in general (save for that in the first month of its listing) and the H Share Offer provides an opportunity for the Independent H Shareholders to realise their investments in the Company for a fixed cash consideration at a premium if they so wish; (vi) the implied P/E ratio (based on 2019 earnings) and implied P/B ratio of the Company at the H Share offer price are within the range of the corresponding ratios of the Comparable Companies; and (vii) the premia represented by the H Share offer price are within the corresponding range of premia of the Privatisation Precedents (save for the average share price over 90 trading days up to and including the last trading day), we are of the view that the H Share offer price and the Domestic Share offer price (which is equivalent to the H Share offer price in RMB) are fair and reasonable.

### *(vii) The Delisting and listing status*

The H Share Offer is conditional on, among other things, the passing by the Independent H Shareholders at the EGM of a resolution approving the Delisting. If the Delisting is not approved, the H Share Offer will not become unconditional. In view of the approval of the Delisting at the EGM being one of the conditions precedent to the H Share Offer, and that we consider the terms of the Offers are fair and reasonable, we consider that the Delisting is acceptable to, and in the interest of the Independent H Shareholders.

Independent H Shareholders are reminded that if they do not accept the H Share Offer and the H Share Offer subsequently becomes unconditional in all respects, and the H Shares are delisted from the Stock Exchange, this will result in the Independent H Shareholders holding securities that are not listed on the Stock Exchange and the liquidity of the H Shares may be severely reduced. If Independent H Shareholders do not agree to the terms of the Offers, Independent H Shareholders can vote against the Delisting at the H Share Class Meeting and/or the EGM. Independent H Shareholders should pay attention to the matters as set out in the section headed "No right of compulsory acquisition" in the "Letter from UBS AG" contained in the Composite Document.

The Offers are subject to the fulfilment or waiver, as applicable, of the conditions set out in the "Letter from UBS AG" in the Composite Document. If the Offers do not become unconditional, the Company would remain listed on the Stock Exchange.

### **In respect of the Shareholders Arrangement**

The parties to the Shareholders Arrangement are either experienced management personnel or strategic investors of the Group. It is important, from the Offeror's perspective, to retain them as Shareholders to continue to contribute to the development of the Company after the Delisting. The Company Shareholders' Agreement sets out, among other things, the principal terms with respect to the governance of the Company and rights and obligations of the parties after the H Share Offer becomes unconditional in all respects. Taking into

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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account (a) the reasons for the Shareholders Arrangement and we consider not extending the Shareholders Arrangement to the Independent H Shareholders acceptable given the reduced protection, potential risks in investing in an unlisted company and difficulties in realizing their shareholders as no public trading in the shares of the Company would be available as discussed in this letter above; (b) the purpose of the Company Shareholders' Agreement; (c) the key terms of the Company Shareholders' Agreement are not uncommon in the context and for its purpose set out above; (d) the offer price of the H Share Offer is considered fair and reasonable and the H Share Offer allows the Independent H Shareholders to realise their investment at a premium to the Company's historical share prices and NAV per Share, we are of the view that the Shareholders Arrangement, the approval of which is a condition to the H Share Offer, is fair and reasonable so far as the Independent H Shareholders are concerned.

### OPINION AND RECOMMENDATIONS

Based on the above principal factors and reasons summarised in the section headed "Discussion" above, we consider the terms of the Offers (i.e. the Domestic Share Offer and the H Share Offer), the Delisting and the Shareholders Arrangement are fair and reasonable so far as the Independent H Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent H Shareholders to (i) accept the H Share Offer; (ii) vote in favour of the resolutions approving the Delisting at the H Share Class Meeting and the EGM; and (iii) vote in favour of the resolution approving the Shareholders Arrangement at the EGM.

The H Shares have traded below the H Share offer price since the Last Trading Date and up to the Latest Practicable Date. Although we consider it unlikely, there remains the possibility that the H Share price may exceed the H Share offer price during the Offer Period. Accordingly, the Independent H Shareholders are reminded to monitor the trading price and liquidity of the H Shares and, having regard to their own circumstances, to consider selling their H Shares in the market instead of accepting the H Share Offer in the event that the market price of the H Shares exceeds the H Share offer price so that the sale proceeds, net of all transaction costs, exceeds the amount receivable under the H Share Offer.

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**  
**Stephanie Chow**  
*Director*

*Ms. Stephanie Chow is a licensed person registered with the Securities and Futures Commission and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. She has over ten years' experience in the corporate finance industry.*

**1 PROCEDURES FOR ACCEPTANCE OF THE OFFERS****1.1 The H Share Offer**

- (a) To accept the H Share Offer, you should complete and sign the accompanying WHITE Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the H Share Offer.
- (b) If the H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your H Shares is/are in your name, and you wish to accept the H Share Offer, you must send the accompanying WHITE Form of Acceptance duly completed together with the relevant H Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the H Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by post or by hand, marked "NC Hotel – H Share Offer" on the envelope, as soon as possible and in any event reach the H Share Registrar no later than 4:00 p.m. on the First Closing Date and/or the Final Closing Date (as the case may be), or such later time and/or date as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code.
- (c) If the H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your H Share(s) is/are in the name of a nominee company or a name other than your own, and you wish to accept the H Share Offer, you must either:
  - (i) lodge your H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the H Share Offer on your behalf and requesting it to deliver the accompanying WHITE Form of Acceptance duly completed together with the relevant H Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of H Shares in respect of which you intend to accept the H Share Offer to the H Share Registrar in an envelope marked "NC Hotel – H Share Offer";
  - (ii) arrange for the H Share(s) to be registered in your name through the H Share Registrar and send the accompanying WHITE Form of Acceptance duly completed together with the relevant H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of

title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the H Share Registrar in an envelope marked “NC Hotel – H Share Offer”;

- (iii) if your H Share(s) have been lodged with your licensed securities dealer (or other registered dealer in securities or custodian bank) through CCASS, instruct your licensed securities dealer (or other registered dealer in securities or custodian bank) to authorise HKSCC Nominees to accept the H Share Offer on your behalf on or before the deadline set by HKSCC Nominees. In order to meet the deadline set by HKSCC Nominees, you should check with your licensed securities dealer (or other registered dealer in securities or custodian bank) for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer (or other registered dealer in securities or custodian bank) as required by them; or
  - (iv) if your H Share(s) has/have been lodged with your investor participant’s account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees.
- (d) If the H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your H Share(s) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the H Share Offer, the WHITE Form of Acceptance should nevertheless be completed and delivered in an envelope marked “NC Hotel – H Share Offer” to the H Share Registrar together with a letter stating that you have lost one or more of your H Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any indemnity or indemnities required in respect thereof) should be forwarded to the H Share Registrar as soon as possible thereafter. If you have lost your H Share certificate(s), you should also write to the H Share Registrar for a form of letter of indemnity which, when completed in accordance with the instructions given therein, should be returned to the H Share Registrar. The Offeror shall have the absolute discretion to decide whether any H Shares in respect of which the H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by the Offeror.
- (e) If you have lodged transfer(s) of any of your H Shares for registration in your name and have not yet received your H Share certificate(s) and you wish to accept the H Share Offer, you should nevertheless complete and sign the WHITE Form of Acceptance and deliver it in an envelope marked “NC

Hotel – H Share Offer” to the H Share Registrar together with the transfer receipt(s) duly signed by you. Such action will be deemed to be an irrevocable instruction and authority to UBS and/or the Offeror and/ or any of their respective agent(s) to collect from the Company or the H Share Registrar on your behalf the relevant H Share certificate(s) when issued and to deliver such H Share certificate(s) to the H Share Registrar and to authorise and instruct the H Share Registrar to hold such H Share certificate(s), subject to the terms and conditions to the H Share Offer, as if it/they were delivered to the H Share Registrar with the WHITE Form of Acceptance.

