



New Century Real Estate Investment Trust 開元產業投資信託基金

(a Hong Kong collective investment scheme authorized under section 104 of the Securities and
Futures Ordinance (Chapter 571 of the Laws of Hong Kong))
(Stock code: 1275)



2014

INTERIM REPORT

CONTENTS

3	Financial Highlights
5	Chairman's Statement
7	Report of the REIT Manager
13	Summary of Acquisition and Important Agreements
14	Corporate Governance Report
16	Connected Party Transactions
20	Disclosure of Interests
22	Report on Review of Interim Financial Information
23	Interim Condensed Consolidated Income Statement
24	Interim Condensed Consolidated Statement of Comprehensive Income
25	Interim Condensed Consolidated Balance Sheet
27	Distribution Statement
29	Interim Condensed Consolidated Statement of Net Assets Attributable to Unitholders and Changes in Equity
30	Interim Condensed Consolidated Statement of Cash Flows
31	Notes to the Condensed Consolidated Interim Financial Information
60	Performance Table
61	Corporate Information
62	Definitions and Glossary of Technical Terms

NEW CENTURY REAL ESTATE INVESTMENT TRUST

As the world's first China-based hotel real estate investment trust (“**REIT**”), New Century Real Estate Investment Trust’s (“**New Century REIT**”) listing (“**Listing**” or “**IPO**”) on the Main Board of The Stock Exchange of Hong Kong Limited on 10 July 2013 (“**Listing Date**”) was a milestone for the Chinese hospitality industry as well as the Hong Kong REIT market. New Century REIT provides its unitholders (“**Unitholders**”) with a unique opportunity to invest in a portfolio of pure hotel assets located in China and to take advantage of the growing China tourism sector and hotel industry resulting from China’s fast-growing economy and domestic consumption.

New Century REIT has committed and reputable sponsors, namely the New Century Hotel Group Limited and its subsidiaries (“**New Century Group**”) as well as The Carlyle Group L.P.. New Century Group is the largest domestic, private-sector, star-rated hotel management group in China with about 140 star-rated hotels in operations or under development, while The Carlyle Group L.P. (NASDAQ: CG) is a global alternative asset manager with US\$203 billion of assets under management across 126 funds and 139 fund of funds vehicles as of 30 June 2014.

During the period ended 30 June 2014 (“**Reporting Period**”), New Century REIT’s portfolio includes four 5-Star hotels, namely New Century Grand Hotel Hangzhou (杭州開元名都大酒店), New Century Resort Qiandao Lake Hangzhou (杭州千島湖開元度假村), New Century Grand Hotel Ningbo (寧波開元名都大酒店) and New Century Grand Hotel Changchun (長春開元名都大酒店), and one 4-Star hotel, namely New Century Hotel Xiaoshan Zhejiang (浙江開元蕭山賓館) (collectively, the “**Hotel Properties**”). The Hotel Properties are located in China with an aggregate of 2,021 rooms and more than 300,000 square meters in total gross floor area (“**GFA**”). After acquiring Songjiang New Century Grand Hotel Shanghai (上海松江開元名都大酒店) on 31 July 2014 (“**Acquisition**”), the New Century REIT’s portfolio has approximately 2,500 rooms and more than 390,000 square meters in GFA.

LONG-TERM OBJECTIVES AND STRATEGY

New Century Asset Management Limited (“**REIT Manager**”) continues its strategy to invest on a long-term basis, in a diversified portfolio of income-producing hospitality related real estates, initially in China, and to deliver regular and stable distributions to Unitholders and to achieve long-term growth in distributions and in the net asset value per unit of New Century REIT (“**Unit**”) while maintaining an appropriate capital structure.

FINANCIAL HIGHLIGHTS

This is the first set of interim financial results prepared by New Century REIT since the Listing Date, therefore, no period-to-period financial comparison is available whereas the comparative figures in the condensed consolidated interim financial information represents the hotel operation and hotel leasing businesses of predecessor group before listing for accounting presentation purpose.

KEY FINANCIAL FIGURES FOR THE REPORTING PERIOD

(expressed in RMB'000 unless otherwise specified)

	For the six months ended 30 June 2014
Total Revenue	120,999
Profit attributable to Unitholders	15,357
Distributable income for the Reporting Period	64,521
Special Distribution¹	27,000
Total distributable income (including the Special Distribution)	91,521

Per Unit Figures	
Payout Ratio	100%
Distribution per Unit ² – (after taking into account the effect of the Existing Distribution Waivers ³ , the New Distribution Waivers ⁴ and the Special Distribution) (RMB)	0.1155
Distribution per Unit ² – (after taking into account the effect of the Existing Distribution Waivers ³ , the New Distribution Waivers ⁴ and the Special Distribution) (HK\$) ⁵	0.1455
Net asset value per Unit attributable to Unitholders (RMB)	2.9807
Net asset value per Unit attributable to Unitholders (HK\$) ⁵	3.7550
Ratio	
Gearing Ratio	28%

FINANCIAL HIGHLIGHTS

Notes:

1. A special distribution of RMB27,000,000, which will be paid out of the capital of New Century REIT, was declared and approved by the board of directors of the REIT Manager (the "**Board**") on 25 August 2014 ("**Special Distribution**").
2. The distribution per Unit is calculated by dividing the distributable income of RMB64,521,000 for the period plus the Special Distribution of RMB27,000,000 by 792,110,298 Units, after taking into account the effect of the Existing Distribution Waivers as described in note 3 below and the New Distribution Waivers from the Units in issue immediately after the completion of the Acquisition on 31 July 2014 as mentioned in the section headed "Events Occurring After the Balance Sheet Date".
3. This is referred to the distribution waivers given by Huge Harvest International Limited ("**Huge Harvest**") and Blue Sky Holdings Limited ("**Carlyle Blue Sky**") to waive among others, their entitlement to receive any distributions payable for the Reporting Period in respect of 65,600,000 Units and 47,400,000 Units, as set out under the distribution waiver deeds ("**Existing Distribution Waivers**") dated 17 June 2013 entered into between the REIT Manager and Huge Harvest and Carlyle Blue Sky, respectively.
4. This is referred to the New Distribution Waivers as mentioned in section headed "Events Occurring After the Balance Sheet Date" and pursuant to which Success Conquer Global Limited ("**Vendor**") and Huge Harvest have agreed to waive their entitlements to receive any distribution payable with a record date after the issuance of consideration units in respect of period ending 31 December 2014 in respect of 15,000,000 Units and 7,099,988 Units respectively.
5. Unless indicated otherwise, amounts specified in Hong Kong dollars are based on an exchange rate of HK\$1.0000 = RMB0.7938 while amounts specified in United States dollars are based on an exchange rate of US\$1.0000 = RMB6.1528. Distribution payable to Unitholders is paid in Hong Kong dollar. The exchange rate adopted by the REIT Manager is subject to adjustment and is the average closing exchange rate, as announced by the People's Bank of China, for the five business days preceding the date of declaration of distribution.

Dear Unitholders,

I am pleased to present the interim results of New Century REIT and its subsidiaries ("**Group**") for the six months ended 30 June 2014 on behalf of the Board of Directors of New Century Asset Management Limited, the manager of New Century REIT.

The revenue and total distributable income including the Special Distribution of New Century REIT for the Reporting Period were RMB121 million and RMB92 million, respectively. After taking into account the Existing Distribution Waivers, the New Distribution Waivers and the Special Distribution, the distribution per Unit ("**DPU**") of New Century REIT for the Reporting Period was RMB0.1155 or equivalent to HK\$0.1455 based on the period end exchange rate that could be adjusted on the date of declaration of distribution ("**2014 Interim Distribution**").

The REIT Manager has been actively looking for investment opportunities for New Century REIT. With the Unitholders' approval, New Century REIT has on 31 July 2014 completed the acquisition of Songjiang New Century Grand Hotel Shanghai ("**Songjiang Hotel**"), a 5-star hotel in Songjiang district of Shanghai. Acquiring the Songjiang Hotel is expected to enhance the asset portfolio by approximately 22% and further expand the overall geographic diversification of New Century REIT. The resulting enhanced market capitalization should further expand potential investors' base, which should justify higher valuation parameters for New Century REIT. The REIT Manager is expected, through its specialized knowledge and experience in the hospitality industry, to implement pro-active measures to enhance Songjiang Hotel and to improve its operational performance. Please refer to section headed "Events Occurring After the Balance Sheet Date" for further information regarding the Acquisition.

During the Reporting Period, the hospitality industry in China continued to be negatively affected by short-term over supply of hotels arising from the pump-priming subsequent to the 2008 global financial crisis.

PROSPECTS

In view of the uncertain global economic and political environment, China central government had introduced various micro stimuli in the second quarter of 2014 in order to help sustain its high economic growth. These have already translated into improved economic indicators. Both our hotel rooms and food and beverage ("**F&B**") performances have also shown signs of recovery since then. While room occupancies for 5-star hotels have observed year-on-year increase since the second quarter of 2014, F&B departments have been relatively resilient after the Chinese New Year. 2014 is a popular year for wedding according to the Chinese lunar calendar. For most of the hotels within our portfolio, banquets events have been well reserved in advance for popular wedding dates.

According to China Tourism Academy, there were 1.85 billion domestic tourist travelers in the first half of 2014, up 10% year-on-year, generating estimated RMB1,500 billion of domestic travelling revenue, up 16% year-on-year. Inbound travelers were numbered at 62 million and the related revenue amounted to US\$23 billion. China Tourism Academy forecast 2014 domestic tourist travelers and domestic travelling revenue amount to 3.63 billion and RMB3,100 billion, up 11% and 16% year-on-year, respectively.

After the acquisition of Songjiang Hotel, we will continue to look for growth opportunities through acquisition from New Century Group, Carlyle networks and third-party sources. The currently difficult environment has caused increasing number of single-block hotel owners to offer their hotels for sale at a lower price which in turn provides a favourable acquisition environment.

CHAIRMAN'S STATEMENT

We continue to be optimistic on the long-term China hotel market outlook, driven by the relatively high China economic growth, continuous development of high-speed railway and highway systems and urbanization. China has the potential of becoming one of the largest aviation markets in future. Over time, the China economic transformations should support higher average room rate and F&B charges that could dramatically boost the profitability of the sector. Having seen delay and reduction in new hotel investment since 2013, there should be healthier supply-and-demand dynamics in the medium- to long-term.

On behalf of the REIT Manager, I would like to express my gratitude to DB Trustees (Hong Kong) Limited (our “**Trustee**”) and Unitholders for the support and confidence rendered to us.

On behalf of the Board

New Century Asset Management Limited

(as the REIT Manager of New Century REIT)

CHEN Miaolin

Chairman

Hong Kong, 25 August 2014

REPORT OF THE REIT MANAGER

Dear Unitholders,

Despite a relatively difficult first-half in 2014 in the hotel industry, our new initiatives enabled us to maintain stable operating results. We have continued to improve our hotel operating efficiency through cost rationalization while continued to strengthen our marketing efforts.

As we celebrate our first anniversary since the Listing Date, we would like to express our gratitude to the investment community who recognized our management's efforts by voting for us in the 2014 FinanceAsia Asia's Best Companies Award. New Century REIT has the smallest market capitalization and the shortest listing history among the top-10 winners, mostly major blue chips listed companies in Hong Kong. This award encourages us to keep on improving our management and corporate governance in order to provide more values to our investors and stakeholders.



KEY FINANCIAL HIGHLIGHTS

The revenue and total distributable income including the Special Distribution of RMB27 million of New Century REIT for the Reporting Period were RMB121 million and RMB92 million, respectively. After taking into account the Existing Distribution Waivers, the New Distribution Waivers and the Special Distribution, the DPU of New Century REIT for the Reporting Period was RMB0.1155 or equivalent to HK\$0.1455 based on the period end exchange rate that could be adjusted on the date of declaration of distribution.

Revenue of New Century REIT for the Reporting Period was made up of (i) RMB107 million rental income in respect of the lease of the Hotel Properties and (ii) RMB14 million other rental income from the leasing of commercial and office spaces, shopping and recreational areas in the Hotel Properties under various individual lease agreements.

