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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)

DISCLOSEABLE TRANSACTIONS AGREEMENT ON CHANGE OF LEASE SUBJECT AND ASSET PURCHASE AGREEMENT

THE AGREEMENT ON CHANGE OF LEASE SUBJECT

The Board announces that on 21 January 2020, the Group entered into an agreement on change of lease subject with Hangzhou Xiaoshan Beigan Rongxing Joint Stock Economic Association ("**Rongxing Economic Association**") and Hangzhou Mogen Real Estate Co., Ltd. ("**Mogen Real Estate**") Hotel Branch ("**Mogen Real Estate Hotel Branch**") in respect of the sublease of the Hilton Hangzhou Xiaoshan ("**Target Hotel**") property "Zhongying Business Center" Building 1 located in the PRC ("**Target Hotel Property**"), commencing from 20 January 2020 to 20 March 2038.

In accordance with International Financial Reporting Standards 16 "Leases" ("**IFRS 16**"), the Group will recognise the value of the right-of-use asset in its financial statements if it enters into a lease transaction as lessee, such transaction will be regarded as acquisition of capital asset.

THE ASSET PURCHASE AGREEMENT

The Board announces that on 21 January 2020, the Company entered into an asset purchase agreement to acquire all operating assets of the Target Hotel decoration, equipment, furniture, etc. ("**Target Hotel Assets**") from Mogen Real Estate owned by Mogen Real Estate Hotel Branch.

LISTING RULES IMPLICATIONS

Pursuant to Rule 14.22 of the Listing Rules, as the transactions under the Agreement on Change of Lease Subject and the Asset Purchase Agreement ("**the Transactions**") are relating to the Target Hotel, the Transactions are required to be aggregated.

As the highest applicable percentage ratio in relation to the Transactions is more than 5% but less than 25%, it is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules but is exempt from the circular, independent financial opinions and independent shareholders' approval requirement.

I. THE AGREEMENT ON CHANGE OF LEASE SUBJECT

The Board announces that on 21 January 2020, the Group entered into an agreement on change of lease subject with Hangzhou Xiaoshan Beigan Rongxing Joint Stock Economic Association ("**Rongxing Economic Association**") and Hangzhou Mogen Real Estate Co., Ltd. ("**Mogen Real Estate**") Hotel Branch ("**Mogen Real Estate Hotel Branch** ") in respect of the sublease of the Hilton Hangzhou Xiaoshan ("**Target Hotel**") property "Zhongying Business Center" Building 1 located in the PRC ("**Target Hotel Property**"), commencing from 20 January 2020 to 20 March 2038.

In accordance with International Financial Reporting Standards 16 "Leases" ("**IFRS 16**"), the Group will recognise the value of the right-of-use asset in its financial statements if it enters into a lease transaction as lessee, such transaction will be regarded as acquisition of capital asset.

Further particulars of the Agreement on Change of Lease Subject are set out below:

Date

21 January 2020

Parties:

The Lessee: the Group

The Lessor: Rongxing Economic Association

The Original Lessee: Mogen Real Estate Hotel Branch

Target Hotel Property

Building 1, Zhongying Business Center, No.107 Jincheng Road, Beigan Street, Xiaoshan District, Hangzhou City, Zhejiang Province, PRC, with a building area of 33,354.65 square meters comprising 24 stories.

Term

Commencing from 20 January 2020 to 20 March 2038 (both days inclusive).

Rental Payment

The annual rental payable shall be RMB11.69 million (including tax) for the period commencing from 20 January 2020 to 20 March 2021, and the annual rental payable shall increase by 10% per three years for the period commencing from 21 March 2021 to 20 March 2038. Rent is paid annually. In particular, the rental payable paid by the Original Lessee to the Lessor from 20 January 2020 to 20 March 2020 shall be paid by the Lessee to the Original Lessee.

The rental payment was determined after arm's length negotiations among the Company and Rongxing Economic Association with reference to the current property rental and rental value of nearby commercial properties.

Security Deposit

The Lessee shall pay RMB1.5 million to the Lessor as security deposit.

II. INFORMATION ON THE PARTIES TO THE AGREEMENT ON CHANGE OF LEASE SUBJECT

The Company

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

Rongxing Economic Association

Rongxing Economic Association is a rural collective economic organization registered in the PRC, controlled by the Rongxing Villagers Committee of Beigan Street, Xiaoshan District, Hangzhou City.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Lessor and its ultimate beneficial owners are independent third parties.

Mogen Real Estate Hotel Branch

Mogen Real Estate Hotel Branch is a branch of Mogen Real Estate, principally engaged in hotel management. Mogen Real Estate is a company incorporated in the PRC, and principally engaged in real estate development and management.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Original Lessee and its ultimate beneficial owners are independent third parties.

III. THE RIGHT-OF-USE ASSET

Based on preliminary estimation of the Company, the unaudited value of the right-of-use asset to be recognised by the Group under the Agreement on Change of Lease Subject shall amount to approximately RMB176.57 million, which is the present value of aggregate lease payments in accordance with IFRS 16. The rental amount for the lease term will be settled by internal resources of the Company.

