



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

ANNUAL REPORT
2015



NEW CENTURY REAL ESTATE INVESTMENT TRUST

The audited consolidated financial statements of New Century Real Estate Investment Trust (“**New Century REIT**”) and its subsidiaries (“**Group**”) for the year ended 31 December 2015 (the “**Reporting Period**”), having been reviewed by the audit committee (“**Audit Committee**”) and disclosures committee (“**Disclosures Committee**”) of New Century Asset Management Limited (“**REIT Manager**”) were approved by the Board of Directors (“**Board**”) on 29 March 2016.

LONG-TERM OBJECTIVES AND STRATEGY

The 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, our strategy was expanded to invest in a diversified portfolio of income-producing real estate assets around the globe including retail and/or commercial properties and hotel or other hospitality-related properties. The REIT Manager aims at delivering regular and stable distributions to Unitholders and achieving long-term growth in distributions and in the net asset value per unit of New Century REIT (“**Unit**”) while maintaining an appropriate capital structure.

With the approval to expand our investment scope in terms of asset classes and geographical locations, New Century REIT provides its unitholder’s (“**Unitholders**”) with unique opportunity to invest in a portfolio of quality assets with stable income stream across the globe.

New Century REIT has two committed and reputable sponsors, namely the New Century Hotel Group Limited and its subsidiaries (“**New Century Group**”) as well as The Carlyle Group (“**Carlyle**”). New Century Group is currently the largest domestic, private-sector, star-rated hotel management group in China with 184 star-rated hotels in operations or under development. In addition, New Century Group was ranked 26th among the world’s hotel groups by Hotels Magazine in 2014. The Carlyle Group is a global alternative asset manager with approximately US\$183 billion in assets under management with 126 funds and 160 fund of funds vehicles investing in corporate private equity, real assets, global market strategies and fund of funds solutions as at 31 December 2015.

For the year ended 31 December 2015, New Century REIT’s portfolio includes six 5-Star hotels and one 4-Star hotel. These include five 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), New Century Grand Hotel Changchun (長春開元名都大酒店) and the 4-Star hotel, New Century Hotel Xiaoshan Zhejiang (浙江開元蕭山賓館) (collectively, the “**Initial Hotel Properties**”) and two acquired hotels namely Songjiang New Century Grand Hotel Shanghai (上海松江開元名都大酒店) (“**Shanghai Hotel**”) and New Century Grand Hotel Kaifeng (開封開元名都大酒店) (“**Kaifeng Hotel**”) (collectively with the Initial Hotel Properties, the “**Hotel Properties**”). The Hotel Properties are located in China with an aggregate of 2,823 rooms and more than 445,000 square meters in total gross floor area (“**GFA**”). Most of the hotels within our portfolio were rated the top 2% best hotels in the respective cities in China by TripAdvisor.com as of 1 March 2016.



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FINANCIAL HIGHLIGHTS

KEY FINANCIAL FIGURES FOR THE REPORTING PERIOD

(expressed in RMB'000 unless otherwise specified)

	For the year ended 31 December 2015	For the year ended 31 December 2014
Total Revenue	307,330	267,793
Loss attributable to Unitholders	(45,568)	(43,104)
Profit attributable to Unitholders, net of tax ¹ (excluding impact from change in fair value of investment properties and related deferred taxation)	2,501	64,080
Total distributable income	162,748	154,468
Interim distributable income ²	82,941	64,521
Final distributable income ³	79,807	89,947
Special distribution ²	–	27,000
Total distributions for the year	162,748	181,468
Per Unit Figures		
Payout Ratio	100%	100%
Total distribution per unit (“DPU”) (RMB) (Before taking into account the effect of Dividend Waivers and excluding special distribution)	0.1737	0.1662
– Interim distribution per unit ²	0.0887	0.0696
– Final distribution per unit ³	0.0850	0.0966
Total distribution per unit (“DPU”) (HK\$) (Before taking into account the effect of Dividend Waivers and excluding special distribution)	0.2088	0.2094
– Interim distribution per unit ^{2&5}	0.1075	0.0876
– Final distribution per unit ^{3&5}	0.1013	0.1218
Total distribution per unit (“DPU”) (RMB) (After taking into account the effect of Dividend Waivers and including special dividend)	0.1737	0.2285
– Interim distribution per unit ⁴	0.0887	0.1155
– Final distribution per unit ⁴	0.0850	0.1130

Total distribution per unit (“DPU”) (HK\$) (After taking into account the effect of Dividend Waivers and including special dividend)	0.2088	0.2879
– Interim distribution per unit ^{4&5}	0.1075	0.1454
– Final distribution per unit ^{4&5}	0.1013	0.1425
Net asset value per unit attributable to Unitholders (RMB)	2.5406	2.7743
Net asset value per unit attributable to Unitholders (HK\$) ⁵	3.0325	3.5167
Gearing ratio ⁶	37%	31%
Weighted average number of units in issue ('000)	934,844	839,432
Basic losses per unit (RMB) ⁷	(0.0487)	(0.0513)

Notes:

1. Impact includes the decrease in fair value of investment properties of RMB64,092,000 (2014: RMB142,912,000) and the related deferred taxation credit of RMB16,023,000 (2014: RMB35,728,000) attributable to Unitholders.
2. For the period from 1 January 2015 to 30 June 2015, interim DPU of RMB0.0887 (2014: RMB0.0696) before taking into account the effect of Dividend Waivers (as described in below) and excluding special distribution (if any), which is calculated by dividing the interim distribution of RMB82,941,000 (2014: RMB64,521,000) by 934,912,873 Units (2014: 927,210,186 Units) was paid to the Unitholders on 23 September 2015.