REPORT OF THE REIT MANAGER

The portfolio observed stabilizing trend in terms of room revenue in the second quarter of the year. For the F&B department, a majority of the hotels within the portfolio recorded improvement in the first half of the year mostly attributable to better banquet revenue received. However, New Century Grand Hotel Changchun's performance was still weak. Changchun as a northern city traditionally encounters slack season in first half of the year. The hotel's relative reliance on State-owned Enterprises, which generally downsized in spending and conferencing budgets also caused a slower recovery. Under the leadership of the new general manager as well as the upcoming peak season in the third quarter, we expect a meaningful recovery for this hotel. In general, tight costs control has been achieved for the Hotel Properties during the Reporting Period, which contributed to improved portfolio core gross operating profit as well as its margins.

HEALTHY FINANCIAL POSITION

As at 30 June 2014, New Century REIT had the aggregate bank borrowings of RMB1,257 million. Pursuant to facility agreements entered into between a consortium of banks and members of the Group in June 2013, the Group obtained an onshore loan facility of RMB360 million and an offshore loan facility of US\$190 million (equivalent to approximately RMB1,168 million), secured by various charges over the Hotel Properties and shares of subsidiaries of New Century REIT. As at 30 June 2014, approximately US\$67.8 million (equivalent to RMB417 million) offshore loan facilities remained unutilized.

The annual interest rate of the onshore and offshore facility under the facility agreements are 110% of 1-3 year benchmark People's Bank of China rate and 3-month London Interbank Offered Rate plus 2.5% per annum respectively. As required under the facility agreements, a subsidiary of the Group entered into interest rate swaps with a commercial bank, which have the economic effect of converting borrowings of its offshore term loans from floating rates to fixed rates fixed at approximately 3.5% per annum during the loan period.

As at 30 June 2014, the valuation of the Hotel Properties of New Century REIT was RMB4,190 million as appraised by DTZ Debenham Tie Leung Limited ("**Principal Valuer**") and has not changed from the 31 December 2013 valuation. The borrowing ratio of New Century REIT was approximately 28.5%, being the ratio of the aggregate borrowings of RMB1,257 million over the total gross asset value of RMB4,413 million, which was well below the maximum limit of 45% as permitted under the REIT Code. The gearing ratio calculating based on net debts over total asset value as at 30 June 2014 was about 28% (as at 31 December 2013: 26%). After taking into consideration of the new banking facility relating to the Acquisition to be drawn by end of August 2014, the gearing ratio is expected to be 30%.

As at 30 June 2014, New Century REIT had total cash and cash equivalents and restricted cash of RMB178 million, which comprised RMB146 million in unrestricted cash and RMB32 million in restricted cash. New Century REIT possesses sufficient financial resources and bank loan facilities and receives timely payments of rental income to satisfy its financial commitments and working capital requirements.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

At the extraordinary general meeting held on 16 July 2014, New Century REIT has resolved to acquire all the issued shares of Strong Tower Global Limited which ultimately holds Songjiang New Century Grand Hotel Shanghai (上海松江開元名都大酒店), from the Vendor at a total purchase cost of RMB700 million. It was financed by (i) the proceeds from the issuance of 135,000,000 placement Units and 15,000,000 consideration Units by New Century REIT at the issue price of HK\$3.25 per Unit, with amount of approximately RMB388 million (based on the exchange rate of HK\$1.0000 = RMB0.7958 on the completion date of the Acquisition) and (ii) a three-year term loan drawn down from the new bank facility agreement with amount of US\$60 million. The Acquisition was completed on 31 July 2014 and the acquisition fees payable to REIT Manager with amount of RMB3.5 million was settled by 1,369,782 Units issued by New Century REIT to the REIT Manager at the issue price of HK\$3.25 per Unit on the same day.

Regarding the Acquisition, the Vendor and Huge Harvest have entered into a Vendor Distribution Waiver Deed and Huge Harvest Distribution Waiver Deed respectively on 25 June 2014 (collectively referred to as the “**New Distribution Waivers**”), pursuant to which the Vendor and Huge Harvest agreed to waive their entitlement to receive any distributions payable with a record date after the issuance of the consideration Units and in respect of the period ending on 31 December 2014. The number of Units then waived by the Vendor and Huge Harvest were 15,000,000 Units and 7,099,988 Units respectively.

HOTEL INDUSTRY CONDITIONS

Asset Enhancement

Since the Listing Date, refurbishment works were carried out in New Century Grand Hotel Hangzhou to increase the ceiling height and to improve its serving capacity by 55% to host large-scale conferences and exhibitions. Further, passenger lifts in New Century Grand Hotel Changchun have been replaced in stages to improve the efficiency of visitors’ circulation within the hotel. Recently, New Century Hotel Xiaoshan Zhejiang’s fire safety system upgrade has been completed.

The REIT Manager is evaluating the benefits and costs in converting some small F&B areas within the portfolio into other uses such as retail which normally warrants higher rental rates. We believe that such initiatives would bring value to the Unitholders.

REPORT OF THE REIT MANAGER

KEY HOTEL OPERATING HIGHLIGHTS

The following table sets forth information on the average occupancy rates, average daily rate (“**ADR**”) and average revenue per available room (“**RevPAR**”) of the Hotel Properties for the six months ended 30 June 2014:

	Occupancy %	ADR RMB	RevPAR RMB
New Century Grand Hotel Hangzhou	52.5%	563	295
New Century Hotel Xiaoshan Zhejiang	50.0%	353	176
New Century Resort Qiandao Lake Hangzhou	46.6%	689	321
New Century Grand Hotel Ningbo	50.7%	518	262
New Century Grand Hotel Changchun	54.3%	581	316
Weighted Average	<u>51.3%</u>	<u>532</u>	<u>273</u>

The first half of a year is typically the slack season for the Chinese hotel industry. This is also true for our portfolio, particular for New Century Resort Qiandao Lake Hangzhou which is a resort, as well as for the New Century Grand Hotel Changchun. We anticipate the portfolio will improve in the second half of 2014.

The F&B average spending per customer, average utilization rate of seats and average revenue per square meter per year of banquet rooms in the Hotel Properties for the six months ended 30 June 2014 are set out below:

	F&B Spending Per Customer RMB	Utilization Rate %	Revenue Per SQM. Per Annum of Banquet Room RMB
New Century Grand Hotel Hangzhou	111	148%	25,258
New Century Hotel Xiaoshan Zhejiang	118	117%	35,865
New Century Resort Qiandao Lake Hangzhou	74	84%	3,924
New Century Grand Hotel Ningbo	101	147%	20,812
New Century Grand Hotel Changchun	106	111%	6,592
Weighted Average	<u>107</u>	<u>123%</u>	<u>19,090</u>

KEY HOTEL OPERATION INITIATIVES

In year 2014, the hotels within our portfolio have incorporated initiatives to either increase revenue or cost savings. A few examples are illustrated below:

On the revenue side, the hotel management strengthened sales distribution support by actively leverage on New Century Group's channel network with Online Travel Agencies (OTAs) such as Ctrip, eLong (藝龍) and Qunar.com (去哪兒) to promote the New Century REIT's 5 hotels by front page promotions. Also, we cooperated with international Meetings, Incentives, Conferencing and Exhibitions ("**MICE**") organization to strengthen the portfolio's Global Distribution System (GDS) and increased promotional efforts for the 5 hotels in the New Century REIT through New Century Group's own web-site, mobile phone data base and popular web-site like Taobao.com and Wechat. These increased sales both in rooms and some F&B products like buffet. Further, new partnerships entered into with banks, airlines, department stores, car rental companies and property companies are expected to expand sales platform.

For F&B, co-operations with wedding professionals helped to seize the opportunities to secure banquet bookings as early as possible. Also, more mass market and families dining promotions have been targeted in order to make up the implications from government officials' downsized spending and conferencing budgets.

Significant cost savings initiatives have also been adopted including improving raw materials sourcing efficiency in F&B through more competitive pricing mechanism and nurture local suppliers; streamlined organization to improve efficiency; reduced non-essential room materials and energy savings.

RENTAL STRUCTURE AND BANK GUARANTEE

Under the master hotel lease and management agreement dated 14 June 2013 ("**Master Lease Agreement**"), the hotel manager manages and operates the Hotel Properties to prescribed operating standards and pays rent to the subsidiaries of New Century REIT for an initial term of 10 years commencing from the Listing Date, which may be renewed for a period of another 10 years.

The Master Lease Agreement is designed to provide New Century REIT with a visible and stable income stream minimizing exposure to hotel industry risks (including cyclical factor) by way of base rent, being RMB216 million per annum ("**Base Rent**") for the first five years of the Master Lease Agreement, while providing New Century REIT, by way of the variable individual rent, with the ability to share a portion of any potential upside in revenue and gross operating profit based on the performance of the Hotel Properties.

Variable individual rent, with a minimum guaranteed annual rental amount (being the Base Rent), amounts to the total sum of (i) 20% of each of the relevant Hotel Properties' total operating revenue of that month; and (ii) 34% of each of the relevant Hotel Properties' gross operating profit of that month.

REPORT OF THE REIT MANAGER

New Century Tourism guarantees the performance of obligations by the lessee under the Master Lease Agreement. For the first 5 years of the Master Lease Agreement, the Bank of China, Zhejiang Branch provides an irrevocable guarantee in the amount of RMB216 million (being the amount of the Base Rent) per year in favor of the lessors to cover the payment obligations of the lessee and the lessee is required to provide a security deposit in the amount of RMB20 million under the Master Lease Agreement.

In addition to the rent receivable under the Master Lease Agreement, New Century REIT is also entitled to other rental income from the leasing of commercial and office spaces, shopping and recreational areas in the Hotel Properties.

On behalf of the Board

New Century Asset Management Limited

(as the REIT Manager of New Century REIT)

CHEUNG Yat Ming

Executive Director and Chief Executive Officer

Hong Kong, 25 August 2014

SUMMARY OF ACQUISITION AND IMPORTANT AGREEMENTS

SHANGHAI SONGJIANG HOTEL ACQUISITION

With the Unitholders' approval on 16 July 2014, New Century REIT has on 31 July 2014 acquired Songjiang Hotel, a 5-star hotel in Songjiang district of Shanghai. The Acquisition expanded the overall geographic diversification of the New Century REIT and increased its number of rooms by 22% to approximately 2,500 and GFA by 22% to more than 390,000 sq. m..

The hotel purchase cost of RMB700 million was about 14% below the RMB810 million valuation as appraised by independent property valuer and was financed through new bank facilities amounting to US\$60 million and issuance of new Units and consideration Units amounting to in aggregate approximately RMB388 million.

The Songjiang Hotel is a five-star hotel located in the Songjiang District of Shanghai, and was honoured as "Songjiang Best MICE Hotel". The hotel building is 98 meters tall along the riverbank, providing the hotel guests with good visibility and scenic views. The Songjiang Hotel is ideally located in the core area of Songjiang New Town, where it benefits from tourists' and travelers' demand arising from universities to the north, government facilities to the east and industrial parks to the west and south.

NEW HOTEL LEASE AGREEMENT AND NEW LEASE GUARANTEE

New Century REIT has entered into a ten years' (with further ten years' renewal option at the REIT Manager's discretion) new hotel lease agreement with Shanghai Songjiang New Century Grand Hotel Limited (上海松江開元名都大酒店有限公司) ("**Songjiang Hotel Lessee**") and New Century Tourism on 25 June 2014 ("**New Hotel Lease Agreement**"). The rent for Songjiang Hotel equals to the total sum of (i) 25% of Songjiang Hotel's total operating revenue; and (ii) 34% of Songjiang Hotel's gross operating profit. For the first five years from the commencement of the New Hotel Lease Agreement, the Songjiang Hotel Lessee is required to pay a minimum aggregate annual base rent of RMB48 million and to provide a security deposit at the same amount. In addition, New Century REIT is entitled to rental income from car park and shops within the Songjiang Hotel equivalent to an initial amount of approximately RMB7.9 million per annum. The Songjiang Hotel Lessee entrusts Zhejiang New Century Hotel Management Limited (浙江開元酒店管理有限公司) ("**Hotel Manager**"), as the hotel manager, to carry out the management of the Songjiang Hotel and pays the Hotel Manager a hotel management fee.

New Century Tourism provided a guarantee (the "**New Lease Guarantee**") to the lessor of Songjiang Hotel with respect to the obligations of the Songjiang Hotel Lessee under the New Hotel Lease Agreement.

For details of the Acquisition, please refer to the announcements published on 25 June 2014, 22 July 2014 and 31 July 2014 as well as the circular dispatched on 30 June 2014.