IV. THE ASSET PURCHASE AGREEMENT

The Board announces that on 21 January 2020, the Company entered into an asset purchase agreement to acquire all operating assets of the Target Hotel decoration, equipment, furniture, etc. ("**Target Hotel Assets**") from Mogen Real Estate owned by Mogen Real Estate Hotel Branch.

Further particulars of the Asset Purchase Agreement are set out below:

Date

21 January 2020

Parties:

The Buyer: the Company

The Seller: Mogen Real Estate

The Owner of Assets: Mogen Real Estate Hotel Branch

Assets to be transferred

The Target Hotel Assets: the Target Hotel decoration, equipment, furniture and other operating assets owned by Mogen Real Estate Hotel Branch.

Consideration

The consideration for the purchase of the Target Hotel Assets is RMB135.6 million (including 13% value-added tax) payable by the Buyer in the following manner:

i 50% of the consideration, shall be paid on the next working day after the Buyer has accepted and signed the Target Hotel Assets;

ii 50% of the consideration, shall be paid within 2 working days after the Buyer and the owner of Target Hotel Property Rongxing Economic Association handle the change of lease subject.

The consideration is determined with reference to the book value of Target Hotel Assets and will be settled by proceeds from share offerings.

V. INFORMATION ON THE PARTIES TO THE ASSET PURCHASE AGREEMENT

The Company

For the information of the Company, please refer to “II. INFORMATION ON THE PARTIES TO THE AGREEMENT ON CHANGE OF LEASE SUBJECT”.

Mogen Real Estate

For the information of Mogen Real Estate, please refer to “II. INFORMATION ON THE PARTIES TO THE AGREEMENT ON CHANGE OF LEASE SUBJECT”.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Seller and its ultimate beneficial owners are independent third parties.

Mogen Real Estate Hotel Branch

For the information of Mogen Real Estate Hotel Branch, please refer to “II. INFORMATION ON THE PARTIES TO THE AGREEMENT ON CHANGE OF LEASE SUBJECT”.

VI. REASONS FOR AND BENEFITS OF THE AGREEMENT ON CHANGE OF LEASE SUBJECT AND THE ASSET PURCHASE AGREEMENT

The Company has been actively exploring investment opportunities to develop the Company's mid-scale to upscale hotel operation and management business. The Target Hotel is strategically located, its traffic accessibility is strong, and the current facilities and equipment conditions are relatively superior. After leasing the Target Hotel Property and purchasing the Target Hotel Assets, the Company will operate the Target Hotel under the New Century brand, to achieve the expansion of the Company's hotel operation business, in line with the Company's business and development strategy.

The Directors are of the view that the transactions under the Agreement on Change of Lease Subject and the Asset Purchase Agreement ("**the Transactions**") are on normal commercial terms which were determined after arm's length negotiations between the parties, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

VII. LISTING RULES IMPLICATIONS

In accordance with the IFRS 16, the Group will recognise the value of the right-of-use asset in its financial statements if it enters into a lease transaction as lessee, such transaction will be regarded as acquisition of capital asset.

Pursuant to Rule 14.22 of the Listing Rules, as the Transactions are relating to the Target Hotel, the Transactions is required to be aggregated.

As the highest applicable percentage ratio in relation to the Transactions is more than 5% but less than 25%, it is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules but is exempt from the circular, independent financial opinions and independent shareholders' approval requirement.

The consideration for the purchase of the Target Hotel Assets will be paid by proceeds from share offerings. As the two upscale business hotels disclosed in the Company's Prospectus that will use proceeds from share offerings to lease and operate in the future are located in Zhejiang and Hunan Province, such payment regarding the change of implementation entities and implementation locations of certain investment funded by the proceeds does not involve the change of investment direction and use of the proceeds. There are no circumstances which will change the investment direction of the proceeds and harm the interests of the shareholders in a disguised way. Under the Listing Rules, such payment is subject to the announcement, but is exempt from the approval of independent shareholders.

VIII. DEFINITIONS

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

“ Agreement on Change of Lease Subject”	the agreement dated 21 January 2020 entered into by the Group, Rongxing Economic Association and Mogen Real Estate Hotel Branch in relation to the sublease of Target Hotel Property
“ Asset Purchase Agreement”	the agreement dated 21 January 2020 entered into by the Company and Mogen Real Estate in relation to the purchase of Target Hotel Assests
“ Board”	the board of directors of the Company
“ Buyer”	the Company
“ Company”	Zhejiang New Century Hotel Management Co., Ltd., a joint stock company with limited liabilities incorporated in the PRC
“ Director(s)”	the directors of the Company
“ Group”	the Company and its subsidiaries
“ Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited

“Lessee”	the Group
“Lessor”	Rongxing Economic Association
“Original Lessee”	Mogen Real Estate Hotel Branch
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus for the Company dated February 26, 2019
“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	Mogen Real Estate
“Shareholder(s)”	the shareholder(s) of the Company
“such payment”	the Company uses the proceeds from share offerings to pay for transaction under the Asset Purchase Agreement
“%”	per cent

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

Hangzhou, the PRC
21 January 2020

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