- (f) Acceptance of the H Share Offer will be treated as valid only if the duly completed and signed WHITE Form of Acceptance is received by the H Share Registrar by no later than 4:00 p.m. on the First Closing Date and/or the Final Closing Date or such later time and/or date as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code, and is:
  - (i) accompanied by the relevant H Share certificate(s) and/or transfer receipt(s) and/ or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those H Share certificate(s) is/are not in your name, such other documents (for example a duly stamped transfer of the relevant H Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant H Share(s); or
  - (ii) from a registered H Shareholder or his/her/its personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to H Share(s) which are not taken into account under another sub-paragraph of this paragraph (f)); or
  - (iii) certified by the H Share Registrar or the Stock Exchange.
- (g) If the WHITE Form of Acceptance is executed by a person other than the registered H Shareholder, appropriate documentary evidence of authority (for example grant of probate or certified copy of a power of attorney) to the satisfaction of the H Share Registrar must be produced.
- (h) No acknowledgement of receipt for any WHITE Form(s) of Acceptance, H Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

**1.2 The Domestic Share Offer**

- (a) To accept the Domestic Share Offer, you should complete and sign the accompanying GREEN Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Domestic Share Offer.
- (b) Acceptance of the Domestic Share Offer will be treated as valid and accepted only if the completed GREEN Form of Acceptance is received by the Company no later than 4:00 p.m. on the First Closing Date and/or the Final Closing Date (as the case may be), or such later time and/or date as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code, and will be treated as accepted.
- (c) If the GREEN Form of Acceptance is executed by a person other than the registered Domestic Shareholder, appropriate documentary evidence of authority to the satisfaction of the Company must be produced.
- (d) No acknowledgement of receipt of any GREEN Form of Acceptance, approvals of relevant authorities (in respect of any Domestic Shares) will be given.
- (e) The Offeror or the Company will be entitled to reject any acceptance which does not comply with the provisions and instructions contained in this Composite Document and in the GREEN Form of Acceptance, or which is otherwise incomplete, incorrect or invalid in any respect. If you wish to accept the Domestic Share Offer, it is your responsibility to ensure that the GREEN Form of Acceptance is properly completed in all respects and all required documents are provided. A decision by the Offeror or the Company to reject any acceptance on the grounds that it has been invalidly, incorrectly or incompletely signed, completed or submitted will be final and binding and neither the Offeror nor the Company accepts any responsibility or liability for the consequences of such a decision.
- (f) If the Domestic Share Offer is withdrawn or lapses, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post, at the risk of the Domestic Shareholders who have accepted the Domestic Share Offer, any supporting documents lodged with the GREEN Form of Acceptance to the relevant accepting Domestic Shareholders.
- (g) The address of the Company is 18th Floor, No. 818 Shixinzhong Road, Beigan Subdistrict, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC.

**2 ACCEPTANCE PERIOD AND REVISION**

- (a) The Offers are made on Friday, 19 March 2021, the date of posting of this Composite Document, and are capable of acceptance on and from this date.
- (b) The Offeror has the right, subject to the Takeovers Code, to extend the Offers after the despatch of this Composite Document or to revise the terms of the Offers, and may introduce new conditions to be attached to any revision to any of the Offers or any subsequent revision thereof to the extent necessary to implement the revised Offers and subject to the consent of the Executive.
- (c) Unless the Executive consents to the extension of the Offers, all acceptances must be received by 4:00 p.m. on the First Closing Date and/or the Final Closing Date (as the case may be) in accordance with the instructions printed on the Forms of Acceptance. Where the Offers become or are declared unconditional, the Offers will remain open for acceptance for not less than 28 days thereafter. At least 14 days' notice in writing must be given before the Offers are closed to the Shareholders who have not accepted the Offers if the announcement to extend the Offers does not state the next closing date. The Offeror reserves the right to extend the Offers beyond this 28-day period.
- (d) If in the course of the Offers, the Offeror revises the terms of the Offers, all Shareholders, whether or not they have already accepted the Offers, will be entitled to the revised terms. A revised offer must be kept open for at least 14 days following the date on which the revised offer document is posted and shall not be closed earlier than the First Closing Date and/or the Final Closing Date (as the case may be).
- (e) If the Closing Date of the Offers is extended, any reference in this Composite Document and in the Forms of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Offers so extended.
- (f) The acceptance by or on behalf of Shareholder in its original and/or any previously revised form, shall be treated as an acceptance of the relevant Offers as so revised.
- (g) Any acceptance of the relevant revised Offers and/or any election pursuant thereof shall be irrevocable unless and until the accepting Shareholder of the Offers becomes entitled to withdraw his/her/its acceptance under the paragraph headed "4. EFFECT OF ACCEPTANCE OF THE OFFERS AND RIGHT OF WITHDRAWAL" below and duly does so.



**3 SETTLEMENT****3.1 The H Share Offer**

- (a) Settlement of the consideration under the H Share Offer will be made as soon as possible, but in any event within seven (7) business days following the later of (i) the Unconditional Date and (ii) the date of receipt of a complete and valid WHITE Form of Acceptance by the H Share Registrar in respect of the H Share Offer.
- (b) In the case of the H Shareholders accepting the H Share Offer, each cheque will be despatched by ordinary post to the address specified on the relevant H Shareholder's WHITE Form of Acceptance at his/her/its own risk or, if no name and address is specified, to the H Shareholder or the first-named of H Shareholder (in the case of joint H Shareholders) at the registered address shown in the H Share Register.
- (c) No fractions of a cent will be payable and the amount of cash consideration payable to a H Shareholder who accepts the H Share Offer will be rounded up to the nearest cent.
- (d) Cheque(s) not presented for payment within six (6) months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holders should contact the Offeror for payment.
- (e) Settlement of the consideration to which an H Shareholder is entitled under the H Share Offer will be implemented in full in accordance with the terms of the H Share Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such H Shareholder.

**3.2 The Domestic Share Offer**

- (a) As settlement of consideration under the Domestic Share Offer is subject to certain transfer and registration formalities and procedures imposed by China Securities Depository and Clearing Co., Ltd. and the State Administration of Foreign Exchange in the PRC, settlement of the consideration in respect of acceptances received under the Domestic Share Offer will be made by the Offeror as soon as reasonably practicable following completion of such transfer and registration formalities but it will not be able to be made within seven business days following the later of the date on which an offer becomes, or is declared, unconditional and the date of receipt of a duly completed acceptance as required under Rule 20.1 of the Takeovers Code. The Domestic Shareholders who have undertaken to accept the Domestic Share Offer, namely the Chen Group, Kairui Shiqi and Qianhe Qiju (who are all Offeror Concert Parties), have given the Chen Irrevocable Undertakings,

the Kairui Shiqi Irrevocable Undertakings and the Qianhe Qiju Irrevocable Undertakings, respectively, pursuant to which each of them have agreed that the settlement of consideration under the Domestic Share Offer will be made within 15 business days after the date on which the relevant Domestic Shareholder notifies the Offeror in writing of such holder's bank account details for the purposes of accepting the Domestic Share Offer.