CORPORATE GOVERNANCE REPORT

New Century REIT is committed to maintaining the highest level of corporate governance practices and procedures. The REIT Manager has adopted a compliance manual for use in relation to the management and operation of New Century REIT (“**Compliance Manual**”) which sets out the key processes, systems, measures and certain corporate governance policies and procedures to be applied for governing the management and operation of New Century REIT and for compliance with all applicable laws and regulations. New Century REIT and the REIT Manager applied the principles and complied with, to the extent appropriate, the code provisions in the Corporate Governance Code in Appendix 14 to the Listing Rules.

Throughout the six months ended 30 June 2014, both the REIT Manager and New Century REIT have in material terms complied with the provisions of the REIT Code, the relevant provisions of the SFO, the relevant provisions of the Listing Rules applicable to New Century REIT, the Trust Deed and the Compliance Manual.

BOARD OF DIRECTORS OF THE REIT MANAGER

The Board principally oversees the day-to-day management of the REIT Manager’s affairs and the conduct of its business and is responsible for the overall governance of the REIT Manager. The Board currently comprises seven members, one Executive Director, three Non-executive Directors and three Independent Non-executive Directors.

CHANGES IN INFORMATION OF DIRECTORS

Mr. Jiang Tianyi was appointed as the Alternate Director of Mr. Zhang Chi with effect from 25 June 2014.

During the six months ended 30 June 2014:

- Mr. Cheung Yat Ming was appointed as the Independent Non-executive Director of Springland International Holdings Limited (stock code: 1700) and Best Pacific International Holdings Limited (stock code: 2111) with effect from 11 March 2014 and 8 May 2014 respectively.
- Mr. Yu Hon To David resigned as Independent Non-executive Director of VXL Capital Limited (stock code: 727) with effect from 27 May 2014.

INTERESTS OF, AND DEALINGS IN UNITS BY DIRECTORS, THE REIT MANAGER OR THE SIGNIFICANT HOLDERS

To monitor and supervise any dealings of Units, the REIT Manager has adopted a code containing rules on dealings by the Directors and the REIT Manager on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (“**Model Code**”) as set out in Appendix 10 of the Listing Rules, which governs dealings by all Directors and employees of the REIT Manager, subsidiaries of the REIT Manager or the Special Purpose Vehicles of New Century REIT (“**Management Persons**”).

Specific enquiry has been made with the Directors and the Management Persons, all of them confirmed that they have complied with the required standard set out in the Model Code from time to time during the six months ended 30 June 2014.

ISSUE OF NEW UNITS

During the six months ended 30 June 2014, an aggregate of 3,840,504 new Units were issued to the REIT Manager as full payment of the 2013 REIT Manager's fee.

The total number of Units in issue as at 30 June 2014 was 775,840,504 Units.

REPURCHASE, SALE OR REDEMPTION OF UNITS

During the six months ended 30 June 2014, there was no repurchase, sale or redemption of Units by the REIT Manager on behalf of New Century REIT or any of the Special Purpose Vehicles that are owned and controlled by New Century REIT.

PUBLIC FLOAT OF THE UNITS

Based on the information publicly available, as far as the REIT Manager is aware, not less than 25% of the issued and outstanding Units were held in public hands as at 30 June 2014.

EMPLOYEES

New Century REIT is managed by the REIT Manager and the Trustee. By contracting out such services, New Century REIT, through its subsidiaries has two employees in its own right and such costs are reimbursed by the REIT Manager.

CLOSURE OF THE REGISTER OF UNITHOLDERS

The record date for the 2014 Interim Distribution will be 19 September 2014, Friday ("**Record Date**"). The Register of Unitholders will be closed on 19 September 2014, Friday, during which period no transfer of Units will be effected. The 2014 Interim Distribution is expected to be paid on or about 9 October 2014, Thursday, to Unitholders whose names appear on the Register of Unitholders on the Record Date.

In order to qualify for the 2014 Interim Distribution, all properly completed transfer forms (accompanied by the relevant Unit certificates) must be lodged for registration with New Century REIT's Unit Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 18 September 2014, Thursday.

REVIEW OF INTERIM REPORT

New Century Group's interim report for the six months ended 30 June 2014 has been reviewed by the Audit Committee and the Disclosures Committee of the REIT Manager in accordance with their respective terms of reference. New Century REIT's condensed consolidated financial statements for the six months ended 30 June 2014 have not been audited but have been reviewed by PricewaterhouseCoopers, external auditors of New Century REIT, in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

CONNECTED PARTY TRANSACTIONS

Set out below is summary information in respect of connected party transactions during the six months ended 30 June 2014 between New Century REIT and its connected persons (as defined in paragraph 8.1 of the REIT Code), which are governed by Chapter 8 of the REIT Code.

WAIVERS FROM STRICT COMPLIANCE

As disclosed in the Offering Circular, waivers from strict compliance with the disclosure and Unitholder's approval requirements under Chapter 8 of the REIT Code in respect of certain connected party transactions between New Century REIT and its connected persons were granted by the Securities and Futures Commission of Hong Kong ("SFC") before the listing of New Century REIT ("Waivers"). Waivers have been granted subject to the relevant waiver terms and conditions including, inter alia, the requirements that transactions should be reviewed by the auditors of New Century REIT and the Independent Non-executive Directors and, where applicable, the transaction amounts should not exceed the specified annual caps ("Waiver Conditions"). For the six months ended 30 June 2014, New Century REIT has complied with the relevant terms and conditions of the Waivers.

With the approval of the Unitholders, a new waiver ("Modified and Extended Waiver") was granted by the SFC on 16 July 2014 in respect of certain connected party transactions between New Century REIT and Huge Harvest Group, subject to the terms and conditions as disclosed in the announcement dated 16 July 2014.

INCOME

The following table sets out information on continuing connected party transactions from which New Century REIT derived its income during the six months ended 30 June 2014:

Name of the Connected Person	Relationship with New Century REIT	Nature of the Connected Party Transactions	Income for the six months ended 30 June 2014 (RMB'000)
浙江開元酒店管理有限公司 及其集團其他成員公司 (Zhejiang New Century Hotel Management Limited* and other members of its group)	Associate of significant holder and director ¹	Leasing transaction	108,851
開元旅業集團有限公司 (New Century Tourism Group Limited*)	Associate of significant holder and director ²	Leasing transaction	914
杭州開元房地產集團有限公司 (Hangzhou New Century Real Estate Group Limited*)	Associate of significant holder and director ²	Leasing transaction	686
德清開元森泊度假開發有限公司 (Deqing New Century Senbo Holiday Limited*)	Associate of significant holder and director ⁴	Leasing transaction	132
杭州開元國際旅遊有限公司 (Hangzhou New Century International Tourism Limited*)	Associate of significant holder and director ³	Leasing transaction	123
杭州開元之江清洗連鎖有限公司 (Hangzhou New Century Zhijiang Cleaning Chain Limited*)	Associate of significant holder and director ³	Leasing transaction	62

Name of the Connected Person	Relationship with New Century REIT	Nature of the Connected Party Transactions	Income for the six months ended 30 June 2014 (RMB'000)
杭州開元裝飾工程有限公司 (Hangzhou New Century Decorating Limited*)	Associate of significant holder and director ⁴	Leasing transaction	56
杭州智榮貿易有限公司 (Hangzhou Zhirong Trading Limited*)	Associate of significant holder and director ⁵	Leasing transaction	33
杭州開元信息系統有限公司 (Hangzhou New Century Information System Engineering Limited*)	Associate of significant holder and director ⁵	Leasing transaction	25

RENTAL DEPOSITS

New Century REIT has received the following rental deposits from its connected persons during the six months ended 30 June 2014:

Name of the Connected Person	Relationship with New Century REIT	Nature of the Connected Party Transactions	Rental Deposit Received during the six months ended 30 June 2014 (RMB'000)
杭州開元裝飾工程有限公司 (Hangzhou New Century Decorating Limited*)	Associate of significant holder and director ⁴	Leasing transaction	29
杭州開元信息系統有限公司 (Hangzhou New Century Information System Engineering Limited*)	Associate of significant holder and director ⁵	Leasing transaction	13

Notes:

- The connected person concerned is a subsidiary of Huge Harvest. The connected person concerned is also associates of Mr. Chen Miaolin (Chairman and Non-executive Director), Mr. Zhang Chi (Non-executive Director), Mr. Chen Canrong and Mr. Chen Miaoqiang (both being Directors of Xiaoshan Hotel Company).
- The connected person concerned is a subsidiary of Huge Harvest. The connected person concerned is also associates of Mr. Chen Miaolin (Chairman and Non-executive Director), Mr. Zhang Guanming (Non-executive Director and Director of all SPVs), Mr. Chen Canrong and Mr. Chen Miaoqiang (both being Directors of Xiaoshan Hotel Company) and Mr. Kong Weiliang (Director of Xiaoshan Hotel Company but resigned on 28 February 2014).
- The connected person concerned is a subsidiary of Huge Harvest. The connected person concerned is also associates of Mr. Chen Miaolin (Chairman and Non-executive Director) and Mr. Chen Canrong (Director of Xiaoshan Hotel Company).
- The connected person concerned is a subsidiary of Huge Harvest. The connected person concerned is also associates of Mr. Chen Miaolin (Chairman and Non-executive Director) and Mr. Kong Weiliang (Director of Xiaoshan Hotel Company but resigned on 28 February 2014).
- The connected person concerned is a subsidiary of Huge Harvest. The connected person concerned is also associates of Mr. Chen Miaolin (Chairman and Non-executive Director) and Mr. Zhang Guanming, (Non-executive Director and Director of all SPVs).

* The English name is shown for identification purpose only.

CONNECTED PARTY TRANSACTIONS

EXPENSES

Save as disclosed in the paragraph headed “Terms and Remuneration of Services Provided by the REIT Manager, the Trustee and the Principal Valuer” set out below in this section, there are no other connected party transactions in which New Century REIT incurred its expenses during the six months ended 30 June 2014.

RECEIVABLES AND PAYABLES

There are receivable and payable balances with connected persons brought forward from before the Listing Date, as well as receivables and receipts in advance from leasing transactions occurred during the six months ended 30 June 2014, which are set out in notes 26(b) and 26(c), respectively, of the Notes to the Condensed Consolidated Interim Financial Information on pages 54 to 58 of this report.

MAJOR ACQUISITION AND CONNECTED PARTY TRANSACTIONS IN RELATION TO THE SALE AND PURCHASE AGREEMENT TO ACQUIRE SONGJIANG HOTEL, UNIT PLACEMENT AND CONTINUING CONNECTED PARTY TRANSACTIONS

Reference is made to the announcements of New Century REIT dated 25 June 2014, 22 July 2014 and 31 July 2014 and the circular dated 30 June 2014 (the “**Acquisition Circular**”) in relation to the following connected party transactions which occurred after the balance sheet date. Unless otherwise defined in the section ‘Definitions and Glossary of Technical Terms’ of this report, terms used in this subsection shall have the same meaning as those defined in the Acquisition Circular.

1. Sale and Purchase Agreement

On 25 June 2014, the Trustee and the REIT Manager entered into the Sale and Purchase Agreement with Success Conquer Global Limited and New Century Tourism pursuant to which the Trustee has, on behalf of New Century REIT, conditionally agreed to acquire all the issued shares of Strong Tower Global Limited (the “**Target Company**”) (being the “**Transaction**”). After the acquisition of the Target Company, New Century REIT owned Songjiang New Century Grand Hotel Shanghai through Shanghai Songjiang Hui Wei Asset Management Limited* (上海松江輝維資產管理有限公司) (the “**Property Company**”), which is an indirect wholly-owned subsidiary of the Target Company.

The hotel purchase cost for New Century REIT was RMB700 million, which consisted of (i) a repayment arrangement of all liabilities and/or bank loans of the Target Group (excluding any deferred tax liabilities) as at completion of the Transaction, which is expected to amount to approximately RMB420 million, and (ii) the Consideration of RMB280 million (subject to adjustment) for the sale and purchase of all issued shares of the Target Company.

2. New Lease Agreements, New Lease Guarantee and New Hotel Management Agreement

On 25 June 2014, New Century REIT (through the Property Company) and the REIT Manager (in the case of the New Hotel Lease Agreement) entered into lease agreements in respect of Songjiang Hotel, consisting of (i) a lease with Shanghai Songjiang New Century Grand Hotel Limited* (上海松江開元名都大酒店有限公司) (the “**Songjiang Hotel Lessee**”) and New Century Tourism in respect of Songjiang Hotel (excluding the car park and the shops) (being the “**New Hotel Lease Agreement**”); and (ii) a lease in respect of the car park (being the “**Car Park Lease Agreement**”).