New Century Grand Hotel Ningbo/
New Century Grand Hotel Changchun

FINANCIAL HIGHLIGHTS

3. Total units in issue as at 31 December 2015 were 939,424,740 units (2014: 931,139,567 units). Subsequent to 31 December 2015, New Century REIT has repurchased a total of 233,000 Units on the Hong Kong Stock Exchange at an aggregate consideration of HK\$661,609 (the "**Repurchase**"). All these units were cancelled in February 2016.

The DPU for the second half of 2015 of RMB0.0850 (2014: RMB0.0966) before taking into account the effect of Dividend Waivers is calculated by dividing the final distribution to be paid to the Unitholders of RMB79,807,000 (2014: RMB89,947,000) for the second half of 2015 by 939,191,740 Units after taking into account of the Repurchase (2014: 931,139,567 Units).

4. Pursuant to the distribution waiver deeds on 17 June 2013 and 25 June 2014 (the "**Distribution Waivers**"), Huge Harvest International Limited, Blue Sky Holdings Limited and Success Conquer Global Limited have each agreed to irrevocably waive their entitlements to receive any distribution payable up to the year ended 31 December 2014 in relation to 72,699,988 Units, 47,400,000 Units and 15,000,000 Units respectively. There is no distribution waiver related to the year ended 31 December 2015.

For the period from 1 January 2015 to 30 June 2015, interim DPU after taking into account the effect of Dividend Waivers and including special distribution (if any) of RMB0.0887 (2014: RMB0.1155) is calculated by dividing the interim distribution of RMB82,941,000 (2014: RMB91,521,000) by 934,912,873 Units (2014: 792,110,298 Units).

The DPU for the second half of 2015 of RMB0.0850 (2014: RMB0.1130) after taking account into the effect of Dividend Waivers is calculated by dividing the final distribution to be paid to the Unitholders of RMB79,807,000 (2014: RMB89,947,000) for the second half of 2015 by 939,191,740 Units after taking into account of the Repurchase (2014: 796,039,579 Units).



New Century Grand Hotel Kaifeng

5. Unless indicated otherwise, amounts specified in Hong Kong dollars are based on an exchange rate of HK\$1 = RMB0.8378 as at 31 December 2015 (As at 31 December 2014: HK\$1 = RMB0.7889) while amounts specified in United States dollars are based on the exchange rate of US\$1 = RMB6.4936 as at 31 December 2015 (As at 31 December 2014: US\$1 = RMB6.1190).

Distribution payable to Unitholders is paid in Hong Kong dollar. The exchange rate adopted by the REIT Manager for the interim and final distribution of 2015 is HK\$1 = RMB0.8248 (2014: HK\$1 = RMB0.7945) and HK\$1 = RMB0.8393 (2014: HK\$1 = RMB0.7929) respectively, which 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.

6. Gearing ratio is calculated based on gross borrowings excluding transaction costs over total asset value as at the end of Reporting Period.
7. Losses per unit based upon loss after income tax before transactions with unitholders attributable to unitholders is calculated by dividing the loss after income tax before transaction with unitholders attributable to unitholders by the weighted average number of units in issue during the year.

The diluted losses per unit is the same as the basic losses per unit as there were no diluted instruments in issue during the years ended 31 December 2015 and 2014.