- (b) Settlement of consideration under the Domestic Share Offer will be made by wire transfer in accordance with the terms of the Chen Irrevocable Undertakings, the Kairui Shiqi Irrevocable Undertakings and the Qianhe Qiju Irrevocable Undertakings.
- (c) No fractions of a cent will be payable and the amount of cash consideration payable to a Domestic Shareholder who accepts the Domestic Share Offer will be rounded up to the nearest cent.
- (d) Settlement of the consideration to which a Domestic Shareholder is entitled under the Domestic Share Offer will be implemented in full in accordance with the terms of the Domestic Share Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Domestic Shareholder.

#### **4 EFFECT OF ACCEPTANCE OF THE OFFERS AND RIGHT OF WITHDRAWAL**

- (a) By validly accepting the Offers, the Shareholders will sell to the Offeror their tendered Shares free from all options, liens, claims, equities, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attached to them as at the date of the Announcement or which subsequently become attached to them, including the right to receive in full all dividends and other distributions, if any, declared, and where the record date for such entitlement is on or after the date of the Announcement.

In addition to the conditions set out in the "Letter from UBS AG" and the "Letter from the Board", the Offers are made on the basis that acceptance of the Offers by any Shareholder will constitute a warranty by such Shareholder to the Offeror that the Shares acquired under the Offers are fully paid and sold by such Shareholder free from all options, liens, claims, equities, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attached to them as at the date of the Announcement or which subsequently become attached to them, including the right to receive in full all dividends and other distributions, if any, declared, and where the record date for such entitlement is on or after the date of the Announcement.

- (b) The Offers are conditional upon fulfilment of the conditions set out in the "Letter from UBS AG" and the "Letter from the Board". Acceptance of the Offers tendered by the Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the following paragraph or in compliance

with Rule 17 of the Takeovers Code, which provides that an acceptor of the Offers shall be entitled to withdraw his/her/its acceptance after 21 days from the First Closing Date if the H Share Offer has not by then become unconditional as to acceptances. An acceptor of the Offers may withdraw his/her/its acceptance by lodging a notice in writing signed by the acceptor (or his/her/its agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the H Share Registrar (in the case of H Shareholders) or the Company (in the case of Domestic Shareholders).

- (c) Under Rule 19.2 of the Takeovers Code, if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offers set out in the section headed “5. ANNOUNCEMENTS” of this Appendix I, the Executive may require that the Shareholders who have tendered acceptances to the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.
- (d) Upon the withdrawal of acceptance by a Shareholder, the Offeror shall (or shall procure), as soon as possible but in any event within ten (10) days thereof, return by ordinary post, the Share certificate(s) and/or transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and/or other supporting document(s) in respect of the Share(s) lodged with the relevant Form of Acceptance to such Shareholder.

## **5 ANNOUNCEMENTS**

- (a) The announcement of the results of the Offers will be jointly issued by the Offeror and the Company and posted on the website of the Stock Exchange by 7:00 p.m. on Monday, 19 April 2021, being the First Closing Date. Such announcement will comply with the disclosure requirements under Rule 19.1 of the Takeovers Code and will include, among other things, the results of the Offers.
- (b) If the Offers are extended, the announcement of such extension will state the next closing date or a statement that the Offers will remain open until further notice. If the Offers are unconditional in all respects, a statement may be made that the Offers will remain open for acceptance for not less than 28 days thereafter in accordance with the Takeovers Code.
- (c) The results announcements shall specify the total number of Shares and rights over Shares:
  - (i) for which acceptances of the Offers have been received;
  - (ii) held, controlled or directed by the Offeror or the Offeror Concert Parties (except those which are exempt principal traders or exempt fund managers recognised by the Executive as such for the purpose of the Takeovers Code) before the Offer Period; and

- (iii) acquired or agreed to be acquired during the Offer Period by the Offeror or the Offeror Concert Parties (except those which are exempt principal traders or exempt fund managers recognised by the Executive as such for the purpose of the Takeovers Code).
- (d) The results announcements must include details of any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or the Offeror Concert Parties (except those which are exempt principal traders or exempt fund managers recognised by the Executive as such for the purpose of the Takeovers Code) has/have borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.
- (e) The results announcements shall specify the percentages of the relevant classes of share capital of the Company, and the percentages of voting rights, represented by these numbers.
- (f) If the Offeror, its concert parties or its advisers make(s) any statement about the level of acceptances or the number or percentage of accepting Shareholders during the Offer Period, then the Offeror must make an immediate announcement in compliance with Note 2 to Rule 19 of the Takeovers Code.
- (g) As required under the Takeovers Code and the Listing Rules, all announcements in relation to the Offers in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, must be made in accordance with the requirements of the Takeovers Code and the Listing Rules.

## **6 NOMINEE REGISTRATION**

To ensure the equality of treatment of all Shareholders, Shareholders who hold the Share(s) as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of Share(s) whose investments are registered in the names of nominees to accept the Offers, it is essential that they provide instructions of their intentions to the Offers to their respective nominees.

## **7 POSTING**

All documents and remittances to be sent to the H Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent, in the case of H Shareholders, at their addresses as they appear in the H Share Register, in the case of joint H Shareholders, to the H Shareholder whose name appears first in the H Share Register. None of the Offeror, the Company, UBS, Somerley Capital, the H Share Registrar or any of their respective directors or agents or any other person involved in the H Share Offer will be responsible for any loss or delay in transmission or any other liability that may arise as a result thereof.

All documents to be sent to the Domestic Shareholders will be sent to them by ordinary post at their own risk. Such documents will be sent, in the case of Domestic Shareholders, at their addresses as they appear in the Domestic Share Register, in the case of joint Domestic Shareholders, to the Domestic Shareholder whose name appears first in the Domestic Share Register. None of the Offeror, the Company, UBS or Somerley Capital or any of their respective directors or agents or any other person involved in the Domestic Share Offer will be responsible for any loss or delay in transmission or any other liability that may arise as a result thereof.

## **8 OVERSEAS SHAREHOLDERS**

- (a) The Offers are in respect of a company incorporated in the PRC and listed in Hong Kong and is therefore subject to the procedure and disclosure requirements of laws, regulations and rules in Hong Kong which may be different from those in other jurisdictions. The ability of Shareholders who are citizens, residents or nationals of jurisdictions outside of Hong Kong to participate in the Offers may be subject to the laws and regulations of the relevant jurisdictions. It is the responsibility of each such Shareholder to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents, or filing and registration and the payment of any transfer or other taxes due from such Shareholder in such relevant jurisdictions.
- (b) Any acceptance by any Shareholder will be deemed to constitute a representation and warranty from such Shareholder to the Offeror and the Company that all local laws and requirements have been complied with and that the Offers can be accepted by such Shareholder lawfully under the laws of the relevant jurisdiction. Shareholders should consult their professional advisers if in doubt.