3. Additional Continuing Connected Party Transactions

After completion of the Transaction, members of the New Century REIT Group entered into transactions with the Songjiang Hotel Lessee in relation to the New Hotel Lease Agreement and Shanghai New Century Enterprise Operation Management Limited* (上海開元企業經營管理有限公司) in relation to the Car Park Lease Agreement (“**Additional Continuing Connected Party Transactions**”). On 16 July 2014, the SFC has granted waiver for strict compliance with certain requirements under Chapter 8 of the REIT Code in relation to the Additional Continuing Connected Party Transactions. For details, please refer to the announcement issued by the REIT Manager on 16 July 2014.

Please refer to the sections “Events Occurring After the Balance Sheet Date” on page 9 and “Summary of Acquisition and Important Agreements” on page 13 of this report for more details.

TERMS AND REMUNERATION OF SERVICES PROVIDED BY THE REIT MANAGER, THE TRUSTEE AND THE PRINCIPAL VALUER

Pursuant to note 2 of paragraph 8.10 of the REIT Code, services provided by the REIT Manager, the Trustee and the Principal Valuer of New Century REIT as contemplated under the constitutive documents shall not be deemed connected party transactions. Therefore, such services are not disclosed in the above sections.

During the six months ended 30 June 2014, the aggregate amount of fees (in the form of cash and/or units) paid/payable by New Century REIT to the Trustee and to the REIT Manager under the constitutive documents were RMB438,000 and RMB10,506,000 respectively. Particulars of services provided by the REIT Manager for the six months ended 30 June 2014 are set out in note 9 of the Notes to the Condensed Consolidated Interim Financial Information on pages 37 to 38 of this report. The fees paid/payable to the Principal Valuer of New Century REIT during the six months ended 30 June 2014 was RMB162,000.

DISCLOSURE OF INTERESTS

The REIT Code requires connected persons (as defined in paragraph 8.1 of the REIT Code) of New Century REIT to disclose their interests in the Units. In addition, the Trust Deed requires that the provisions of Part XV of the SFO are deemed to apply to the REIT Manager, the directors and the chief executives of the REIT Manager, and to persons interested in the Units.

UNIT HOLDINGS OF SIGNIFICANT UNITHOLDERS

As at 30 June 2014, the interests and short position in Units of the significant Unitholders (as defined in paragraph 8.1 of the REIT Code (other than the REIT Manager, its directors or chief executive of the REIT Manager) as recorded in the register required to be kept by the REIT Manager pursuant to Schedule 3 of the Trust Deed and section 336 of the SFO, or so far as the REIT Manager is aware, were as follows:

Name of the Significant Unitholders	Total Number of Issued Units Held (Long Position)	Approximate Percentage of the Issued Units as at 30 June 2014
Shanghai Summit Pte. Ltd.	57,600,000	7.42%
Huge Harvest International Limited ¹	323,228,504	41.66%
Blue Sky Holdings Limited ²	231,310,000	29.81%
Carlyle Asia Partners II, L.P. ³	231,310,000	29.81%
CAP II General Partner, L.P. ⁴	231,310,000	29.81%
CAP II L.L.C. ⁵	231,310,000	29.81%
TC Group Cayman Investment Holdings Sub, L.P. ⁶	231,310,000	29.81%
TC Group Cayman Investment Holdings, L.P. ⁷	231,310,000	29.81%
Carlyle Holdings II L.P. ⁸	231,310,000	29.81%
Carlyle Holdings II GP L.L.C. ⁹	231,310,000	29.81%
The Carlyle Group L.P. ¹⁰	231,310,000	29.81%

Notes:

- Huge Harvest International Limited is a significant Unitholder (within the meaning of the REIT Code) of New Century REIT. As at 30 June 2014, since Mr. Chen Miaolin (Chairman and Non-executive Director of the REIT Manager) holds 83.90% of the issued shares of Huge Harvest International Limited, Huge Harvest International Limited is also a connected person of New Century REIT. Of the 323,228,504 Units, Huge Harvest International Limited held 3,840,504 Units, representing 0.5% of the Units issued by New Century REIT, via New Century Asset Management Limited as at 30 June 2014.
- Blue Sky Holdings Limited is a significant Unitholder (within the meaning of the REIT Code) of New Century REIT. Blue Sky Holdings Limited's interest is controlled by the eight entities stated in Notes 3 to 10.
- Carlyle Asia Partners II, L.P. holds 97.27% of the interests of Blue Sky Holdings Limited (Note 2). Hence, Carlyle Asia Partners II, L.P. has deemed interest in the Units held by Blue Sky Holdings Limited.
- CAP II General Partner, L.P. holds 100% of the interest of Carlyle Asia Partners II, L.P. (Note 3) in which Carlyle Asia Partners II, L.P. holds 97.27% of the interest of Blue Sky Holdings Limited (Note 2). Hence, CAP II General Partner, L.P. has deemed interest in the Units held by Blue Sky Holdings Limited.

5. CAP II L.L.C. holds 100% of the interest of CAP II General Partner, L.P. (Note 4). Hence, CAP II L.L.C. has deemed interest in the Units held by Blue Sky Holdings Limited.
6. TC Group Cayman Investment Holdings Sub, L.P. holds 100% of the interest of CAP II L.L.C. (Note 5). Hence, TC Group Cayman Investment Holdings Sub, L.P. has deemed interest in the Units held by Blue Sky Holdings Limited.
7. TC Group Cayman Investment Holdings, L.P. holds 100% of the interest of TC Group Cayman Investment Holdings Sub, L.P. (Note 6). Hence, TC Group Cayman Investment Holdings, L.P. has deemed interest in the Units held by Blue Sky Holdings Limited.
8. Carlyle Holdings II L.P. holds 100% of the interest of TC Group Cayman Investment Holdings, L.P. (Note 7). Hence, Carlyle Holdings II L.P. has deemed interest in the Units held by Blue Sky Holdings Limited.
9. Carlyle Holdings II GP L.L.C. holds 100% of the interest of Carlyle Holdings II L.P. (Note 8). Hence, Carlyle Holdings II GP L.L.C. has deemed interest in the Units held by Blue Sky Holdings Limited.
10. The Carlyle Group L.P. holds 100% of the interest of Carlyle Holdings II GP L.L.C. (Note 9). Hence, The Carlyle Group L.P. has deemed interest in Units held by Blue Sky Holdings Limited.

UNIT HOLDINGS OF THE REIT MANAGER, ITS DIRECTORS OR CHIEF EXECUTIVE

As at 30 June 2014, the interests and short position in Units of the REIT Manager, its directors or chief executive as recorded in the register required to be kept by the REIT Manager, pursuant to Schedule 3 of the Trust Deed and section 352 of the SFO, or as far as the REIT Manager is aware, were as follows:

Name of the REIT Manager, Director and Chief Executive of the REIT Manager	Total Number of Issued Units Held (Long Position)	Approximate Percentage of the Issued Units as at 30 June 2014
Chen Miaolin ¹ 陳妙林	323,228,504	41.66%
New Century Asset Management Limited ²	<u>3,840,504</u>	<u>0.5%</u>

Notes:

- 1 Mr. Chen Miaolin (Chairman and Non-executive Director of the REIT Manager) held 83.90% of the issued shares of Huge Harvest International Limited, a significant Unitholder of New Century REIT as at 30 June 2014. Hence, Mr. Chen Miaolin has deemed interest in the Units held by Huge Harvest International Limited.
- 2 New Century Asset Management Limited is the REIT Manager of New Century REIT. With the issue of 3,840,504 new Units to the REIT Manager on 23 April 2014 as payment of the 2013 REIT Manager's fee, the REIT Manager beneficially held 3,840,504 Units as at 30 June 2014.

Save as disclosed above, the REIT Manager is not aware of any other connected persons (within the meaning in the REIT Code) of New Century REIT holding any beneficial interest in the Units as at 30 June 2014.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF NEW CENTURY ASSET MANAGEMENT LIMITED

(as the “Manager” of New Century Real Estate Investment Trust)

INTRODUCTION

We have reviewed the interim financial information set out on pages 23 to 59, which comprises the interim condensed consolidated balance sheet of New Century Real Estate Investment Trust (“**New Century REIT**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2014 and the related interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, distribution statement, interim condensed consolidated statement of net assets attributable to unitholders and changes in equity and interim condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Manager are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 25 August 2014

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2014

	Notes	Unaudited	
		Six months ended 30 June	
		2014	2013
		RMB'000	RMB'000
Revenue	7	120,999	334,033
Cost of sales	8	–	(260,687)
Operating expenses	8	(28,233)	(38,423)
Other (losses)/gains-net	11	(271)	9,154
Change in fair values of investment properties	15	(2,729)	–
Operating profit		89,766	44,077
Finance income	12	2,119	13,949
Finance costs	12	(44,149)	(29,479)
Profit before taxation and transactions with unitholders		47,736	28,547
Income tax expense	13	(31,580)	(12,000)
Profit for the period, before transactions with unitholders		16,156	16,547
– Profit attributable to unitholders		15,357	15,971
– Profit attributable to non-controlling interests		799	576
		16,156	16,547

The notes on pages 31 to 59 are an integral part of the condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Attributable to			
	Unitholders before transactions with unitholders (Unaudited) RMB'000	Transactions with unitholders (Note (i)) (Unaudited) RMB'000	Unitholders after transactions with unitholders (Unaudited) RMB'000	Attributable to non-controlling interests (Unaudited) RMB'000
Profit for the six months ended 30 June 2013	15,971	–	15,971	576
Other comprehensive income	–	–	–	–
Total comprehensive income for the six months ended 30 June 2013 (Note (ii))	<u>15,971</u>	<u>–</u>	<u>15,971</u>	<u>576</u>
Profit for the six months ended 30 June 2014	15,357	(15,357)	–	799
Other comprehensive income	–	–	–	–
Total comprehensive income for the six months ended 30 June 2014 (Note (ii))	<u>15,357</u>	<u>(15,357)</u>	<u>–</u>	<u>799</u>

Notes:

- (i) Transactions with unitholders represent the distributions to unitholders and change in net assets attributable to unitholders, excluding issuance of new units.
- (ii) In accordance with the Trust Deed dated 10 June 2013 and as amended by the supplemental trust deed dated 20 June 2013 (the "Trust Deed"), New Century REIT is required to distribute to unitholders not less than 90% of total distributable income for each financial period. Accordingly, the units contain contractual obligations of the trust to pay cash distributions and also upon termination of the trust, to share all net cash proceeds derived from the sales on realisation of the assets of the trust less any liabilities, in accordance with their proportionate interests in the trust at the date of the termination. The unitholders' funds are therefore classified as a financial liability rather than equity in accordance with International Financial Reporting Standards issued by International Accounting Standards Board. Consistent with unitholders' funds being classified as a financial liability, the distribution to unitholders and change in net assets attributable to unitholders, excluding issuance of new units, are part of finance costs.

The notes on pages 31 to 59 are an integral part of the condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2014

	Notes	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Non-current assets			
Property, plant and equipment	14	162	216
Investment properties	15	4,190,000	4,190,000
Other long-term assets	16	6,794	14,747
		<u>4,196,956</u>	<u>4,204,963</u>
Current assets			
Trade and other receivables and prepayments	17	7,082	6,547
Amount due from related parties	26(c)	30,632	22,204
Restricted cash	18	31,846	24,403
Cash and cash equivalents	18	146,026	145,723
		<u>215,586</u>	<u>198,877</u>
Total Assets		<u>4,412,542</u>	<u>4,403,840</u>
Current liabilities			
Trade and other payables	19	29,539	42,534
Amount due to related parties	26(c)	33,900	36,369
Current income tax liabilities		11,126	13,558
Derivative financial instruments	20	10,085	9,531
Borrowings	21	119,998	250,492
		<u>204,648</u>	<u>352,484</u>
Non-current liabilities, other than net assets attributable to unitholders			
Borrowings	21	1,108,561	909,025
Deferred income tax liabilities	22	761,532	749,870
		<u>1,870,093</u>	<u>1,658,895</u>
Total liabilities, other than net assets attributable to unitholders		<u>2,074,741</u>	<u>2,011,379</u>
Net assets attributable to unitholders	23	<u>2,312,556</u>	<u>2,368,015</u>
Total liabilities		<u>4,387,297</u>	<u>4,379,394</u>
Net assets		<u>25,245</u>	<u>24,446</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2014

	Notes	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Non-controlling interests		25,245	24,446
Total equity		25,245	24,446
Net current assets/(liabilities)		10,938	(153,607)
Total assets less current liabilities		4,207,894	4,051,356
Net assets attributable to unitholders	23	2,312,556	2,368,015
Units in issue ('000)	23	775,841	772,000
Net assets attributable to unitholders per unit	23	RMB2.9807	RMB3.0674

On behalf of the Board of Directors of the REIT Manager.