CHAIRMAN'S STATEMENT

Dear Unitholders,

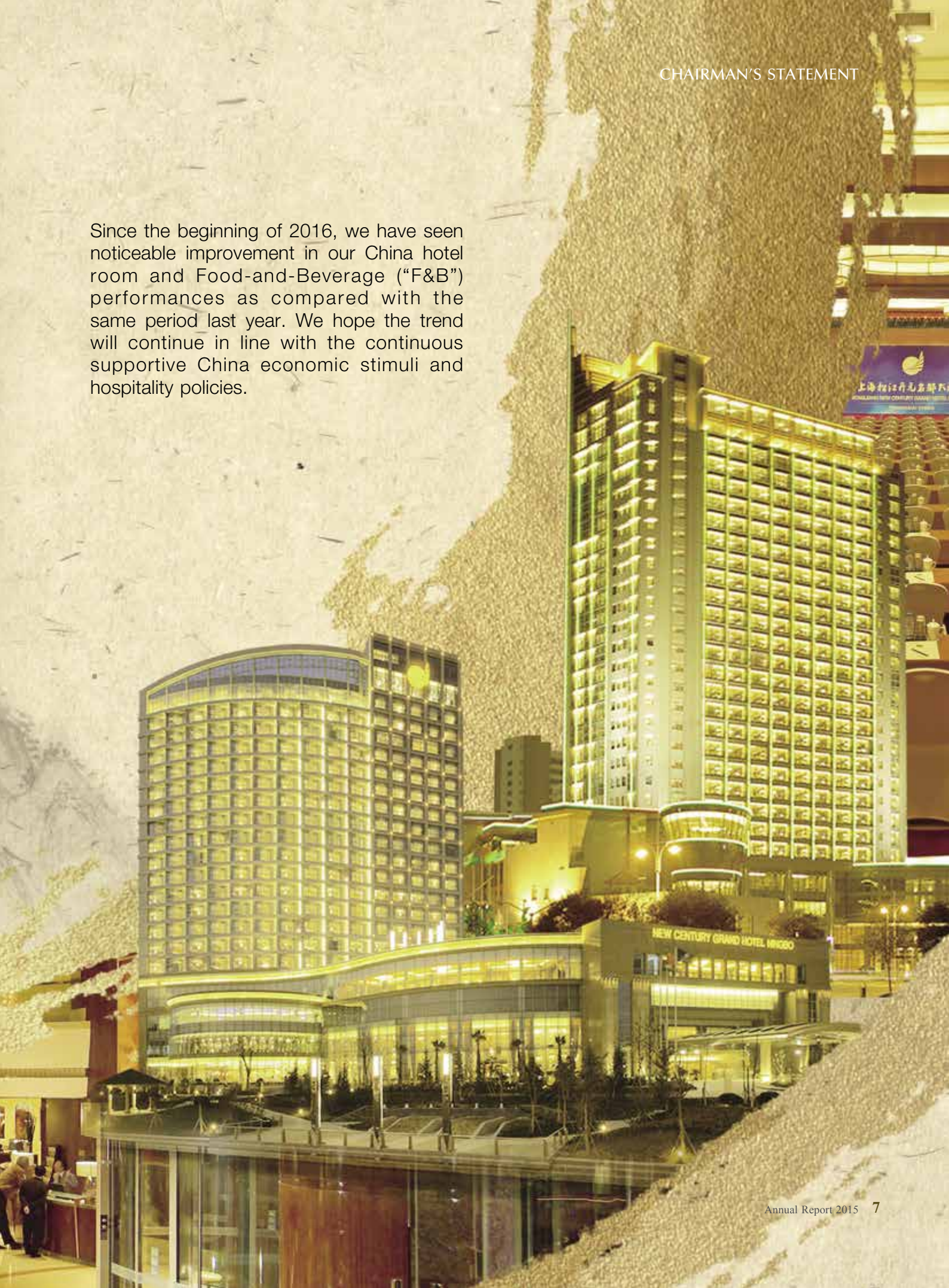
On behalf of the Board of the REIT Manager, I am pleased to present the annual results of the Group for the Reporting Period.

The revenue of New Century REIT and its total distribution per Unit (excluding special distribution and dividend waiver) in RMB increased 14.8% and 4.5% year-on-year, respectively. Based on the closing unit price of HK\$2.9 on 31 December 2015, our 2015 distribution yield amounted to 7.2% per annum.

Chen Miaolin
Chairman



Since the beginning of 2016, we have seen noticeable improvement in our China hotel room and Food-and-Beverage (“F&B”) performances as compared with the same period last year. We hope the trend will continue in line with the continuous supportive China economic stimuli and hospitality policies.



Despite the slower growth in global and China economic outlook, our unique high-base-rent long-term hotel lease structure has continued to provide strong financial performance with downside protection. The New Century Tourism rental guarantee together with the bank guarantee or one-year cash security deposit have also offered strong protection against rental collectability risk.



Chen Miaolin, owner of Château de Birot and chairman of New Century Tourism Group, was awarded the Pair de la Jurade by Jurade de Saint-Emilion

Even though the overall hospitality industry in China continued to be negatively affected by the short-term over supply of hotels and China's economic slowdown, our resilient hotel operations and qualities were reflected in our 5.3 percentage points year-on-year increase in hotel occupancy rate and slightly higher average revenue per available room. Leveraging on the significant New Century Group's 184 star-rated hotels platform, our Hotel Properties were managed cost effectively through significant cost savings on items such as salaries & wages, utilities, and sales and marketing.

Besides, New Century Group signed 30 additional new hotel management contracts and increased its Century Club loyal memberships by 53% year-on-year to approximately 2.9 million in 2015, which significantly expanded the potential customers' awareness of with a view to increasing the businesses for our hotels.

PROSPECTS

We anticipate that hotel supply and demand dynamics will become strong in the medium term for continuous healthy growth in new demand coupled with expected fall in new completion. We noticed that new hotel construction has declined significantly and many hotel constructions have been delayed. We believe that the government will continue to promote the tourism industry, which is a key beneficiary of China's strong initiative to transform from investment driven economy to consumption driven economy. All these should support higher average room rate and F&B charges, and hence higher profitability of the hospitality sector. We therefore maintain a positive medium to long-term outlook of China's hotel industry.



Awarded the "China's Outstanding Contribution Award for Tourism Industry" – Feima Award first presented by the China National Tourism Administration



2015 Jiulong Lake (Ningbo) International Half Marathon

With the approval from unitholders to expand the investment asset class and geographic locations of New Century REIT's investment strategy, we are actively pursuing investment opportunities outside China with primary focuses in the United Kingdom, Western Europe and the United States of America. We believe that by investing in different asset classes with stable long-term income stream across the globe will help maximize the long-term sustainable growth of New Century REIT and diversify the risks from a single market.