## **9 HONG KONG STAMP DUTY AND TAXATION**

- (a) Seller's ad valorem stamp duty at the rate of HK\$1.00 for every HK\$1,000 or part thereof of the consideration arising on acceptance of the H Share Offer will be payable by the H Shareholders who accept the H Share Offer. The relevant amount of stamp duty will be deducted from the consideration payable to such H Shareholders under the H Share Offer. The Offeror will bear its own portion of buyer's ad valorem stamp duty at the rate of HK\$1.00 for every HK\$1,000 or part thereof of the consideration payable in respect of acceptances of the H Share Offer and will be responsible to account to the Stamp Office of Hong Kong for all the stamp duty payable for the sale and purchase of the H Shares which are validly tendered for acceptance under the H Share Offer.
- (b) There may be tax implications on the H Shareholders in relation to the H Share Offer depending on the individual circumstances of the H Shareholders. H Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the H Share Offer. It is emphasised that none of the Offeror, the Company and their ultimate

beneficial owners and concert parties, UBS, Somerley Capital, the H Share Registrar or any of their respective directors or professional advisers or any persons involved in the H Share Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance of the H Share Offer.

- (c) The Domestic Shareholders who have undertaken to accept the Domestic Share Offer, namely the Chen Group, Kairui Shiqi and Qianhe Qiju (who are all Offeror Concert Parties), have given the Chen Irrevocable Undertakings, the Kairui Shiqi Irrevocable Undertakings and the Qianhe Qiju Irrevocable Undertakings, respectively, pursuant to which each of them have agreed that all tax liabilities arising from the transfer of the Domestic Shares to the Offeror as a result of their acceptance of the Domestic Share Offer shall be borne by themselves.

## 10 GENERAL

- (a) All communications, notices, the Form(s) of Acceptance, H Share certificate(s), transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof), other supporting documents and remittances to settle the consideration payable under the H Share Offer to be delivered by or sent to or from the Shareholders will be delivered by or sent to or from them, or their designated agents, by post at their own risk, and none of the Offeror, the Company, UBS, Somerley Capital, the H Share Registrar or any of their respective directors or agents or professional advisers or any other person involved in the Offers accepts any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Forms of Acceptance form part of the terms of the Offers.
- (c) The accidental omission to despatch this Composite Document and/or the Forms of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.
- (d) The Offers and all acceptances thereof will be governed by and construed in accordance with the laws of Hong Kong. Execution of a Form of Acceptance by or on behalf of a Shareholder will constitute such Shareholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Offers.
- (e) Due execution of a Form of Acceptance will constitute an authority to the Offeror, UBS or such person or persons as any of them may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Share(s) in respect of which such person or persons has/have accepted the Offers.

- (f) The settlement of the consideration to which any Shareholder is entitled under the Offers will be implemented in full in accordance with the terms of the Offers, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder.
- (g) Any Shareholders accepting the Offers will be responsible for payment of any transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction due by such persons.
- (h) In making their decision, Shareholders must rely on their own examination of the Group and the terms of the Offers, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Forms of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror, the Company, UBS or their respective professional advisers. Shareholders should consult their own professional advisers for professional advice.
- (i) The making of the Offers to the overseas Shareholders may be subject to the laws of the relevant jurisdictions. Overseas Shareholders should observe any applicable legal or regulatory requirements. It is the responsibility of Overseas Shareholders wishing to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including but not limited to the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction. Such Overseas Shareholders shall be fully responsible for the payment of any transfer or other taxes and duties due by such Overseas Shareholders in respect of the relevant jurisdictions. The Overseas Shareholders are recommended to seek professional advice on deciding whether or not to accept the Offers.
- (j) This Composite Document and the Forms of Acceptance have been prepared for the purposes of compliance with the legislative and regulatory requirements applicable in respect of the Offers in Hong Kong and the operating rules of the Stock Exchange.

## **11 INTERPRETATION**

- (a) A reference in this Composite Document to a Shareholder includes a reference to a person(s) who, by reason of an acquisition or transfer of Shares, is entitled to execute a Form of Acceptance and in the event of more than one person executing a Form of Acceptance, the provisions of this Composite Document apply to them jointly and severally.
- (b) A reference in this Composite Document and the Forms of Acceptance to the Offers shall include any extension thereof.

- (c) A reference in this Composite Document and the Forms of Acceptance to the masculine gender includes the feminine and neuter genders, and a reference to the singular includes the plural, and vice versa.



## 1. FINANCIAL SUMMARY

The following is a summary of the financial results of the Group for the years ended 31 December 2018, 2019 and 2020 as extracted from the relevant annual reports of the Company for the year ended 31 December 2018 and 2019 and the annual results announcement of the Company for the year ended 31 December 2020:

	Year ended 31 December		
	2018	2019	2020
	(Audited)	(Audited)	(Audited)
	RMB'000	RMB'000	RMB'000
Revenue from contract with customers	1,797,968	1,927,980	1,597,716
<b>Profit before income tax</b>	<b>243,081</b>	<b>268,617</b>	<b>39,040</b>
Income tax expense	(54,012)	(63,643)	(12,396)
<b>Profit for the year</b>	<b>189,069</b>	<b>204,974</b>	<b>26,644</b>
<b>Profit and total comprehensive income for the year</b>	<b>189,069</b>	<b>204,974</b>	<b>26,644</b>
Attributable to:			
– Owners of the Company	186,787	202,405	19,673
– Non-controlling interests	2,282	2,569	6,971
<b>Earnings per share for profit attributable to the owners of the Company for the year</b>			
– <b>Basic/Diluted (in RMB per share)</b>	<b>0.89</b>	<b>0.76</b>	<b>0.07</b>
Dividends	41,238	100,800	112,000
Dividends per share	0.196	0.36	0.40

There are no other items of income or expense which are material for each of the three years ended 31 December 2018, 31 December 2019 and 31 December 2020.

The consolidated financial statements of the Group for the three years ended 31 December 2018, 2019 and 2020 were audited by PricewaterhouseCoopers. The auditors of the Group, PricewaterhouseCoopers, did not issue any modified opinion nor any emphasis of matter or material uncertainty related to going concern on the respective financial statements of the Group for the three years ended 31 December 2018, 2019 and 2020, respectively.

## 2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2018, 2019 AND 2020

The Company is required to set out or refer to in this Composite Document the consolidated statements of comprehensive income, the consolidated balance sheets, the consolidated statements of cash flows and the consolidated statements of changes of equity as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 December 2018 (the “**2018 Financial Statements**”); (ii) the audited consolidated financial statements of the Group for the year ended 31 December 2019 (the “**2019 Financial Statements**”); and (iii) the audited consolidated financial statements of the Group

for the year ended 31 December 2020 (the “**2020 Financial Statements**”), together with the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2018 Financial Statements are set out from pages 91 to 195 in the annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”) which was published on 24 April 2019 on the websites of the Company (<http://www.kaiyuanhotels.com>) and the Stock Exchange (<http://www.hkexnews.com>) and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0424/ltm20190424865.pdf>

The 2019 Financial Statements are set out from pages 88 to 193 in the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”) which was published on 16 April 2020 on the websites of the Company (<http://www.kaiyuanhotels.com>) and the Stock Exchange (<http://www.hkexnews.com>) and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0416/2020041600507.pdf>

The 2020 Financial Statements are set out from pages 3 to 26 in the annual results announcement of the Company for the year ended 31 December 2020 (the “**2020 Annual Results Announcement**”) which was published on 15 March 2021 on the websites of the Company (<http://www.kaiyuanhotels.com>) and the Stock Exchange (<http://www.hkexnews.com>) and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0315/2021031500902.pdf>

The 2018 Financial Statements, the 2019 Financial Statements and the 2020 Financial Statements (but not any other part of the 2018 Annual Report, the 2019 Annual Report and the 2020 Annual Results Announcement in which they respectively appear) are incorporated by reference into this Composite Document and form part of this Composite Document.