Chen Miaolin
Chairman

Cheung Yat Ming
Executive Director

The notes on pages 31 to 59 are an integral part of the condensed consolidated interim financial information.

DISTRIBUTION STATEMENT

For the six months ended 30 June 2014

	Unaudited Six months ended 30 June 2014 RMB'000
Profit attributable to unitholders	15,357
Adjustments for the total distributable income:	
– Fair value change on investment properties attributable to unitholders	2,702
– Deferred taxation in respect of investment properties and tax losses	12,761
– Unrealised foreign exchange losses on financing activities	13,723
– Fair value losses on derivative financial instruments	554
– REIT Manager fee payable in units in lieu of cash	10,506
– Amortisation of transaction cost for the bank borrowings	8,918
	<hr/>
Total distributable income (i)	64,521
	<hr/> <hr/>
Total distribution amount to be paid (ii)	64,521
	<hr/> <hr/>
Distribution per unit before the Special Distribution (v) and before taking into account the effect of Existing Distribution Waivers (iii)	RMB0.0832
	<hr/> <hr/>
Distribution per unit before the Special Distribution (v) and after taking into account the effect of Existing Distribution Waivers (iv)	RMB0.0973
	<hr/> <hr/>

Notes:

- (i) Under the terms of the Trust Deed, the total distributable income is the consolidated profit or loss after income tax attributable to unitholders adjusted to eliminate the effects of certain non-cash and other adjustments which have been recorded in the consolidated income statement for the relevant period.
- (ii) In accordance with the Trust Deed, New Century REIT is required to distribute to unitholders not less than 90% of its total distributable income for each financial year and it is the REIT Manager's stated policy to distribute 100% of New Century REIT's total distributable income for the period from the date of listing to 31 December 2013 and for the financial year ending 31 December 2014, and thereafter at least 90% of New Century REIT's annual distributable income for each financial year.
- (iii) The distribution per unit of RMB0.0832 for the six months ended 30 June 2014 is calculated by dividing New Century REIT's total distributable income of RMB64,521,000 for the period by 775,840,504 units in issue as at 30 June 2014, before taking into account the effect of Existing Distribution Waivers as described in note (iv) below.
- (iv) Pursuant to the Distribution Waiver Deeds on 17 June 2013 ("**Existing Distribution Waivers**"), Huge Harvest International Limited ("**Huge Harvest**") and Blue Sky Holdings Limited ("**Carlyle Blue Sky**"), have each agreed to irrevocably waive their respective entitlements to receive any distribution payable for the period from the date of listing to 31 December 2013 and for the year ending 31 December 2014 in relation to 65,600,000 units and 47,400,000 units respectively. The distribution per unit of RMB0.0973 for the six months ended 30 June 2014 is calculated by dividing New Century REIT's total distributable income of RMB64,521,000 for the period by 662,840,504 units, after taking into account the effect of Existing Distribution Waivers.

DISTRIBUTION STATEMENT

For the six months ended 30 June 2014

- (v) A special distribution of RMB27,000,000 was declared and approved by the board of directors of the REIT Manager on 25 August 2014 ("**Special Distribution**").
- (vi) On 31 July 2014, New Century REIT has acquired all the issued shares of Strong Tower Global Limited from Success Conquer Global Limited (the "**Vendor**") (Note 28), in which 135,000,000 placement units, 15,000,000 consideration units and 1,369,782 units to the REIT Manager as acquisition fee were issued by New Century REIT, with 151,369,782 units in total issued upon the completion of the acquisition.

With a view to enable the investors to make an informed assessment of the distribution per unit of New Century REIT following this acquisition, the REIT Manager disclosed the distribution per unit after taking into account the effect of newly issued and waived units upon the completion of this acquisition:

Number of units entitled to receive any distribution (after taking into account the Existing Distribution Waivers) as at 30 June 2014	662,840,504
Add: New units issued upon the completion of the acquisition	151,369,782
Less: New units waived for receiving any distribution (pursuant to the New Distribution Waivers) (a)	<u>(22,099,988)</u>
Total number of units entitled to receive any distribution (after taking into account the Existing Distribution Waivers and the New Distribution Waivers)	<u><u>792,110,298</u></u>
Distribution per unit (after taking into account the effect of the Existing Distribution Waivers, the New Distribution Waivers and the Special Distribution) (b)	<u><u>RMB0.1155</u></u>

- (a) On 25 June 2014, the Vendor and Huge Harvest have each entered into a Vendor Distribution Waiver Deed and a Huge Harvest Distribution Waiver Deed respectively (collectively referred to as the "**New Distribution Waivers**") and pursuant to which the Vendor and Huge Harvest agreed to waive their entitlement to receive any distributions payable with a record date after the issuance of the consideration units and in respect of the period ending on 31 December 2014. The number of units then waived by the Vendor and Huge Harvest were 15,000,000 units and 7,099,988 units respectively.
- (b) The distribution per unit of RMB0.1155 for the six months ended 30 June 2014 is calculated by dividing New Century REIT's total distributable income of RMB64,521,000 for the period plus Special Distribution of RMB27,000,000 by 792,110,298 units, after taking into account the effect of Existing Distribution Waivers and the New Distribution Waivers.

The notes on pages 31 to 59 are an integral part of the condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND CHANGES IN EQUITY

For the six months ended 30 June 2014

	Notes	Equity (Unaudited)				Total (Unaudited) RMB'000
		Net assets attributable to unitholders (Unaudited) RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Non-controlling interests RMB'000	
At 1 January 2013		–	937,499	188,073	9,448	1,135,020
Profit for period		–	–	15,971	576	16,547
Share based payment reserve for the period		–	500	–	–	500
Dividends declared		–	–	(384,922)	(3,498)	(388,420)
Contribution to subsidiaries by the Controlling Shareholders		–	176,951	–	–	176,951
Appropriate to statutory reserve		–	11,532	(11,532)	–	–
At 30 June 2013		<u>–</u>	<u>1,126,482</u>	<u>(192,410)</u>	<u>6,526</u>	<u>940,598</u>
At 1 January 2014		2,368,015	–	–	24,446	2,392,461
Profit for period		15,357	–	–	799	16,156
Distributions paid to unitholders	23	(81,369)	–	–	–	(81,369)
Issuance of units	23	10,553	–	–	–	10,553
At 30 June 2014		<u>2,312,556</u>	<u>–</u>	<u>–</u>	<u>25,245</u>	<u>2,337,801</u>

The notes on pages 31 to 59 are an integral part of the condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

		Unaudited	
		Six months ended 30 June	
		2014	2013
Notes		RMB'000	RMB'000
Cash flows from operating activities			
		89,801	(17,157)
		(29,229)	(22,181)
		(22,350)	(27,109)
Net cash generated/(used in) from operating activities		38,222	(66,447)
Cash flows from investing activities			
	15	(2,729)	–
		–	1,113,264
		–	13,278
		–	1,309
		–	(8,503)
		–	(340)
Net cash (used in)/generated from investing activities		(2,729)	1,119,008
Cash flows from financing activities			
		344,412	250,000
		(290,250)	(1,504,500)
	23	(81,369)	–
	18	(7,443)	80,330
		(540)	–
		–	(384,922)
		–	(3,083)
		–	172,379
		–	(47,216)
Net cash used in financing activities		(35,190)	(1,437,012)
Net increase/(decrease) in cash and cash equivalents			
		303	(384,451)
	18	145,723	409,622
Cash and cash equivalent at end of the period		146,026	25,171

The notes on pages 31 to 59 are an integral part of the condensed consolidated interim financial information.

1 GENERAL INFORMATION

New Century Real Estate Investment Trust (“**New Century REIT**”) and its subsidiaries (together, the “**Group**”) are mainly engaged in the leasing of the hotel properties in Mainland China (“**China**”).

New Century REIT is a Hong Kong collective investment scheme constituted as a unit trust authorised under section 104 of the Securities and Futures Ordinance and was established under the Trust Deed made between the REIT Manager and DB Trustees (Hong Kong) Limited (the “**Trustee**”).

The address of the registered office of New Century Asset Management Limited (the “**REIT Manager**”) is Unit 4706, 47th Floor, The Center, 99 Queen’s Road Central, Hong Kong.

New Century REIT was listed on The Stock Exchange of Hong Kong Limited on 10 July 2013 (“**date of listing**”) and commenced its operation upon listing.

Prior to the establishment of New Century REIT and the completion of the reorganisation as described below (the “**Reorganisation**”), Zhejiang New Century Hotel Investment & Management Group Limited (浙江開元酒店投資管理集團有限公司, “**Zhejiang New Century Hotel**”), a limited liability company established in the People’s Republic of China (the “**PRC**”) on 30 November 2001, and its subsidiaries were principally engaged in hotel ownership and operations in the PRC and were collectively controlled by Mr. Chen Miaolin, Mr. Chen Canrong, Mr. Kong Weiliang and Mr. Zhang Guanming (collectively, the “**Controlling Shareholders**”).

In preparation for the listing of New Century REIT, the Group underwent the Reorganisation below which principally involved the following:

- Through a series of transactions conducted between late 2012 to January 2013, the relevant subsidiaries owning and operating New Century Grand Hotel Hangzhou (杭州開元名都大酒店), New Century Hotel Xiaoshan Zhejiang (浙江開元蕭山賓館), New Century Grand Hotel Ningbo (寧波開元名都大酒店), New Century Grand Hotel Changchun (長春開元名都大酒店) and New Century Resort Qiandao Lake Hangzhou (杭州千島湖開元度假村) (collectively, the “**Hotel Properties**”) were retained by Zhejiang New Century Hotel, while its other subsidiaries and a joint venture that were engaged in the operation of leased hotels and other hotel related business, were transferred to or retained by Zhejiang New Century Hotel Management Limited (浙江開元酒店管理有限公司), formerly a subsidiary of Zhejiang New Century Hotel and was eventually transferred outside the Group.
- Zhejiang New Century Hotel transferred all the assets, transferrable liabilities and contractual obligations of the Hotel Properties that were not related to the hotel properties leasing business, to Zhejiang New Century Hotel Management Limited at an aggregate consideration calculated based on the net book value as at 15 June 2013.
- In June 2013, Spearhead Global Limited, a limited liability company incorporated in British Virgin Islands on 8 March 2013 which was also controlled by the Controlling Shareholders, acquired the entire entity interest in Zhejiang New Century Hotel via its subsidiary from the predecessor shareholders.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

1 GENERAL INFORMATION (CONTINUED)

- The entire interest in Spearhead Global Limited was acquired by New Century REIT on the date of listing for a consideration, which was settled by issuance of 579,000,000 units by New Century REIT and cash payment of HK\$556,310,659 and US\$139,663,400 pursuant to the amended sales and purchase agreement dated 27 June 2013. Thereafter, New Century REIT became the holding entity of the companies now comprising the Group, and the Group has ceased its hotel operation and became engaged in the business of leasing the Hotel Properties.

This condensed consolidated interim financial information is presented in Renminbi (“**RMB**”), which is also the functional currency of New Century REIT. This condensed consolidated interim financial information has been approved for issue by the board of directors of the REIT Manager on 25 August 2014.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PRESENTATION

The condensed consolidated interim financial information of the Group is presented for the purpose of this report.

New Century REIT has not been involved in any business prior to the date of listing and does not meet the definition of a business. The acquisition of Spearhead Global Limited is merely a reorganization of the hotel owning business of the Group with no change in management of such business and the ultimate controlling owners of such business remain the same before and after the formation of the Group, and the Group has ceased its hotel operation and became engaged in the business of leasing the Hotel Properties. The financial statements of the Group have been presented using the carrying values of the hotel owning business of the Group.

All significant intra-group transactions and balances and unrealised gains/losses on transaction between group companies have been eliminated on consolidation.

3 BASIS OF PREPARATION

This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard (“**IAS**”) 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

4 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings.