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

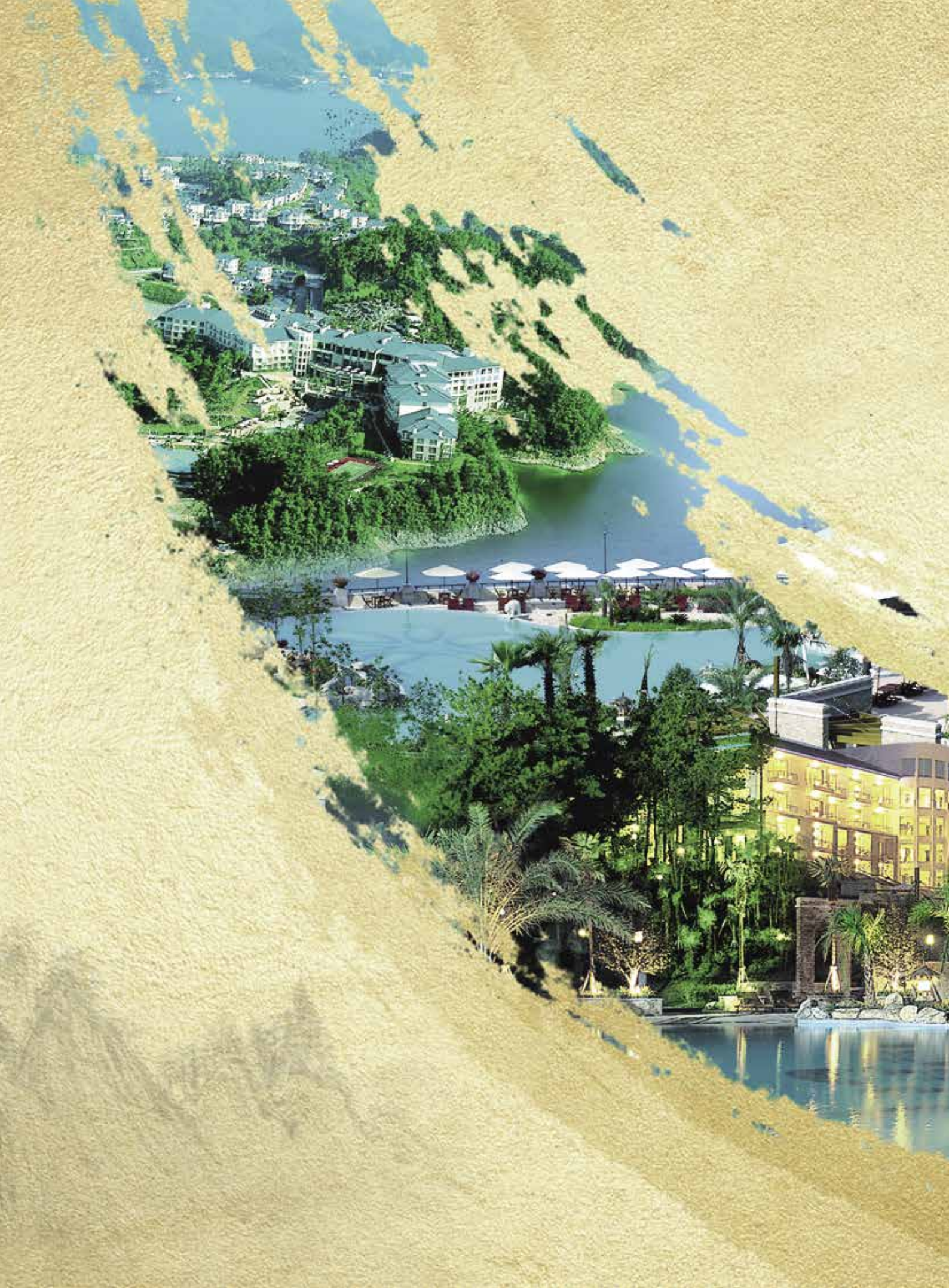
On Behalf of the Board

New Century Asset Management Limited
(as the REIT Manager of New Century REIT)

