

**IPO FACT SHEET**
**Zhejiang New Century Hotel Management Co., Ltd. (1158 HK)**
**ISSUE STATISTICS**

<b>Offer Size:</b>	HK\$935.9m - HK\$1,403.5m
<b>Placement Tranche:</b>	70m
<b>Price:</b>	HK\$13.37-HK\$20.05
<b>Board lot:</b>	200
<b>Entry fee:</b>	HK\$ 4,050.41
<b>Historical PE</b>	19.16x – 28.73x
<b>Net tangible asset per share:</b>	HK\$5.41-HK\$7.02
<b>Market Cap (post-IPO):</b>	HK\$935.9m - HK\$1,403.5m
<b>Open:</b>	26 Feb 2019
<b>Close:</b>	12.00 noon on 1 Mar 2019
<b>Trading:</b>	11 Mar 2019
<b>Sponsor:</b>	China Galaxy International Securities (Hong Kong) Co., Ltd and BOCOM International (Asia) Ltd

<b>Year ended 31 Dec</b>	<b>(RMB'000)</b>	<b>yoy % chg</b>
Revenue		
2016	1,602,006	5.3%
2017	1,664,643	3.9%
Profit and total comprehensive income for the year/period		
2016	84,055	183.6%
2017	166,567	98.2%

**BACKGROUND**

- They are one of the leading hotel groups in the PRC, and they principally engage in the operation and management of mid-scale to upscale hotel chains in the PRC.
- As at August 31, 2018, they operated and/or managed 140 hotels throughout 22 provinces, municipalities and autonomous regions, with over 31,000 hotel rooms in total and out of which, 81 hotels and around 17,000 hotel rooms were located in the Zhejiang Province.
- According to the Horwath Report, as at March 31, 2018, in terms of number of hotel rooms in operation in China, they were the seventh largest hotel group and second largest domestic hotel group according to the number of upscale hotel rooms, and were the eighth largest hotel group and the fourth largest domestic hotel group according to the number of upscale and mid-scale hotel rooms. In terms of hotel rooms both in operation and under pipeline in China, they were the third largest hotel group and the largest domestic hotel group according to the number of upscale hotel rooms, and were the seventh largest hotel group and the fourth largest domestic hotel group according to the number of upscale and mid-scale hotel rooms.
- As at August 31, 2018, they have a pipeline of 135 hotels (including 129 full service management agreements, four hotel lease agreements and two franchise agreements) with over 33,000 rooms that are expected to commence operation within the next five years.

**BUSINESS STRATEGY AND FUTURE PLANS**

- Attract, retain and promote a dedicated, efficient and creative workforce.
- Enhance their leading position in the upscale business and resort hotels market through their hotel operation and hotel management business models.
- Further expand their business in mid-scale hotel chains.
- Increase marketing activities and crossover marketing initiatives to maintain their strong brand recognition and expand their guests base.
- Further investment and development in innovative digital strategies and improving operational efficiency.

**COMPETITIVE STRENGTHS**

- One of the leading upscale hotel groups in China with strong brand recognition.
- A broad and strong portfolio of hotel brands with extensive network in the PRC and with strong pipeline of new hotel projects.

- Distinct synergy in executing a business model combining both hotel operation and hotel management businesses.
- Significant experience as a hotel group in China.
- Their diverse and effective hotel reservation channels and loyalty program provides them with wide hotel guest exposure.
- Experienced and professional management team and a dedicated workforce.

### KEY RISKS

- They operate in a highly competitive industry, thus their revenues, profits or market share could be harmed if they are unable to compete successfully.
- There is no assurance that they will be able to achieve their current business goals and plans for growth.
- They may not be successful in expanding into the geographic areas that they do not currently serve.
- Their full service management or franchise agreements with third-party hotel owners or franchisees may be affected or terminated if third-party hotel owners or franchisees fail to make investments necessary to maintain or improve their properties to the requisite standard or are unable to afford the mortgages.
- They are exposed to the risks resulting from significant investments in owned and leased hotels, which may increase their costs, reduce their profits, limit their ability to respond to market conditions or restrict their growth strategy.

### DIVIDEND POLICY

- No fixed dividend policy.

### USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation (%)
The development of their upscale business and resort hotels.	272.00	25.0%
The development of their mid-scale hotels.	381.00	35.0%
Brand building and promotion including but not limited to, engaging in marketing and promotional activities, sponsorship of industry events and advertising.	109.00	10.0%
Recruitment of more talent and strengthening their implementation of training to their staff and recruitment programs for supporting their business expansion.	54.00	5.0%
Development of their information technology system by upgrading existing operational and IT system infrastructure.	163.00	15.0%
Their general corporate purposes and working capital.	109.00	10.0%
<b>Total:</b>	<b>1,088.00</b>	<b>100.00%</b>

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