- (i) New and amended standards and interpretations that have been issued and are effective for periods commencing on 1 January 2014

Amendment to IAS 32	Financial instruments: Presentation on asset and liability offsetting
Amendments to IFRS 10, 12 and IAS 27	Consolidation for investment entities
Amendment to IAS 36	Impairment of assets on recoverable amount disclosures
Amendment to IAS 39	Financial Instruments: Recognition and Measurement – Novation of derivatives
IFRIC 21	Levies

The adoption of these new and amended standards and interpretations has not had any significant effect on the accounting policies or result and financial position of the Group.

- (ii) New and amended standards that have been issued and are effective for periods commencing after 1 January 2014

		Effective date
Amendment to IAS 19	Defined benefit plans	1 July 2014
Annual improvements 2012		1 July 2014
Annual improvements 2013		1 July 2014
IFRS 14	Regulatory deferral accounts	1 January 2016
Amendment to IFRS 11	Accounting for acquisitions of interests in joint operation	1 January 2016
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
IFRS 15	Revenue from contracts with customers	1 January 2017

5 ESTIMATES

The preparation of the condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

6 FINANCIAL RISK MANAGEMENT

6.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, and cash flow interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, they should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

There have been no changes in the risk management department policies since the year end.

6.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

6.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial liabilities that are measured at fair value:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Liabilities				
Financial liabilities at fair value through profit or loss				
As at 30 June 2014 (Unaudited)				
Derivative financial instruments	–	10,085	–	10,085
As at 31 December 2013 (Audited)				
Derivative financial instruments	–	9,531	–	9,531

There were no transfers between levels 1 and 2 during the period.

There were no changes in valuation techniques during the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.4 Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

7 REVENUE AND SEGMENT INFORMATION

	Unaudited Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Rental income from Hotel Properties (a)	106,623	–
Other rental income (b)	14,376	14,437
	120,999	14,437
Hotel operation income		
Room	–	115,018
Food and beverage	–	188,077
Ancillary services	–	16,501
	–	319,596
	120,999	334,033

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

7 REVENUE AND SEGMENT INFORMATION (CONTINUED)

- (a) On 14 June 2013, the Group entered into a master hotel lease and management agreement (the “**Master Lease Agreement**”) with Zhejiang New Century Hotel Management Limited (the “**Lessee**”), pursuant to which the Group is entitled to receive an annual rent (“**Total Rent**”) which is calculated as 20% of the relevant Hotel Properties’ total operating revenue plus 34% of the relevant Hotel Properties’ gross operating profit from the operation of the relevant Hotel Properties by the Lessee for a term of 10 years.

Under the terms of the Master Lease Agreement, the Lessee has guaranteed a minimum aggregate annual rent of RMB216,000,000 (“**Base Rent**”) for the first five years from the commencement of the Master Lease Agreement. If the Total Rent is less than the Base Rent for that year, the shortfall between the Total Rent and the Base Rent would be paid by the Lessee to the Group. For the subsequent sixth to tenth years, the Base Rent for each of the subsequent years will be the market Base Rent (“**Market Base Rent**”) which is to be determined by an independent professional property valuer at least seven months prior to the commencement of each subsequent year. If the Market Base Rent as determined is lower than 85% of the average annual rent received from the Lessee for the Hotel Properties for the first four years (the “**Reference Average Rent for the First Four Years**”), the Base Rent with respect to the Hotel Properties for each subsequent year should be 85% of the Reference Average Rent for the First Four Years, instead of the Market Base Rent.

As the Total Rent is less than the pro-rated Base Rent for the six months ended 30 June 2014, the shortfall between the Total Rent and the Base Rent should be paid by the Lessee to the Group in accordance with the Master Lease Agreement. Therefore the rental income from Hotel Properties for the six months ended 30 June 2014 of RMB106,623,000 is derived from pro-rated Base Rent of RMB108,000,000 less value-added tax of RMB1,377,000.

- (b) Other rental income represents the rental income from the lease of commercial space, primarily office, shopping and recreational areas in Hotel Properties and was recognised on a straight-line basis over the periods of the respective leases.
- (c) Upon listing, the sole principal activity of the Group is the hotel leasing business of the Hotel Properties, which are all located in PRC. Therefore, senior executive management concludes that the Group is a single reportable segment and no further analysis for segment information is presented.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

8 EXPENSES BY NATURE

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
REIT Manager fee (Note 9)	10,506	–
Urban real estate and land use tax	9,494	6,692
Business tax, surcharges and stamp duty	4,620	19,457
Auditor's remuneration	884	908
Legal and other professional fees	882	110
Trustee fee (Note 26)	438	–
Maintenance and repairs	392	5,473
Travelling and communication expenses	378	5,485
Valuation fees	162	–
Depreciation of property, plant and equipment (Note 14)	54	43,315
Employee benefit expenses (Note 10)	–	85,964
Amortisation of land use rights	–	1,154
Amortisation of intangible assets	–	628
Utilities and electricity	–	23,168
Raw materials and consumable used	–	88,031
Marketing and promotion expenses	–	7,958
Hotel management and other service expenses	–	256
Miscellaneous	423	10,511
	<u>28,233</u>	<u>299,110</u>
Total cost of sales and operating expenses	<u>28,233</u>	<u>299,110</u>

9 REIT MANAGER FEE

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Base Fee	6,564	–
Variable Fee	3,942	–
	<u>10,506</u>	<u>–</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

9 REIT MANAGER FEE (CONTINUED)

Pursuant to the Trust Deed, the REIT Manager is entitled to receive remuneration for its services as manager of New Century REIT, which is the aggregate of:

- a base fee (the “**Base Fee**”) of 0.3% per annum of the value of the Deposited Property as at each balance sheet date. Pursuant to the Trust Deed, the Deposited Property represents all the assets of New Century REIT, including all its authorized investments, for the time being and from time to time held or deemed to be held (including but not limited to through special purpose vehicles) upon the trusts of the Trust Deed and any interest arising on subscription monies from the issuance of units;
- a variable fee (the “**Variable Fee**”) of 4% per annum of net property income for the six months ended 30 June 2014.

The Base Fee and Variable Fee above will be paid to the REIT Manager in the form of units based on the prevailing market price at the time of the issue of such units.

10 EMPLOYEE BENEFIT EXPENSES

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Wages and salaries	-	70,521
Other social security costs	-	14,943
Share based payment	-	500
	<u>-</u>	<u>85,964</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

11 OTHER (LOSSES)/GAINS – NET

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Fair value losses on derivative financial instruments – interest rate swaps (<i>Note 20</i>)	(554)	–
Net foreign exchange loss	(84)	–
Government grants	42	6,344
Waived payable balances	–	4,637
Loss on disposal of property, plant and equipment – net	–	(533)
Loss on disposal of intangible assets – net	–	(72)
Others	325	(1,222)
	(271)	9,154

12 FINANCE COSTS – NET

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Finance income		
– Interest income derived from bank deposits and other lendings	2,119	13,949
Finance costs		
– Interest expense on bank borrowings and other borrowings repayable within 5 years	(21,201)	(29,479)
– Unrealised net foreign exchange losses on financing activities	(13,723)	–
– Amortisation of transaction costs of the bank borrowings	(8,918)	–
– Agency fee	(307)	–
	(44,149)	(29,479)
Finance costs – net	(42,030)	(15,530)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

13 INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Current income tax		
– PRC corporate income tax	19,918	19,082
Deferred income tax		
– PRC corporate income tax (Note 22)	11,662	(7,082)
Tax charged	<u>31,580</u>	<u>12,000</u>

(a) Hong Kong profits tax

Enterprises incorporated in Hong Kong are subject to profits tax rates of 16.5% for the six months ended 30 June 2014 and 2013. No Hong Kong profits tax has been provided for as the Group has no assessable profits in Hong Kong for the six months ended 30 June 2014 and 2013.

(b) PRC corporate income tax

Enterprises incorporated in the PRC are subject to income tax rates of 25% for the six months ended 30 June 2014 and 2013.

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits based on existing legislations, interpretations and practices.

(c) PRC withholding income tax

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on the dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of their earnings generated from 1 January 2008.

The REIT Manager has resolved that the profit of the subsidiaries incorporated in the PRC for the six months ended 30 June 2014 will not be distributed in the future to the parent company outside PRC. Hence, deferred income tax liabilities as at 30 June 2014 have not been recognised for the withholding taxes that would be payable on the unremitted earnings of certain subsidiaries incorporated in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities RMB'000	Machinery and equipment RMB'000	Office and electronic equipment RMB'000	Motor Vehicles RMB'000	Fixture and fittings RMB'000	Other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2014								
Cost	-	-	-	565	-	-	-	565
Accumulated depreciation	-	-	-	(349)	-	-	-	(349)
Net book amount	-	-	-	216	-	-	-	216
Six months ended 30 June 2014								
Opening net book amount	-	-	-	216	-	-	-	216
Depreciation (Note 8)	-	-	-	(54)	-	-	-	(54)
Closing net book amount	-	-	-	162	-	-	-	162
At 30 June 2014								
Cost	-	-	-	565	-	-	-	565
Accumulated depreciation	-	-	-	(403)	-	-	-	(403)
Net book amount	-	-	-	162	-	-	-	162
At 1 January 2013								
Cost	1,152,850	238,957	149,727	10,097	310,389	35,840	1,795	1,899,655
Accumulated depreciation	(238,617)	(148,932)	(117,200)	(8,281)	(144,731)	(32,249)	-	(690,010)
Net book amount	914,233	90,025	32,527	1,816	165,658	3,591	1,795	1,209,645
Six months ended 30 June 2013								
Opening net book amount	914,233	90,025	32,527	1,816	165,658	3,591	1,795	1,209,645
Transferred from construction in progress	3,654	-	-	-	-	-	(3,654)	-
Additions	281	1,210	1,506	349	1,245	856	1,943	7,390
Disposals	(18,495)	(195)	(1,339)	(1,569)	-	(69)	-	(21,667)
Depreciation (Note 8)	(19,851)	(9,630)	(5,380)	(346)	(3,730)	(4,378)	-	(43,315)
Closing net book amount	879,822	81,410	27,314	250	163,173	-	84	1,152,053
At 30 June 2013								
Cost	1,132,263	239,620	144,617	752	311,634	29,141	84	1,858,111
Accumulated depreciation	(252,441)	(158,210)	(117,303)	(502)	(148,461)	(29,141)	-	(706,058)
Net book amount	879,822	81,410	27,314	250	163,173	-	84	1,152,053

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation of property, plant and equipment has been charged to the interim condensed consolidated income statement (Note 8) as follows:

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Operating expenses	54	54
Cost of sales	–	43,261
	<u>54</u>	<u>43,315</u>

15 INVESTMENT PROPERTIES

	Unaudited	Audited
	30 June 2014	31 December 2013
	RMB'000	RMB'000
Investment properties	<u>4,190,000</u>	<u>4,190,000</u>

The investment properties were located in the PRC held on land use rights of 35 – 40 years.

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
At fair value		
Opening balance	4,190,000	–
Additions	2,729	–
Fair value losses (a)	<u>(2,729)</u>	–
Closing balance	<u>4,190,000</u>	–

(a) The investment properties were revalued at 30 June 2014 by DTZ Debenham Tie Leung Limited.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

15 INVESTMENT PROPERTIES (CONTINUED)

As at 30 June 2014, all the investment properties were pledged as collateral for the Group's bank borrowings (Note 21).

The fair value measurement information for these investment properties in accordance with IFRS13 are given below:

Description	Fair value measurements at 30 June 2014 using		
	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000

Recurring fair value measurements

Investment properties:

– Hotel Properties	–	–	4,190,000
--------------------	---	---	------------------

Description	Fair value measurements at 31 December 2013 using		
	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000

Recurring fair value measurements

Investment properties:

– Hotel Properties	–	–	4,190,000
--------------------	---	---	-----------

There were no transfers between Levels 1, 2 and 3 during the period.

Investment properties which have fair value measurement using significant unobservable input (level 3):

	Unaudited Six months ended 30 June 2014 RMB'000
Opening balance	4,190,000
Additions	2,729
Fair value losses	(2,729)
Closing balance	4,190,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

15 INVESTMENT PROPERTIES (CONTINUED)

Valuation techniques

For Hotel Properties, the valuation was determined using discounted cash flow (“**DCF**”) projections based on significant unobservable inputs. These input include:

Future rental cash inflows	Based on the actual location, type and quality of the properties and supported by the terms of any existence lease, other contracts and external evidence such as current market rents for similar properties;
Discount rates	Reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
Maintenance costs	Including necessary investments to maintain functionality of the property for its expected useful life;
Terminal value	Taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

There were no changes in valuation techniques during the period.