CHEN Miaolin

Chairman

Hong Kong, 29 March 2016

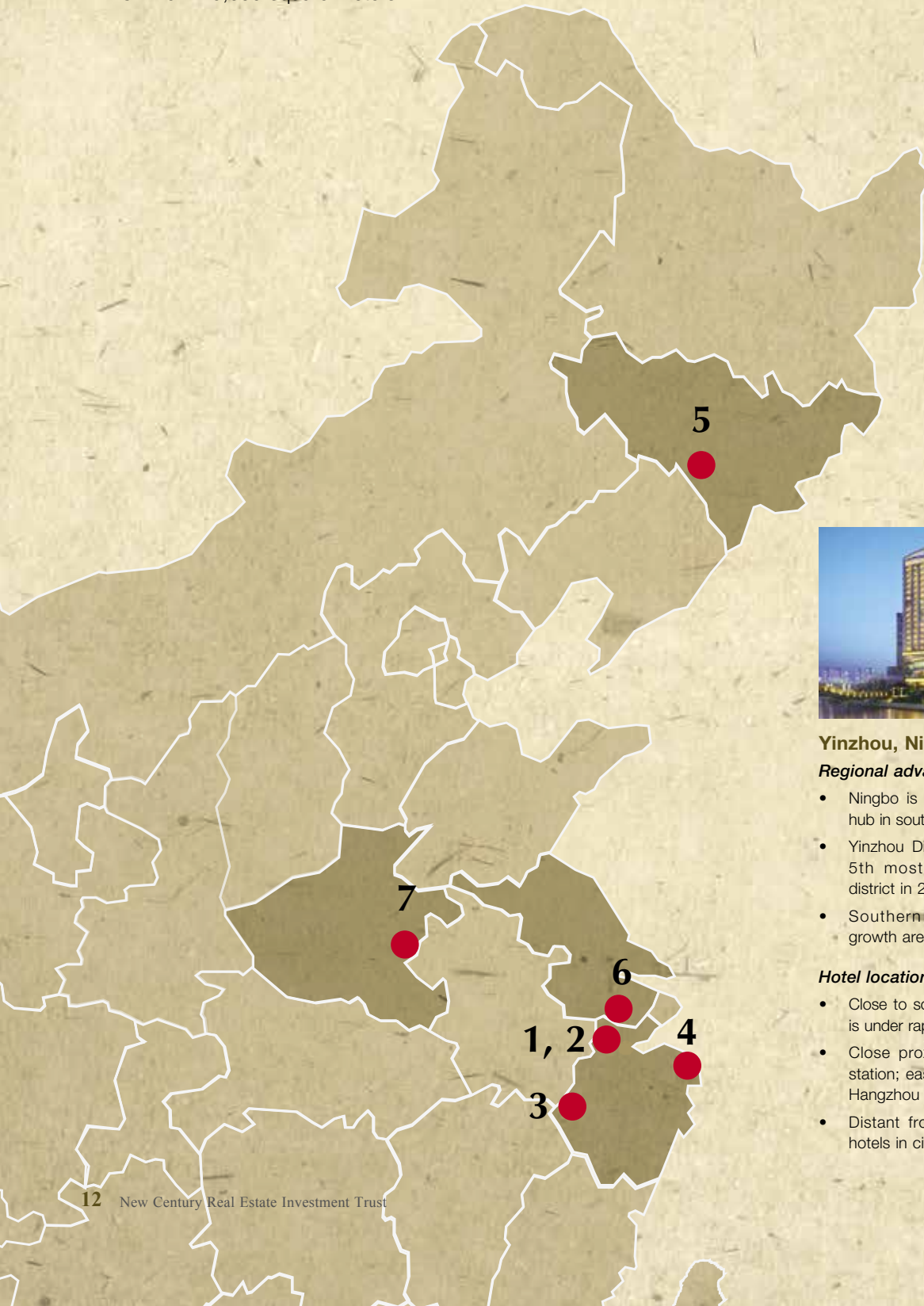


New Century Resort
QIANDAO LAKE



INVESTMENT PROPERTIES PORTFOLIO

During the Reporting Period, New Century REIT's portfolio includes six 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), New Century Grand Hotel Changchun (長春開元名都大酒店), Songjiang New Century Grand Hotel Shanghai (上海松江開元名都大酒店), and New Century Grand Hotel Kaifeng (開封開元名都大酒店), and one 4-Star hotel, namely New Century Hotel Xiaoshan Zhejiang (浙江開元蕭山賓館). The Hotel Properties are located in China, and have an aggregate of 2,823 rooms and more than a total GFA of 445,000 square meters.



Yinzhou, Ningbo

Regional advantages

- Ningbo is the core logistics and trading hub in southern Yangtze River Delta region
- Yinzhou District, Ningbo ranked China's 5th most economically prosperous district in 2014
- Southern Business District as new growth area

Hotel location advantages

- Close to southern business district, which is under rapid development and expansion
- Close proximity to airport and railway station; easily accessible to Shanghai via Hangzhou Bay Bridge
- Distant from newly constructed 5-star hotels in city center of Ningbo

STRATEGIC LOCATIONS



Xiaoshan, Hangzhou

Regional advantages

- Hangzhou is the capital of Zhejiang Province and a major tourist city in China
- Xiaoshan is the industrial base of Hangzhou and China's 4th most economically prosperous district in 2014, with 25 listed companies

Hotel location advantages

- Located in CBD of Xiaoshan
- Proximity to Xiaoshan Economic & Technology Zone and Xiang Lake
- Only 30 minutes drive from the airport
- Next to a new subway line connecting downtown Hangzhou

Qiandao Lake, Hangzhou

Regional advantages

- National 5A Tourist Attraction
- The largest national forest park in China, the 'International Garden City'
- Hangzhou-Huangshan high-speed railway to be completed and opened by spring of 2018

Hotel location advantages

- Located on Qilin peninsula, facing the center of Qiandao Lake
- Adjacent to major transportation routes in Chun'an
- Only 40 minutes drive away from Yu Hot-spring, a new attraction in winter



Changchun

Regional advantages

- Automobile hub of China, with auto industry output growing at a CAGR of 20% from 2007 to 2011, home to one of the China's largest auto makers – China FAW Group Corporation, and soon to become China's high speed railway development center
- Transportation infrastructure upgrades in place

Hotel location advantages

- Close proximity to China FAW Group Corporation and CNR Changchun Railway Vehicles Co., Ltd
- Close proximity to Changchun Automotive Industry Development Zone
- Distant from new supply of 5-star hotels in Changchun

Songjiang, Shanghai

Regional advantages

- Songjiang is preferred location for sightseeing in Shanghai
- Songjiang has strong MICE market due to relative pleasant environment and proximity to corporates
- About 20 minutes drive to Hongqiao Airport