### 3. STATEMENT OF INDEBTEDNESS

At the close of business on 31 December 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Composite Document, the aggregate amount of lease liabilities of the Group was RMB2,241.4 million.

Save as the aforesaid, and apart from the intra-group liabilities, and normal trade payables in the ordinary course of business, the Group did not have any other debt securities issued and outstanding, or authorised or otherwise created but unissued, loans or any term loans (secured, unsecured, guaranteed or otherwise), any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and any liabilities under acceptances (other than normal trade bills), acceptance credits or hire purchase commitments (guaranteed, unguaranteed, secured or otherwise), mortgages, charges, other material contingent liabilities or guarantees, as at the close of business on 31 December 2020.

**4. MATERIAL CHANGE**

The Directors confirm that, save for the Offers and the Delisting as set out in this Composite Document, there has been no other material change in the financial or trading position or outlook of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

## 1. RESPONSIBILITY STATEMENT

As at the Latest Practicable Date, the sole director of the Offeror is Mr. Jiang Tianyi. The sole director of the Offeror accepts full responsibility for the accuracy of the information (other than that relating to the Group, Ocean Link and Sequoia China) contained in this Composite Document and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by the directors of the Company, Ocean Link and Sequoia China) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

As at the Latest Practicable Date, the sole director of Ocean Link is Mr. Jiang Tianyi. The sole director of Ocean Link and Mr. Zheng Nanyan jointly and severally accept full responsibility for the accuracy of the information (other than that relating to the Group and Sequoia China) contained in this Composite Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the directors of the Company and Sequoia China) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

As at the Latest Practicable Date, the directors of Sequoia China are Mr. Don Seymour, Mr. Don Wayne Ebanks and Ms. Siu Wai Eva IP. The directors of Sequoia China and Mr. Shen Nanpeng jointly and severally accept full responsibility for the accuracy of the information (other than that relating to the Group and Ocean Link) contained in this Composite Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the directors of the Company and Ocean Link) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

As at the Latest Practicable Date, 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. The Directors jointly and severally accept full responsibility for the accuracy of the information in relation to the Group contained in this Composite Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document by the Directors have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

## 2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date:

- (a) the registered share capital and the issued share capital of the Company comprised (i) 70,000,000 H Shares with a nominal value of RMB1.00, (ii) 159,659,640 Domestic Shares with a nominal value of RMB1.00, and (iii) 50,340,360 Unlisted Foreign Shares with a nominal value of RMB1.00;
- (b) all of the Shares currently in issue ranked *pari passu* in all respects including as to capital, dividends (except that payment of dividend will be made in RMB to the holders of the Domestic Shares and in foreign currencies to H Shareholders and holders of Unlisted Foreign Shares) and voting;
- (c) no new Shares had been issued by the Company since 31 December 2020 (being the end of the last financial year of the Company); and
- (d) there were no outstanding options, warrants or conversion rights affecting the Shares.

## 3. DISCLOSURE OF INTERESTS IN THE SHARES

### (a) Interests of Directors, Supervisors and Chief Executives

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

Name of Director	Nature of Interest	Class of Shares <sup>(2)</sup>	Number of Shares	% in the Relevant Class of Issued Shares	% in the Total Issued Shares
Jin Wenjie	Interest of a controlled corporation <sup>(3)</sup>	Unlisted Shares (Domestic Shares)	23,093,490	11.0	8.25
Chen Miaoqiang	Interest of a controlled corporation <sup>(4)</sup>	Unlisted Shares (Domestic Shares)	7,223,580	3.44	2.58

Notes:

1. All interests stated are long positions.

2. Unlisted Shares include Domestic Shares and Unlisted Foreign Shares. The holders of Unlisted Foreign Shares and Domestic Shares are entitled to the same rights. Holders of Unlisted Foreign Shares and Domestic Shares will be treated as if they are in the same class of shares under the SFO.
3. Mr. Jin Wenjie is a general partner of Kaihui Taiheng and Qianhe Qiju. Mr. Jin Wenjie is deemed under the SFO to be interested in the Shares held by Kaihui Taiheng and Qianhe Qiju.
4. Mr. Chen Miaoqiang is a general partner of Kairui Shiqi. Mr. Chen Miaoqiang is deemed under the SFO to be interested in the Shares held by Kairui Shiqi.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, supervisors and chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

**(b) Interests of Substantial Shareholders**

As at the Latest Practicable Date, the interests or short positions of the following persons (other than Directors, supervisors and chief executives of the Company) or corporations in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO are as follows:

Name of Substantial Shareholder	Nature of Interest	Class of Shares <sup>(2)</sup>	Number of Shares	% in the Relevant Class of Issued Shares	% in the Total Issued Shares
New Century Tourism	Beneficial owner	Unlisted Shares (Domestic Shares)	125,676,180	59.85	44.88
Chen Miaolin	Interest of a controlled corporation <sup>(3)</sup>	Unlisted Shares (Domestic Shares)	125,676,180	59.85	44.88
NC Hotels Investment	Beneficial owner <sup>(4)</sup>	Unlisted Shares (Unlisted Foreign Shares)	40,482,540	19.28	14.46
CTrip Hong Kong	Beneficial owner <sup>(5)</sup>	H Shares	14,830,000	21.19	5.30

Name of Substantial Shareholder	Nature of Interest	Class of Shares <sup>(2)</sup>	Number of Shares	% in the Relevant Class of Issued Shares	% in the Total Issued Shares
Rong Tong Fund Management Co., Ltd. represents: Rongtong Ronghai QDII No. 29 SMA (融通融海29號(QDII)單一資產管理計畫)	Investment Manager <sup>(6)</sup>	H Shares	9,420,000	13.46	3.36
Rex Top Global Investments Limited	Beneficial owner <sup>(7)</sup>	H Shares	6,059,400	8.66	2.16
GEM Holdings Ltd.	Beneficial owner <sup>(8)</sup>	H Shares	3,784,600	5.41	1.35
Zhang Guangxin	Beneficial owner <sup>(9)</sup>	H Shares	6,655,000	9.51	2.38

*Notes:*

- All interests stated are long positions.
- Unlisted Shares include Domestic Shares and Unlisted Foreign Shares. The holders of Unlisted Foreign Shares and Domestic Shares are entitled to the same rights. Holders of Unlisted Foreign Shares and Domestic Shares will be treated as if they are in the same class of shares under the SFO.
- Mr. Chen Miaolin indirectly owns 85.2% of the equity interests in New Century Tourism and Mr. Chen Miaolin is deemed under the SFO to be interested in the Shares held by New Century Tourism.
- NC Hotels Investment is ultimately controlled by GAP (BERMUDA) LIMITED. GAP (BERMUDA) LIMITED is deemed under the SFO to be interested in the Shares held by NC Hotels Investment.
- CTrip Hong Kong is a wholly-owned subsidiary of Ctrip.com International. Ltd. Ctrip.com International, Ltd. is deemed under the SFO to be interested in the Shares held by Ctrip Hong Kong.
- Rong Tong Fund Management Co., Ltd. represents Rongtong Ronghai QDII No. 29 SMA (Rongtong Ronghai No. 29 (QDII) (融通融海29號(QDII)單一資產管理計畫) (“**Rongtong**”) is ultimately controlled by Sumitomo Mitsui Trust Holdings, Inc. Sumitomo Mitsui Trust Holdings, Inc. is deemed under the SFO to be interested in the Shares held by Rongtong.
- Yeung Lik David is the controller and director of Rex Top Global Investments Limited.
- GEM Holdings Ltd. (“**GEM Holdings**”) is ultimately controlled by Greenland Holdings Corporation Limited. Greenland Holdings Corporation Limited is deemed under the SFO to be interested in the Shares held by GEM Holdings.
- Zhang Guangxin is an individual substantial shareholder.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to any Directors, no person (other than Directors, supervisors and chief executives of the Company) or corporations had an interest or short position in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