16 OTHER LONG-TERM ASSETS

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Fee paid for undrawn bank facilities	5,714	13,870
Others	1,080	877
	6,794	14,747

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

17 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Trade receivables (a)	5,536	3,763
Other receivables	563	6
Prepayments for goods, service and constructions	983	2,778
Trade and other receivables and prepayments – net	<u>7,082</u>	<u>6,547</u>

As at 30 June 2014 and 31 December 2013, the fair values of the trade and other receivables of the Group, except for the prepayments which are not financial assets, approximated their carrying amounts.

- (a) As at 30 June 2014, the trade receivables represent the rental income receivables from the lessees. The aging analysis of trade receivables as at 30 June 2014 and 31 December 2013 were as follows:

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Trade receivables, gross		
– Within 90 days	2,231	3,763
– Over 90 days and within 360 days	3,305	–
	<u>5,536</u>	<u>3,763</u>

As at 30 June 2014, all the trade receivables were pledged as collateral for the Group's bank borrowings (Note 21).

18 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Cash at bank and on hand (a)	177,872	170,126
Less: Restricted cash (b)	(31,846)	(24,403)
Cash and cash equivalents	<u>146,026</u>	<u>145,723</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

18 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (CONTINUED)

Cash and cash equivalents and restricted cash are denominated in the following currencies:

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Cash at bank and in hand:		
RMB	147,878	134,791
US\$	28,552	23,683
HK\$	1,442	11,652
	177,872	170,126

(a) All cash at bank are deposits with original maturity within 3 months. The Group earns interest on cash at bank, including restricted cash, at floating bank deposit rates.

(b) Restricted cash represents guaranteed deposits held in reserve accounts pledged to the bank as security deposits under bank borrowing agreements (Note 21).

19 TRADE AND OTHER PAYABLES

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Trade payables (a)	6,715	9,823
Other payables	5,188	5,255
Staff salaries and welfare payables	1	18
Advance from customers	2,834	1,874
Interest payables	8,292	16,320
Accrued taxes other than income tax	4,074	6,809
Dividends payable	2,435	2,435
	29,539	42,534

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

19 TRADE AND OTHER PAYABLES (CONTINUED)

(a) The aging analysis of the trade payables was as follows:

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Trade payables		
– Within 90 days	141	5,390
– Over 90 days and within 360 days	4,439	637
– Over 360 days and within 720 days	1,938	3,110
– Over 720 days	197	686
	6,715	9,823

As at 30 June 2014 and 31 December 2013, all trade and other payables of the Group were non-interest bearing.

20 DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Interest rate swaps	10,085	9,531

The Group has entered into interest rate swaps with commercial banks, which have the economic effect of converting borrowings from floating rates to fixed rates. Nevertheless, the interest rate swap was not accounted for as hedging instruments as the conditions for hedge accounting were not met during the six months ended 30 June 2014 and the year ended 31 December 2013. As at 30 June 2014, the notional principal amounts of the outstanding interest rate swaps were US\$161,000,000 (31 December 2013: US\$146,670,000) and the fixed interest rate were 3.45% to 3.50% per annum. Gains and losses arising from the fair value change of the interest rate swaps were recognised in the interim condensed consolidated income statement in “Other (losses)/gains – net” (Note 11).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

21 BORROWINGS

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Non-current		
Principle of bank borrowings – secured (a)	1,250,351	937,624
Less: Transaction costs	(27,945)	(28,107)
Current portion of non-current borrowings	(113,845)	(492)
	<u>1,108,561</u>	<u>909,025</u>
Current		
Corporate bond (b)	–	250,000
Current portion of non-current borrowings	113,845	492
Bank borrowings – secured (a)	6,153	–
	<u>119,998</u>	<u>250,492</u>

The maturity of borrowings is as follows:

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
On demand or within 1 year	119,998	250,492
Between 1 and 2 years	2,549	492
Between 2 and 3 years	1,106,012	908,533
	<u>1,228,559</u>	<u>1,159,517</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

21 BORROWINGS (CONTINUED)

(a) Bank borrowings – secured

Bank borrowings of the Group as at 30 June 2014 and 31 December 2013 are secured by the following:

- Investment properties (Note 15), bank deposits (Note 18) and trade receivables (Note 17 and Note 26), and guaranteed by Spearhead Investments Limited and Sky Town Investments Limited, subsidiaries of the Group.
- Equity interest of Zhejiang New Century Hotel, 浙江蕭山賓館股份有限公司 (Zhejiang Xiaoshan Hotel Co. Limited), 寧波開元銳至投資有限公司 (Ningbo New Century Spearhead Investment Limited), 長春開元銳至投資管理有限公司 (Changchun New Century Spearhead Investment Limited formerly known 長春開元名都大酒店有限公司 Changchun New Century Grand Hotel Limited), 淳安千島湖開元銳至投資有限公司 (Chun'an Qiandao Lake New Century Spearhead Investment Limited), Spearhead Global Limited, Spearhead Investments Limited and Sky Town Investments Limited, subsidiaries of the Group.

(b) Corporate bond

In April 2013, Zhejiang New Century Hotel has issued a short-term corporate bond of RMB250,000,000, which was fully repaid in April 2014.

22 DEFERRED INCOME TAX LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes related to the same tax authority. The net deferred income tax balance after offsetting are as follows:

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Deferred income tax liabilities		
– to be settled after more than 12 months	761,687	749,662
– to be settled within 12 months	(155)	208
	761,532	749,870

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

22 DEFERRED INCOME TAX LIABILITIES (CONTINUED)

The movement on the net deferred income tax liabilities is as follows:

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Opening balance	749,870	11,709
Charged/(credited) to the consolidated income statement	11,662	(7,082)
Closing balance	761,532	4,627

Movement in deferred income tax assets and liabilities during the six months ended 30 June 2014 and 2013, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

Deferred income tax assets	Tax losses	Temporary differences on expense	Total
	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2013			
At 1 January 2013	–	1,007	1,007
Charged to the consolidated income statement	–	(796)	(796)
At 30 June 2013	–	211	211
Six months ended 30 June 2014			
At 1 January 2014	3,948	–	3,948
Charged to the consolidated income statement	(3,793)	–	(3,793)
At 30 June 2014	155	–	155

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

22 DEFERRED INCOME TAX LIABILITIES (CONTINUED)

Deferred income tax liabilities	Fair value change in investment properties RMB'000	Depreciation of property, plant and equipment RMB'000	Amortisation of transaction cost for the bank borrowings RMB'000	Withholding tax in respect of subsidiaries' undistributed profit RMB'000	Others RMB'000	Total RMB'000
Six months ended 30 June 2013						
At 1 January 2013	-	5,346	-	7,370	-	12,716
(Credited)/charged to the consolidated income statement	-	(640)	-	(7,370)	132	(7,878)
At 30 June 2013	-	4,706	-	-	132	4,838
Six months ended 30 June 2014						
At 1 January 2014	751,606	-	1,758	-	454	753,818
Charged/(credited) to the consolidated income statement	8,995	-	(870)	-	(256)	7,869
At 30 June 2014	760,601	-	888	-	198	761,687

23 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	Unaudited Six months ended 30 June 2014	
	Number of units	Net assets attributable to unitholders RMB'000
Opening balance	772,000,000	2,368,015
Issuance of units (a)	3,840,504	10,553
Profit for the period	-	15,357
Distribution paid during the period	-	(81,369)
Closing balance	775,840,504	2,312,556

(a) On 23 April 2014, 3,840,504 units were issued to the REIT Manager at HK\$3.4594 each (equivalent to RMB10,553,000) as payment of REIT Manager fee for the period from date of listing to 31 December 2013.

As at 30 June 2014, the net assets attributable to unitholders per unit of RMB2.9807 is calculated by dividing the net assets attributable to unitholders of RMB2,312,556,000 by the number of unit in issue of 775,840,504.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

24 EARNINGS PER UNIT BASED UPON PROFIT AFTER INCOME TAX BEFORE TRANSACTIONS WITH UNITHOLDERS ATTRIBUTABLE TO UNITHOLDERS

Earnings per unit based upon profit after income tax before transactions with unitholders attributable to unitholders is calculated by dividing the profit after income tax before transaction with unitholders attributable to unitholders by the weighted average number of units in issue during the period.

	Unaudited Six months ended 30 June 2014
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	<u><u>15,357</u></u>
Weighted average number of units in issue	<u><u>773,464,060</u></u>
Basic earnings per unit (RMB)	<u><u>0.0199</u></u>

The diluted earnings per unit is the same as the basic earnings per unit as there were no diluted instruments in issue during the period.

25 COMMITMENTS

Capital commitments

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
In respect of investment properties, contracted but not provided for	<u><u>4,568</u></u>	<u><u>11,070</u></u>

26 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions and balances detailed elsewhere in the condensed consolidated interim financial information, the Group had the following material transactions with connected and related parties during the period:

(a) Nature of relationship with connected/related parties

The table set forth below summarizes the names of the connected/related parties and nature of their relationship with the Group as at 30 June 2014.

Connected/related party	Relationship with the Group
Chen Miaolin, Chen Canrong, Kong Weiliang and Zhang Guanming	Controlling Shareholders and significant holders of New Century REIT
Huang Yue'e	Associates of Chen Miaolin
Huang Yong	Associates of Chen Miaolin
Hangzhou Xiaoshan Chaoyi Carpet Limited	Associated corporation of significant holders of New Century REIT
Hangzhou Huang Chaoyi Printing Limited	Associated corporation of significant holders of New Century REIT
Zhejiang New Century Property Services Limited	Associated corporation of significant holders of New Century REIT
New Century Tourism Group Limited	Associated corporation of significant holders of New Century REIT
Hangzhou New Century Real Estate Group Limited	Associated corporation of significant holders of New Century REIT
Hangzhou New Century International Tourism Limited	Associated corporation of significant holders of New Century REIT
Hangzhou New Century Zhijiang Cleaning Chain Limited	Associated corporation of significant holders of New Century REIT
Hangzhou New Century Decorating Limited	Associated corporation of significant holders of New Century REIT
Deqing New Century Senbo Holiday Limited	Associated corporation of significant holders of New Century REIT
Hangzhou New Century Information System Engineering Limited	Associated corporation of significant holders of New Century REIT
Hangzhou Zhirong Trading Limited	Associated corporation of significant holders of New Century REIT
Chun'an Qiandao Lake Property Management Services Limited	Associated corporation of significant holders of New Century REIT
Zhejiang New Century Hotel Management Limited and other members of its group (collectively the "Hotel Group")	Hotel Properties management company and the Lessee
New Century Asset Management Limited (the "REIT Manager")	The manager of New Century REIT
DB Trustees (Hong Kong) Limited (the "Trustee")	The Trustee of New Century REIT
DTZ Debenham Tie Leung Limited (the "Valuer")	The principal valuer of New Century REIT

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

26 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Transactions with connected/related parties

Purchase of goods and services:

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
The Hotel Group	-	10,204
Hangzhou New Century Zhijiang Cleaning Chain Limited	-	3,337
Hangzhou Xiaoshan Chaoyi Carpet Limited	-	235
Zhejiang New Century Property Services Limited	-	195
Hangzhou Huang Chaoyi Printing Limited	-	93
	<u>-</u>	<u>14,064</u>

Interest income from related parties:

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
New Century Tourism Group Limited	<u>-</u>	<u>11,908</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

26 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Transactions with connected/related parties (continued)

Rental income received/receivable from:

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
The Hotel Group (i)	108,851	–
New Century Tourism Group Limited	914	914
Hangzhou New Century Real Estate Group Limited	686	684
Deqing New Century Senbo Holiday Limited	132	–
Hangzhou New Century International Tourism Limited	123	84
Hangzhou New Century Zhijiang Cleaning Chain Limited	62	60
Hangzhou New Century Decorating Limited	56	28
Hangzhou Zhirong Trading Limited	33	–
Hangzhou New Century Information System Engineering Limited	25	25
	110,882	1,795

(i) The net rental income from the Hotel Group for the six months ended 30 June 2014 is RMB107,474,000, calculated by gross rental income of RMB108,851,000, netting of value-added taxes of RMB1,377,000.