Hotel location advantages

- Close to Songjiang District Government, Central Park and Shanghai Film Park.
- Closest 5-star hotel to University Town and is the highest in the neighborhood

Kaifeng

Regional advantages

- Kaifeng is conveniently connected to other parts of China through expressways
- Intercity high speed train connects Zhengzhou within 30 minutes
- About an hour drive to Zhengzhou Xinzheng International airport

Hotel location advantages

- Located at the core area of Kaifeng "New Town"
- Built by the bank of Jilmingchi Lake, a famous tourist attraction and landmark

INVESTMENT PROPERTIES PORTFOLIO

Most of the hotels within our portfolio were rated the top 2.0% best hotels in the respective cities by TripAdvisor.com as of 1 March 2016.

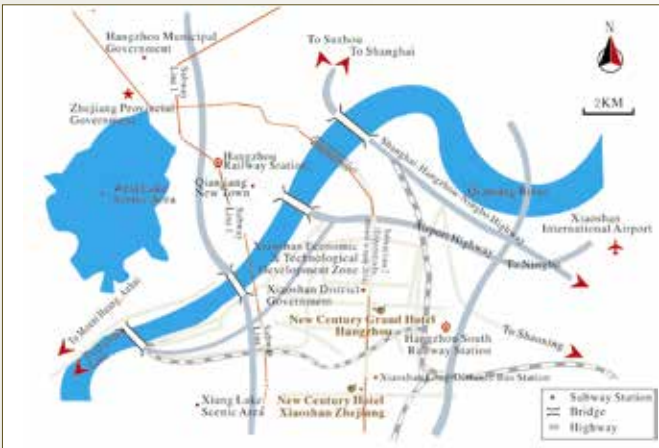
		Location	Commencement of Operations	Rating	Total GFA (Square Meters)	Number of Rooms	Total Available Seats ⁽²⁾	GFA of Banquet Rooms (Square Meters)
New Century Grand Hotel Hangzhou		No.818, Middle Shixin Road, Xiaoshan District, Hangzhou, Zhejiang Province	January 2005	5-Star	130,105	699	4,685	4,492
New Century Hotel Xiaoshan Zhejiang		No. 77, Renmin Road, Xiaoshan District, Hangzhou, Zhejiang Province	January 1988	4-Star	39,851	375	2,264	1,337
New Century Resort Qiandao Lake Hangzhou		Qilin Peninsular, Qiandao Lake, Chun'an County, Hangzhou, Zhejiang Province	April 2004	5-Star	39,402	227	1,962	1,961
New Century Grand Hotel Ningbo		No. 666 Middle Shounan Road, Yinzhou District, Ningbo, Zhejiang Province	December 2007	5-Star	66,107	392	2,356	1,890
New Century Grand Hotel Changchun		No. 2299, Jingyangda Road, Lvyuan District, Changchun, Jilin Province	December 2008 ⁽¹⁾	5-Star	45,625	328	1,918	1,892
Songjiang New Century Grand Hotel Shanghai		No.1799, North Renmin Road, Songjiang District, Shanghai	December 2006	5-Star	71,027	446	1,766	1,728
New Century Grand Hotel Kaifeng		No. 1 Zhengkai Road, New District, Kaifeng, Henan Province	August 2007	5-Star	53,512	356	1,300	2,083
Total		N/A	N/A	N/A	445,629	2,823	16,251	15,383

Notes:

1. New Century Grand Hotel Changchun was constructed by a third party in 2004 and acquired by the New Century Group in December 2007. The hotel was re-opened in 2008 after renovations.
2. Including seats in food and beverage outlets and function and banquet facilities.

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 Hangzhou is the largest 5-Star hotel in Zhejiang Province with its highest hotel revenue in Zhejiang Province in 2014. New Century Hotel Xiaoshan Zhejiang is an upscale 4-Star hotel with a long history, strong reputation and stable customer base. Both New Century Grand Hotel Hangzhou and New Century Hotel Xiaoshan Zhejiang are located in Xiaoshan District, Hangzhou. Hangzhou is the capital of Zhejiang Province and is one of the most important central cities in the Yangtze River Delta and a transportation hub in eastern China. Xiaoshan District is the industrial base of Hangzhou and is one of

China's most economically prosperous regions at the municipal district level. Both New Century Grand Hotel Hangzhou and New Century Hotel Xiaoshan Zhejiang are within close proximity to the Xiaoshan International Airport, the only commercial airport in Hangzhou. New Century Grand Hotel Hangzhou and New Century Hotel Xiaoshan Zhejiang are both located close to a subway station that was completed in November 2014. The customer base of these hotels is expected to expand as the new subway line effectively brings the two hotels much closer to the city center and the popular tourist destination – West Lake.