**(c) Other Interests**

As at the Latest Practicable Date, save as disclosed in the section headed “8. Other information – 8.6 Shareholding structure of the Company” in the “Letter from the Board” and the Call Option:

- (a) none of the Offeror and the Offeror Concert Parties (save for those entities controlling, controlled by or under the same control as UBS that are exempt principal traders or exempt fund managers) had any interest in, owned or controlled, any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (b) none of the Directors were interested in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (c) the sole director of the Offeror was not interested in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (d) no person who had irrevocably committed themselves to accept or reject the Offers owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (e) no person with whom the Offeror or the Offeror Concert Parties has any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (f) none of the Offeror or the Offeror Concert Parties had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares, save for any borrowed Shares or any convertible securities, warrants, options or derivatives in respect of the Shares which have been either on-lent or sold;
- (g) no subsidiary of the Company, no pension fund of the Company or of a subsidiary of the Company and no person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers



Code (but excluding any exempt principal traders and exempt fund managers) owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;

- (h) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Company, or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) or (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and any other person;
- (i) no fund manager (other than exempt fund managers) connected with the Company managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis; and
- (j) neither the Company nor any Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares, save for any borrowed Shares or any convertible securities, warrants, options or derivatives in respect of the Shares which had been either on-lent or sold.

#### **4. DISCLOSURE OF INTEREST IN OFFEROR’S SHARES**

As at the Latest Practicable Date, the Company did not own or control, and no Director had any interest, in any shares or any convertible securities, warrants, options or derivatives in respect of any shares in the Offeror.

#### **5. DEALINGS IN SECURITIES**

- (a) During the Disclosure Period:
  - (i) save for the Transfer of Qianhe Qiju, neither the Offeror, director of the Offeror nor any of the Offeror Concert Parties (excluding those entities controlling, controlled by or under the same control as UBS that are exempt principal traders or exempt fund managers) had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;

- (ii) save for the Transfer of Qianhe Qiju and as disclosed below, no person who had irrevocably committed themselves to accept or reject the Offers had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares:

<b>Date of Transaction</b>	<b>Name of Shareholder</b>	<b>Number and Class of Shares Bought (Sold)</b>	<b>Consideration per Share (HK\$)</b>
28 December 2020	GEM Holdings	(5,400) H Shares	16.0

- (iii) save for the Transfer of Qianhe Qiju, no person with whom the Offeror or the Offeror Concert Parties has any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (iv) save for the Transfer of Qianhe Qiju, no Director had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares; and
- (v) neither the Company nor any of the Directors had dealt for value in any shares or any convertible securities, warrants, options or derivatives in respect of any shares in the Offeror.

(b) During the Offer Period and up to the Latest Practicable Date:

- (i) no subsidiary of the Company, no pension fund of the Company or of a subsidiary of the Company and no person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding any exempt principal traders and exempt fund managers) had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (ii) no person who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company, or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and

- (iii) no fund manager (other than exempt fund managers) connected with the Company who managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

## **6. ARRANGEMENTS IN CONNECTION WITH THE OFFERS**

As at the Latest Practicable Date:

- (a) there was no arrangement whereby any Director would be given any benefit as compensation for loss of office or otherwise in connection with the Offers;
- (b) except for the Irrevocable Undertakings and the Company Shareholders' Agreement, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers;
- (c) no agreement or arrangement existed between the Offeror and any person which relate to the circumstances in which the Offeror may or may not invoke or seek to invoke a condition to its offer; and
- (d) except for the Irrevocable Undertakings and the Company Shareholders' Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any Offeror Concert Party on the one hand, and any Director, recent Director, Shareholder or recent Shareholder on the other hand, having any connection with or dependence upon the Offers.

## **7. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, each of the Directors had entered into a service contract with the Company, commencing from 20 May 2020 and expiring on 19 May 2023 for a fixed term of three years. There is no fixed or variable remuneration payable under each of the service contract. The remuneration of each of the Directors is determined by the Board with reference to their respective experience, duties and responsibilities, and the prevailing market conditions, for undertaking their role as Directors, and in accordance with the applicable laws, regulations and regulatory provisions as well as relevant remuneration policies of the Company, and approved by the general meeting of the Company.

Save as disclosed above, none of the Directors had entered into any service contract with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the commencement of the Offer Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

## 8. MARKET PRICES

The table below shows the closing price per H Share as quoted on the Stock Exchange on (a) the Latest Practicable Date; (b) the Last Trading Date; and (c) the last trading date at or before the end of each of the calendar months during the Disclosure Period.

Date	Closing price per Share <i>HK\$</i>
31 July 2020	13.70
31 August 2020	14.52
30 September 2020	15.16
30 October 2020	14.84
30 November 2020	15.58
31 December 2020	15.46
18 January 2021, being the Last Trading Date	14.56
29 January 2021	17.36
26 February 2021	17.74
16 March 2021, being the Latest Practicable Date	17.72

## 9. HIGHEST AND LOWEST SHARE PRICE

During the Disclosure Period, the highest closing price of H Shares as quoted on the Stock Exchange was HK\$17.78 per H Share on 23 February 2021, and the lowest closing price of H Shares as quoted on the Stock Exchange was HK\$13.02 per H Share on 22 July 2020.

## 10. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

## 11. MATERIAL CONTRACTS

Save as disclosed below, there were no material contracts entered into by the Company or any of its subsidiaries after the date which was two years before commencement of the Offer Period up to and including the Latest Practicable Date, other than contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries:

- (1) the deed of non-competition dated 12 February 2019 executed by New Century Tourism, Mr. Chen Canrong, Mr. Chen Miaolin and Mr. Zhang Guanming (the “Covenantors”) in favour of the Company (for itself and as trustee for the benefit of its subsidiaries), pursuant to which each Covenantor has undertaken to the

Company that, during the non-compete period (being the period commencing on the listing date of the Company (i.e. 11 March 2019) (the “**Listing Date**”) and ending on the earlier of (i) the date on which the relevant Covenantor, individually or collectively, ceases to be a controlling shareholder of the Company (within the meaning of the Listing Rules); and (ii) the date on which the H Shares cease to be listed on the Stock Exchange), he or it will not, whether as principal or agent and whether undertaken directly or indirectly (including through any close associate (as defined in the Listing Rules from time to time), subsidiary, partnership, joint venture or other contractual arrangement of his or its) and whether for profit or otherwise, carry on, engage, invest, participate or otherwise be interested in any business of operating or managing hotels in the PRC, details of which are set out in the sub-section headed “Relationship with our Controlling Shareholders – Non-Competition Undertaking” in the prospectus of the Company dated 26 February 2019 (the “**Prospectus**”);

