

**ZHEJIANG NEW CENTURY HOTEL MANAGEMENT COMPANY LTD:
THE \$HK1-BILLION-PLUS BOOST TO THE COFFERS
SHOULD PUT THIS COMPANY ON EASY STREET**

... At Least, For The Time Being

Considering the fact that this hotel-management company has a history, going back to 1988, with the opening of The Xiaoshan Guesthouse, the first ‘*New Century* ()’ hotel to be operated under the ‘*umbrella*’ of today’s Management, it appears odd that this company’s Net Profit Margin is more than a little anaemic.

The company, to which **TARGET** () is referring, is Zhejiang New Century Hotel Management Company Ltd () (Code: 1158, Main Board, The Stock Exchange of Hongkong Ltd).

The following is a soupçon that Subscribers might like to ruminare:

- With regard to the 2015 Financial Year, ended December 31, on a Turnover of about 1.52 billion renminbi (about \$HK1.77 billion), the Net Profit Margin was 1.98 percent.
- With regard to the 2016 Financial Year, on a Turnover of about 1.60 billion renminbi (about \$HK1.86 billion), the Net Profit Margin was about 5.26 percent.
- With regard to the 2017 Financial Year, on a Turnover of about 1.66 billion renminbi (about \$HK1.93 billion), the Net Profit Margin was about 9.79 percent.

One has to ponder, at this point, prior to continuing to scan the Global Offering Prospectus of this Company, in the light of the above facts:

‘Had this Company been chalking up losses, prior to the 2015 Financial Year?’

In the opinion of this medium, the answer is a resounding: ‘Yes!’

The Initial Public Offering (IPO) Of Zhejiang New Century Hotel Management Company Ltd

On February 26, 2019, Zhejiang New Century Hotel Management Company Ltd pitched its story to prospective investors of the Hongkong Special Administrative Region (HKSAR) of the People’s Republic of China (PRC).

In a Global Offering of Shares, Management sought to sell 70 million ‘H’ Shares to investors, willing to part with their money in exchange for this Company’s scrip.

HKSAR Investors were Offered seven million, one renminbi ‘H’ Shares (the Hongkong Offer Shares tranche) and International Investors were Offered 63 million ‘H’ Shares.

The Indicative Offer Price Per Share, acceptable to Management, was put at a low of \$HK13.37 and at a high of \$HK20.05.

In respect of the 63 million ‘H’ Shares, being the International Offer Shares tranche, prior to the ink, having dried on the Share Offer Prospectus, Management had located two material buyers for some of those Shares in the form of Cornerstone Investors.

The two Cornerstone Investors had pledged to purchase ‘H’ Shares at the Global Offering in respect of 45.56 percent of the total number of Shares, under the International Offer Shares tranche, at an aggregate cost of \$US62 million (about \$HK483,592,508).

At the top of Page 281 of the Global Offering Prospectus, it was stated:

'THE CORNERSTONE PLACING

'We have entered into cornerstone investment agreements (each a "Cornerstone Investment Agreement", and together the "Cornerstone Investment Agreements") with the cornerstone investors set out below (each a "Cornerstone Investor", and together, the "Cornerstone Investors"), pursuant to which the Cornerstone Investors have agreed to subscribe, subject to certain conditions, at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 200 Shares) that may be purchased for an aggregate amount of US\$62.0 million (the "Cornerstone Placing").'

At 6:15 a.m. on Friday, March 8, 2019, Management of Zhejiang New Century Hotel Management Company Ltd announced that the Offer Price Per Share had been struck at \$HK16.50 and that it was anticipated that the net proceeds from the Global Offering would be about \$HK1,073,900,000.

In that Announcement, it was stated that the Hongkong Offer Shares tranche had been '*slightly oversubscribed*' and that the International Offer Shares tranche had been '*moderately oversubscribed*'.

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