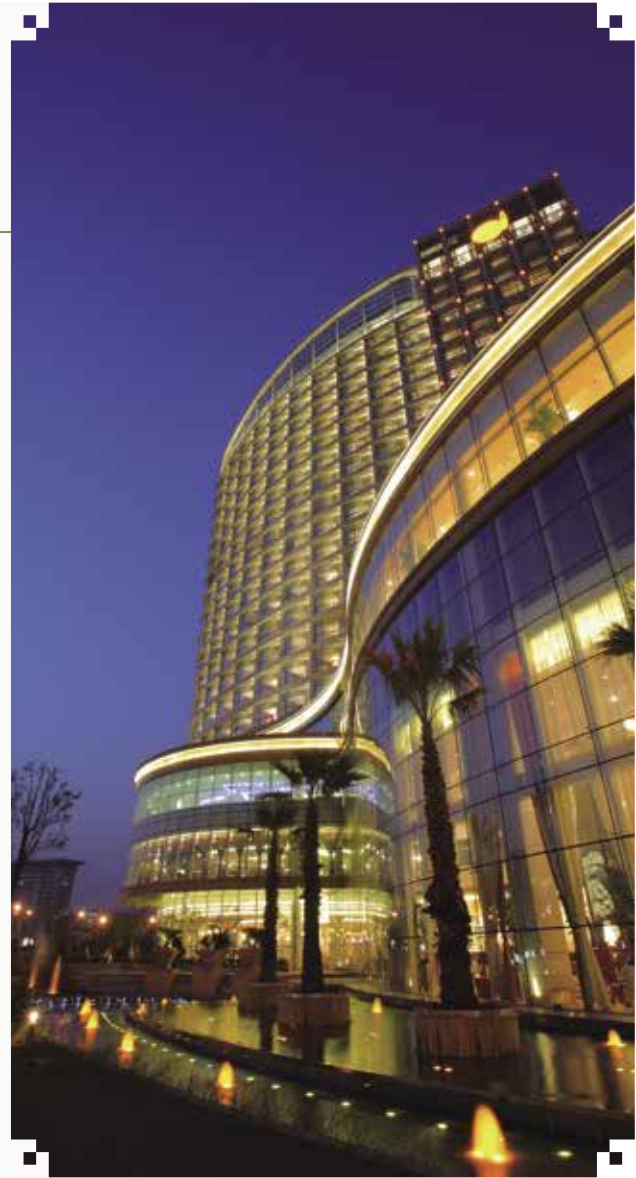
New Century Resort Qiantao Lake Hangzhou (杭州千島湖開元度假村)



New Century Resort Qiantao Lake Hangzhou is the first 5-Star resort being opened in Hangzhou. Located on Qilin peninsula the hotel enjoys unobstructed view looking over the Qiantao Lake. As a National 5A

Tourist Attraction recognized by China National Tourism Bureau, Qiantao Lake is a prominent leisure destination in eastern China.

**New Century Grand
Hotel Ningbo**
(寧波開元名都大酒店)

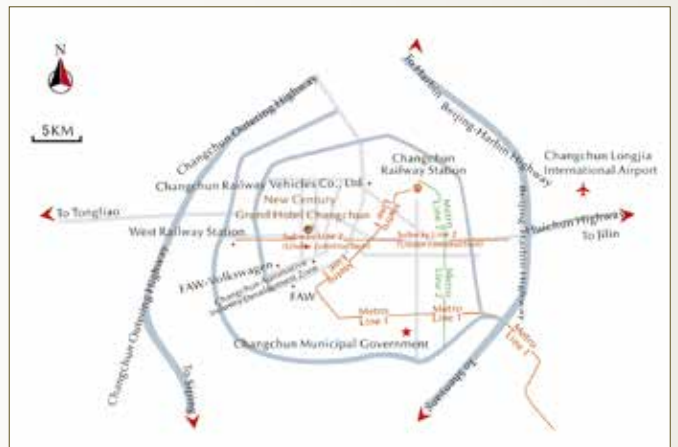


New Century Grand Hotel Ningbo is a luxury 5-Star hotel located in Yinzhou District, Ningbo. Ningbo is the core logistics and trading hub in southern Yangtze River Delta region and has the second largest GDP among all cities in Zhejiang Province. The Beilun Port in Ningbo is the largest port in China. Yinzhou District is one of

Ningbo's major industrial and educational zones and is home to over 25,500 industrial companies, including headquarters of many large-scale private enterprises. New Century Grand Hotel Ningbo is in close proximity to the Ningbo Lishe International Airport, the only commercial airport in Ningbo.



New Century Grand Hotel Changchun
(長春開元名都大酒店)



New Century Grand Hotel Changchun commenced operation in December 2008 with advanced amenities and facilities. The hotel is a luxury 5-Star hotel located in Lvyan District of Changchun. Changchun is the capital of Jilin Province and an important industrial base with a particular focus on the automobile sector. New Century Grand Hotel Changchun is in close proximity to the China FAW Group Corporation, one of China's largest vehicle producers, and CNR Changchun Railway Vehicles Co., Ltd. which is a subsidiary of China CNR Corporation Limited and is China's major producer of high-speed railway passenger cars and subway

cars. New Century Grand Hotel Changchun has established a long-term cooperative relationship with China FAW Group Corporation and CNR Changchun Railway Vehicles Co., Ltd., which brings steady demand from business travelers. New Century Grand Hotel Changchun is well positioned to capture market share from business travelers, including those who travel to the China FAW Group Corporation and CNR Changchun Railway Vehicles Co., Ltd., and participants of the China-Northeast Asia Expo (中國—東北亞博覽會) which is held every September in Changchun.