- (2) the cornerstone investment agreement entered into between the Company, CTrip Hong Kong, China Galaxy International Securities (Hong Kong) Co., Limited, BOCOM International (Asia) Limited, BOCOM International Securities Limited and Morgan Stanley Asia Limited (the “**Joint Global Coordinators**”) dated 19 February 2019, pursuant to which CTrip Hong Kong has agreed to, among other things, subscribe for the H Shares in the amount of the Hong Kong dollar equivalent of US\$32,000,000 and CTrip Hong Kong has agreed that it would not, and would cause its affiliates not to, whether directly or indirectly, at any time during the period of six months starting from and inclusive of the Listing Date (i) dispose of, in any way, any of offer shares subscribed by CTrip Hong Kong pursuant to the cornerstone investment agreement, and any shares or other securities or interest in the Company which are derived therefrom pursuant to any rights issue, capitalization issue or other form of capital reorganization (whether such transactions are to be settled in cash or otherwise) and any interest therefrom; and (ii) allow itself to undergo a change of control (as defined in the Takeovers Code) at the level of its ultimate beneficial owner, details of which are set out in the section headed “Cornerstone Investors” in the Prospectus;
- (3) the cornerstone investment agreement entered into between the Company, GreenTree and the Joint Global Coordinators dated 19 February 2019, pursuant to which GreenTree has agreed to, among other things, subscribe for the H Shares in the amount of the Hong Kong dollar equivalent of US\$30,000,000 and GreenTree has agreed that it would not, and would cause its affiliates not to, whether directly or indirectly, at any time during the period of six months starting from and inclusive of the Listing Date (i) dispose of, in any way, any of offer shares subscribed by GreenTree pursuant to the cornerstone investment agreement, and any shares or other securities or interest in the Company which are derived therefrom pursuant to any rights issue, capitalization issue or other form of capital reorganization (whether such transactions are to be settled in cash or otherwise) and any interest therefrom; and (ii) allow itself to undergo a change of control (as defined in the Takeovers Code) at the level of its ultimate beneficial owner, details of which are set out in the section headed “Cornerstone Investors” in the Prospectus;

- (4) the Hong Kong underwriting agreement dated 22 February 2019 and entered into by, among others, the Company and the Joint Global Coordinators in respect of the offer for subscription of the 7,000,000 H Shares to the public in Hong Kong, pursuant to which the Hong Kong underwriters have conditionally agreed to subscribe or procure subscribers to subscribe the 7,000,000 H Shares which are not taken up under the Hong Kong public offering and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong underwriters) would receive from the Company (i) an underwriting commission of 3.0% of the aggregate offer price of HK\$16.50 of 7,000,000 H Shares; and (ii) an additional incentive fee (payable at the sole discretion of the Company) of 0.5% of the aggregate offer price of HK\$16.50 of 7,000,000 H Shares, details of which are set out in the sub-section headed “Underwriting – Underwriting Agreement and Expenses” in the Prospectus;
- (5) the international underwriting agreement dated 1 March 2019 by, among others, the Company and the Joint Global Coordinators in respect of the conditional offering of the H Shares with professional institutional and other investors, pursuant to which the international underwriters have conditionally agreed to subscribe for 63,000,000 H Shares being offered pursuant to the international offering or procure subscribers to subscribe for 63,000,000 H Shares and the Joint Global Coordinators (for themselves and on behalf of the international underwriters) would receive from the Company (i) an underwriting commission of 3.0% of the aggregate offer price of HK\$16.50 of 63,000,000 H Shares; and (ii) an additional incentive fee (payable at the sole discretion of the Company) of 0.5% of the aggregate offer price of HK\$16.50 of 63,000,000 H Shares, details of which are set out in the sub-section headed “Underwriting – Underwriting Agreement and Expenses” in the Prospectus; and
- (6) the capital increase agreement dated 9 December 2019 entered into between the Company and Sun Meihong and Zhang Zaiping pursuant to which, the Company, Sun Meihong and Zhang Zaiping agreed to increase the registered capital of the Company’s wholly-owned subsidiary Zhejiang New Century Manju Hotel Management Co., Ltd. (“**New Century Manju**”) by RMB73,000,000, i.e. from RMB27,000,000 to RMB 100,000,000 (the “**Capital Increase**”), accordingly, each of the Company, Sun Meihong and Zhang Zaiping will contribute RMB42,016,000, RMB20,656,000 and RMB10,328,000, respectively and upon completion of the Capital Increase, the proportion of shareholding interest of the Company, Sun Meihong and Zhang Zaiping in New Century Manju would be 70%, 20% and 10% respectively, details of which are set out in the announcement of the Company dated 9 December 2019.

As at the Latest Practicable Date, save for the Irrevocable Undertakings, there were no material contracts entered into by the Offeror in which any Director has a material personal interest.

**12. EXPERTS AND CONSENTS**

The following are the qualifications of the experts which have given advice which is contained in this Composite Document:

<b>Name</b>	<b>Qualification</b>
UBS AG (acting through its Hong Kong Branch)	the financial adviser to the Offeror in relation to the Offers, a registered institution under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO
Somerley Capital Limited	the Independent Financial Adviser, a corporation licenced to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion therein of the opinions, reports and/or letters and/or the references to its name and/or opinions, reports and/or letters in the form and context in which they respectively appear.

**13. MISCELLANEOUS**

The registered office of the Offeror is at Room 303, 3rd Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong.

UBS is making the H Share Offer for and on behalf of the Offeror. The registered office of UBS AG Hong Kong Branch is at 52/F, IFC 2, 8 Finance Street, Central, Hong Kong.

The principal members of the Offeror's concert group are Sequoia China and Ocean Link, whose registered addresses are at Maples Corporate Services Limited, PO Box 309 Ugland House, Grand Cayman, KY1-1104, Cayman Islands, and PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, respectively.

The registered office of the Company is at 18th Floor, No. 818 Shixinzhong Road, Beigan Subdistrict, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC. The Company's principal place of business in Hong Kong is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

As at the Latest Practicable Date, the Offeror had no agreement, arrangement or understanding to transfer, charge or pledge any of the Shares acquired pursuant to the Offers to any other persons.

In case of inconsistency, the English text of this Composite Document and the Forms of Acceptance shall prevail over the Chinese text.

#### 14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours between 9:00 am and 4:30 pm (except for public holidays) at the Company's principal place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong; (ii) on the website of the Company at <https://www.kaiyuanhotels.com/>; and (iii) on the website of the SFC at [www.sfc.hk](http://www.sfc.hk) from the date of this Composite Document until the end of the Offer Period:

- (1) the memorandum and articles of association of the Offeror;
- (2) the articles of association of the Company;
- (3) the annual report of the Company for the financial year ended 31 December 2019 and the annual results announcement of the Company for the year ended 31 December 2020;
- (4) the letter from UBS AG, the text of which is set out on pages 16 to 38 of this Composite Document;
- (5) the letter from the Board, the text of which is set out on pages 39 to 53 of this Composite Document;
- (6) the letter from the Independent Board Committee, the text of which is set out on pages 54 to 56 of this Composite Document;
- (7) the letter from the Independent Financial Adviser, the text of which is set out on pages 57 to 89 of this Composite Document;
- (8) the service contracts referred to in the section headed "Directors' Service Contracts" in this Appendix III;
- (9) the written consents as referred to in the section headed "Experts and Consents" in this Appendix III;
- (10) the material contracts referred to in the section headed "Material Contracts" in this Appendix III;
- (11) the Irrevocable Undertakings;
- (12) the Company Shareholders' Agreement; and
- (13) this Composite Document and the accompanying Forms of Acceptance.