Rental deposit received from:

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Hangzhou New Century Decorating Limited	29	–
Hangzhou New Century Information System Engineering Limited	13	–
	42	–

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

26 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Transactions with connected/related parties (continued)

Cash received from sales of properties, plant and equipment:

	Unaudited Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
The Hotel Group	-	18,720

Other connected party transactions:

	Unaudited Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
REIT Manager fee payable to the REIT Manager	10,506	-
Trustee fee payable to the Trustee	438	-
Valuation fee payable to the Valuer	162	-
	<u>11,106</u>	<u>-</u>

(c) Balances with connected/related parties as at 30 June 2014 and 31 December 2013 were as follows:

Trade receivables due from:

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
The Hotel Group	30,350	22,009
New Century Tourism Group Limited	152	152
Deqing New Century Senbo Holiday Limited	22	-
Hangzhou New Century International Tourism Limited	6	9
Hangzhou New Century Zhijiang Cleaning Chain Limited	1	2
	<u>30,531</u>	<u>22,172</u>

As at 30 June 2014, all the trade receivables due from related parties were pledged as collateral for the Group's bank borrowings (Note 21).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

26 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Balances with connected/related parties as at 30 June 2014 and 31 December 2013 were as follows: (continued)

Other receivables due from:

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Chun'an Qiandao Lake Property Management Services Limited	101	–
The Valuer (i)	53	60
The Hotel Group	–	32
	<u>154</u>	<u>92</u>

(i) Other receivables due from the Valuer is recorded in "Trade and other receivables and prepayments" of the interim condensed consolidated balance sheet.

Trade payables due to:

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Hangzhou New Century Decorating Limited	<u>2,417</u>	<u>4,341</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

26 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) **Balances with connected/related parties as at 30 June 2014 and 31 December 2013 were as follows:** (continued)

Other payables due to:

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
The Hotel Group	20,888	21,342
The REIT Manager	10,506	10,675
The Trustee (ii)	438	422
Hangzhou New Century Decorating Limited	57	11
Hangzhou New Century Information System Engineering Limited	17	–
Hangzhou New Century International Tourism Limited	15	–
	<u>31,921</u>	<u>32,450</u>

(ii) Other payables due to the Trustee is recorded in “Trade and other payables and deferred revenue” of the interim condensed consolidated balance sheet.

(d) **Key management compensation:**

	Unaudited Six months ended 30 June 2014 RMB'000	2013 RMB'000
Basic salaries and allowances	–	2,957
Discretionary bonuses	–	2,815
Other benefits including pension	–	172
	<u>–</u>	<u>5,944</u>

(e) **Director's emoluments**

No directors' emoluments were paid for or are payable by the Group for the six months ended 30 June 2014 and 2013, respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

27 FUTURE MINIMUM RENTAL RECEIVABLE

As at 30 June 2014, the Group has future minimum rental receivable under non-cancellable leases as follow:

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Within one year	241,532	243,441
Between one year and five years	883,837	909,105
Over five years	750,298	857,004
	<u>1,875,667</u>	<u>2,009,550</u>

28 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 31 July 2014, New Century REIT has acquired all the issued shares of Strong Tower Global Limited which holds the Songjiang New Century Grand Hotel Shanghai (上海松江開元名都大酒店), from the Vendor. The total purchase cost was RMB700 million, which was financed by: (i) fund drawn down from a new 3-year term loan with amount of US\$60 million pursuant to the loan facility agreement dated 23 July 2014; and (ii) the proceeds from 135,000,000 placement units and 15,000,000 consideration units issued by New Century REIT at the issue price of HK\$3.25 per unit, with amount of approximately RMB388 million.

The acquisition fees payable to the REIT Manager with amount RMB3.5 million was settled by 1,369,782 units issued by New Century REIT to the REIT Manager at the issue price of HK\$3.25 per unit.

Pursuant to the New Distribution Waivers, the Vendor and Huge Harvest agreed to waive their entitlement to receive any distributions payable with a record date after the issuance of the consideration units and in respect of the period ending on 31 December 2014. The number of units then waived by the Vendor and Huge Harvest were 15,000,000 units and 7,099,988 units respectively.

PERFORMANCE TABLE

As at 30 June 2014

	Notes	As at 30 June 2014
Net asset value attributable to unitholders (RMB'000) (Equivalent to HK\$'000)		2,312,556 2,913,273
Net asset value per unit (RMB) (Equivalent to HK\$)		2.9807 3.7550
The highest traded price for the reporting period (HK\$)		3.9000
The highest premium of the traded price to net asset value per unit	2	3.86%
The lowest traded price for the reporting period (HK\$)		3.2500
The highest discount of the traded price to net asset value per unit	2	13.45%
Distribution yield per unit (after taking into account the effect of the Existing Distribution Waivers, the New Distribution Waivers and the Special Distribution)	3	4.23%
Gearing ratio	4	28%

Notes:

- Hong Kong dollars amounts are based on an exchange rate of HK\$1 = RMB0.7938 at the end of reporting period. The exchange rate adopted by the REIT Manager for the distribution is subject to adjustment and is the average closing exchange rate as announced by the People's Bank of China, for the five business days preceding the date of declaration of distribution.
- The highest premium is calculated on the highest traded price of HK\$3.90 on the Stock Exchange of Hong Kong Limited ("**Stock Exchange**") during the period from 1 January 2014 to 30 June 2014. The highest discount is calculated on the lowest traded price of HK\$3.25 on the Stock Exchange during the period from 1 January 2014 to 30 June 2014.
- Distribution yield per unit after taking into account the effect of the Existing Distribution Waivers, the New Distribution Waivers and the Special Distribution is calculated by dividing the distribution per unit after taking into account the effect of the Existing Distribution Waivers, the New Distribution Waivers and the Special Distribution of RMB0.1155 (equivalent to HK\$0.1455) over the closing price of HK\$3.44 at the end of reporting period. Details of the distribution per unit are set out in the section "Distribution Statement" on pages 27 to 28.
- Gearing ratio is calculated based on net debts over total asset value as at the end of reporting period.

CORPORATE INFORMATION

THE REIT MANAGER AND REGISTERED OFFICE

New Century Asset Management Limited
Unit 4706, 47th Floor,
The Center, 99 Queen's Road Central
Hong Kong
Tel: (852) 2153 3588
Fax: (852) 3488 6403

BOARD OF DIRECTORS OF THE REIT MANAGER

CHEN Miaolin

(Chairman and Non-executive Director)

CHEUNG Yat Ming

(Chief Executive Officer and Executive Director)

ZHANG Guanming

(Non-executive Director)

ZHANG Chi

(with JIANG Tianyi as his alternate with effect from 25 June 2014)

(Non-executive Director)

ANGELINI Giovanni

(Independent Non-executive Director)

YU Hon To, David

(Independent Non-executive Director)

HE Jianmin

(Independent Non-executive Director)

RESPONSIBLE OFFICERS OF THE REIT MANAGER

CHEUNG Yat Ming

HONG Kam Kit, Eddie

HO Wai Chu

APPROVED PERSON OF THE REIT MANAGER

CHEUNG Yat Ming

COMPANY SECRETARY OF THE REIT MANAGER

YU Hoi Zin

TRUSTEE

DB Trustees (Hong Kong) Limited

AUDITORS

PricewaterhouseCoopers

PRINCIPAL VALUER

DTZ Debenham Tie Leung Limited

LEGAL ADVISOR

King & Wood Mallesons

UNIT REGISTRAR

Tricor Investor Services Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

PROPERTY MANAGER

Zhejiang New Century Hotel Management Limited

STOCK CODE

1275

WEBSITE

www.ncreit.com

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

Carlyle Blue Sky	means Blue Sky Holdings Limited, an exempted company that engages in investment holding business and was incorporated in the Cayman Islands with limited liability on 1 March 2011.
The Carlyle Group L.P.	a global alternative asset manager with approximately US\$203 billion of assets under management across 126 funds and 139 fund of funds vehicles investing in corporate private equity, real assets, global market strategies and fund of funds solutions as at 30 June 2014.
Changchun New Century Grand	means Changchun New Century Spearhead Investment Limited* (長春開元銳至投資管理有限公司, previously 長春開元名都大酒店有限公司), a wholly-owned subsidiary of Zhejiang New Century Hotel incorporated in the PRC on 13 November 2007.
Connected Person(s)	has the meaning ascribed to it in the REIT Code.
Huge Harvest	means Huge Harvest International Limited (浩豐國際有限公司), a company incorporated in the British Virgin Islands on 11 January 2008, 83.90%, 9.29% and 6.81% of its issued shares is owned by Mr. Chen Miaolin, Mr. Chen Canrong and Mr. Zhang Guanming, respectively as at 30 June 2014.
Huge Harvest Group	means Huge Harvest, its direct and indirect subsidiaries and entities controlled by Mr. Chen Miaolin.
Listing Rules	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented and/or otherwise modified from time to time.
New Century (Cayman)	means New Century Hotel Group Limited (開元酒店集團有限公司), a company incorporated in the Cayman Islands on 24 March 2011.
New Century Group	means New Century (Cayman) and its subsidiaries.
New Century Hotel Management	means Zhejiang New Century Hotel Management Limited* (浙江開元酒店管理有限公司), a company incorporated in the PRC on 17 December 2008 and whose registered address is 18th Floor, 818 Shixin Zhong Road Beigan Street, Xiaoshan District, Hangzhou, PRC.
New Century Tourism	means New Century Tourism Group Limited* (開元旅業集團有限公司), a company incorporated in the PRC on 9 January 2001.
Ningbo New Century Grand	means Ningbo New Century Spearhead Investment Limited* (寧波開元銳至投資有限公司, previously 寧波開元名都大酒店有限公司), a wholly-owned subsidiary of Zhejiang New Century Hotel, which was incorporated in the PRC on 1 December 2004.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

Offering Circular	means offering circular of New Century REIT dated 24 June 2013 and as supplemented on 29 June 2013.
PRC or China	means the People's Republic of China.
Property Companies	means Changchun New Century Grand, Zhejiang New Century Hotel, Ningbo New Century Grand, Qiandao Lake Resort and Xiaoshan Hotel Company.
Qiandao Lake Resort	means Chun'an Qiandao Lake New Century Spearhead Investment Limited* (淳安千島湖開元銳至投資有限公司, previously 杭州千島湖開元度假村開發有限公司), a wholly-owned subsidiary of Zhejiang New Century Hotel incorporated in the PRC on 15 January 2001.
REIT Code	means the Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified for the time being or, for the purpose of the Trust Deed, from time to time, including but not limited to by published practice statements or in any particular case, by specific written guidance issued or exemptions or waivers granted by the SFC.
SFO	means the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) as amended, supplemented or otherwise modified and the rules thereunder.
Sky Town	means Sky Town Investments Limited, a company incorporated in Hong Kong on 22 May 2007 and a wholly-owned subsidiary of New Century REIT.
Songjiang Hotel	Songjiang New Century Grand Hotel Shanghai* (上海松江開元名都大酒店).
Special Purpose Vehicle(s) ("SPV(s)")	means the entities wholly or majority owned directly or indirectly by New Century REIT in accordance with the REIT Code through which New Century REIT holds or owns real estate, and as at 30 June 2014, including SPV(BVI), SPV(HK), Sky Town and the Property Companies.
SPV (BVI)	means Spearhead Global Limited, a company incorporated in the British Virgin Islands on 8 March 2013 and a wholly-owned subsidiary of New Century REIT.
SPV (HK)	means Spearhead Investments Limited (銳至投資有限公司), a company incorporated in Hong Kong on 25 March 2013 and a wholly-owned subsidiary of New Century REIT.
Trust Deed	means the trust deed dated 10 June 2013 entered into between the Trustee and the REIT Manager constituting New Century REIT and as amended by the supplemental deed dated 20 June 2013.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

Xiaoshan Hotel Company	means Zhejiang Xiaoshan Hotel Co., Ltd.* (浙江蕭山賓館股份有限公司), a joint stock company (non-listed) incorporated in the PRC on 8 September 1994, which is approximately 95.46% owned by Zhejiang New Century Hotel, and approximately 4.54% owned by 29 independent third parties.
Zhejiang New Century Hotel	means Zhejiang New Century Hotel Investment & Management Group Limited* (浙江開元酒店投資管理集團有限公司), a company incorporated in the PRC on 30 November 2001.

The English translation of company names in Chinese or another language which are marked with “” and the Chinese translation of company names in English which are marked with “*” are for identification purposes only.*



New Century Real Estate Investment Trust
開元產業投資信託基金
(Stock code: 1275)