**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)**

**NOTICE OF H SHARE CLASS MEETING**

**Notice is hereby given** that the H Share Class Meeting of Zhejiang New Century Hotel Management Co., Ltd. (the “**Company**”) will be held at Wonderland Conference Room, 4th Floor, No. 379 Dongning Road, Pengbu Street, Jianggan District, Hangzhou City, Zhejiang Province, the People's Republic of China at 10:00 a.m. on Tuesday, 13 April 2021 for the purpose of considering and, if thought fit, passing the following resolution as a special resolution.

Capitalised terms defined in the composite document dated 19 March 2021 jointly issued by the Company and Kungpeng Asia Limited (the “**Offeror**”) shall have the same meanings when used herein unless otherwise specified.

**SPECIAL RESOLUTION****“THAT:**

- (a) subject to minimum valid acceptances of the H Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) amounting to at least 90% of the H Shares held by the Independent H Shareholders, the Delisting be and is hereby approved; and
- (b) any director of the Company be and is hereby authorised to take such other action and execute such documents or deeds as he may consider necessary or desirable for the purpose of implementing the Delisting.”

By order of the Board

**Zhejiang New Century Hotel Management Co., Ltd.**

**JIN Wenjie**

*Chairman and Executive Director*

The PRC, 19 March 2021

*Notes:*

1. Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), all resolutions at H Share Class Meeting will be taken by poll. The results of the poll will be published 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)) in accordance with the requirements of the Listing Rules.

2. Holders of the Company's H shares ("H Shares") whose names appear on the register of members of the Company on Thursday, 8 April 2021 are entitled to attend and vote at the H Share Class Meeting. The register of members of the Company will be closed from Thursday, 8 April 2021 to Tuesday, 13 April 2021 (both days inclusive), during which period no transfer of H Shares will be effected. In order to be eligible to attend and vote at the H Share Class Meeting, any holders of H Shares whose transfers have not been registered must deposit the transfer documents together with the relevant share certificates at the Company's H Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 7 April 2021.
3. A shareholder of the Company entitled to attend and vote at the H Share Class Meeting is entitled to appoint one or more proxies to attend and, in the event of a poll, vote on his/her behalf. The proxy appointed is not necessarily a shareholder of the Company. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him/her.
4. The proxy form must be signed by the shareholder or his/her attorney duly authorised in writing. Where the shareholder is a legal person, the proxy form should be executed under its common seal or under the hand of its director or an attorney duly authorised to sign the same. If the proxy form is signed by an authorised person by the shareholder, the power of attorney or other documents of authorisation must be notarised. To be valid, the form of proxy together with power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited to the Company's H Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 24 hours before the time appointed for holding the H Share Class Meeting or its any adjournment(s).
5. Individual shareholders who attend the meeting in person shall present its identification. Shareholders who attend the meeting by proxy also shall present its identification and power of attorney except the identification of the principal. A legal person shareholder should attend the meeting by its legal representative or the proxy entrusted by the legal representative. Legal representative attending the meeting shall present its identity card and the valid certificate which can prove that he/she has the certification of legal representative. If appointed to attend the meeting, the proxy shall present its identity card and written power of attorney issued by the legal representative of the legal person shareholder unit.
6. Others

The H Share Class Meeting is expected to conclude in a day. All attending shareholders shall arrange the transport and accommodation on their own and bear relevant expenses for attendance.

Name of the standing contact person: Mr. Li Donglin/Ms. Feng Jinyu  
Phone number: (86 571) 8830 5131  
Email address: newcentury@kaiyuanhotels.com

*As at the date of this notice, 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.*



## 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)**

#### NOTICE OF EXTRAORDINARY GENERAL MEETING

**Notice is hereby given** that the extraordinary general meeting (the “EGM”) of Zhejiang New Century Hotel Management Co., Ltd. (the “Company”) will be held at Wonderland Conference Room, 4th Floor, No. 379 Dongning Road, Pengbu Street, Jianggan District, Hangzhou City, Zhejiang Province, the People's Republic of China at 11:00 a.m. on Tuesday, 13 April 2021 (or immediately after the conclusion or adjournment of the H share class meeting of the Company) for the purpose of considering and, if thought fit, passing the following resolutions as a special resolution and an ordinary resolution, respectively.

Capitalised terms defined in the composite document dated 19 March 2021 jointly issued by the Company and Kunpeng Asia Limited (the “Offeror”) shall have the same meanings when used herein unless otherwise specified.

#### SPECIAL RESOLUTION

**“THAT:**

- (a) subject to minimum valid acceptances of the H Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) amounting to at least 90% of the H Shares held by the Independent H Shareholders, the Delisting be and is hereby approved; and
- (b) any director of the Company be and is hereby authorised to take such other action and execute such documents or deeds as he may consider necessary or desirable for the purpose of implementing the Delisting.”

#### ORDINARY RESOLUTION

**“THAT,** the Shareholders Arrangement, which constitutes a special deal under Rule 25 of the Takeovers Code, be and is hereby approved.”

By order of the Board

**Zhejiang New Century Hotel Management Co., Ltd.**

**JIN Wenjie**

*Chairman and Executive Director*

The PRC, 19 March 2021

*Notes:*

1. Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), all resolutions at the EGM will be taken by poll. The results of the poll will be published 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)) in accordance with the requirements of the Listing Rules.
2. Holders of H Shares (“**H Shares**”) in the register of shareholders of the Company on Thursday, 8 April 2021 shall have the right to attend and vote at the EGM. The Company will suspend registration of shareholders and transfer of H Shares from Thursday, 8 April 2021 to Tuesday, 13 April 2021, both days inclusive. To be eligible to attend and vote at the EGM, holders of H Shares failing to complete the registration of share transfer shall submit the share transfer documents accompanied by the relevant share certificates to the Company’s H Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong before 4:30 p.m. on Wednesday, 7 April 2021.
3. A shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, in the event of a poll, vote on his/her behalf. The proxy appointed is not necessarily a shareholder of the Company. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him/her.
4. The proxy form must be signed by the shareholder or his/her attorney duly authorised in writing. Where the shareholder is a legal person, the proxy form should be executed under its common seal or under the hand of its director or an attorney duly authorised to sign the same. If the proxy form is signed by an authorised person of the shareholder, the power of attorney or other documents of authorisation must be notarised. To be valid, the form of proxy together with power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited with the Company’s H Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 24 hours before the time appointed for holding the EGM or its any adjournment(s).
5. Individual shareholders who attend the meeting in person shall present their identification. In addition to the identification of the appointing shareholder, a proxy shall also present his/her identification and power of attorney. A legal person shareholder should attend the meeting by its legal representative or the proxy entrusted by the legal representative. Legal representative attending the meeting shall present its identity card and the valid certificate which can prove that he/she has the status of legal representative. If appointed to attend the meeting, the proxy shall present its identity card and written power of attorney issued by the legal representative of the legal person shareholder unit.

## 6. Others

The EGM is expected to conclude in a day. All attending Shareholders shall arrange the transport and accommodation on their own and bear relevant expenses for attendance.

Name of the standing contact person: Mr. Li Donglin/Ms. Feng Jinyu

Phone number: (86 571) 8830 5131

Email address: [newcentury@kaiyuanhotels.com](mailto:newcentury@kaiyuanhotels.com)

*As at the date of this notice, 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.*