Songjiang New Century Grand Hotel Shanghai
(上海松江開元名都大酒店)

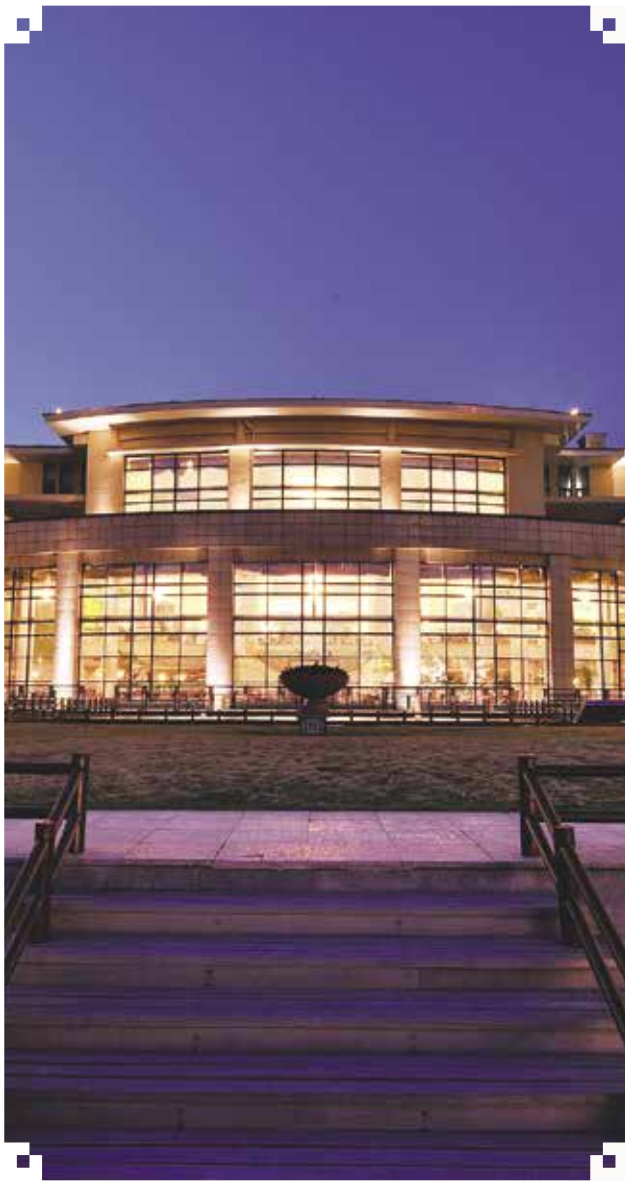


Songjiang New Century Grand Hotel Shanghai is a luxury 5-Star hotel located in the core area of Songjiang, Shanghai. It is close to public transportation and surrounded by commercial and retail facilities. Shanghai Hotel benefits from tourist demand which arises from universities to the north, the government to the east, industrial parks to the west and south, and some other tourist attractions in the old Songjiang town.

Located in the Southwest suburb of Shanghai, Songjiang District owns an area of 604.67 square kilometres with a resident population of approximately 1.70 million as of the end of 2012. As one of the most successful parts of Shanghai's "One City and Nine New Towns" plan, Songjiang has already presented a decent large scale new town with pleasant living environment as well as well-developed infrastructure and commercial facilities.

Culturally, Songjiang District is known as the "Origin of Shanghai". The State-level Shanghai Songjiang Export Processing Zone opened in 2001. According to the "Garden City" design principles, a large proportion of land is allocated to greenspace and parks in the new town and it was awarded as the "International Garden City" by the United Nations Environment Programme.

Operating under the "New Century" (「開元」) Brand, Shanghai Hotel ranks among the top domestic hotel brands and enjoys a strong foothold in the Greater Yangtze River Delta Region. It maintains a good relationship with Zhejiang guests, providing the hotel with stable guest demand. In addition, having other New Century hotels in Shanghai allows for the sharing of costs and makes it easier for cooperation to promote the hotels.



**New Century
Grand Hotel Kaifeng**
(開封開元名都大酒店)



New Century Grand Hotel Kaifeng is the first 5-star hotel in the area with its unique location and view of Kaifeng. It is located in the core area of Kaifeng New District and between the old town and the New District. The hotel has good accessibility to many parts of Kaifeng. Situated about 70 kilometres from

Zhengzhou to the west, the hotel is expected to benefit from the development of Kaifeng and the “Integration of Zhengzhou and Kaifeng” (鄭汴一體化). The hotel is located within an hour’s drive from Zhengzhou Xinzheng International Airport. It is connected to Zhengzhou and other areas via expressways.

MAJOR AWARDS



NEW CENTURY GRAND HOTEL HANGZHOU
2014 TOURISM SYSTEM TOP TEN TOURISM ENTERPRISES
 Hangzhou Xiaoshan Tourism Bureau 2015.1

2015 XIAOSHAN RELIABLE CONSUMER BRAND
 Xiaoshan Daily 2015

2015 BEST CHINESE RESTAURANT
 Travel+Leisure Restaurant Review 2015.6

2015 THE THIRD CHINA HOTEL GOLDEN STAR AWARD
 China Tourist Hotel Association 2015.10

2015 THE 3RD GROUP AWARD OF HANGZHOU TOURISM HOTEL SERVICE SKILL COMPETITION
 Hangzhou Tourism Committee 2015.11

2015 HANGZHOU ZHEXI TOP TEN BUSINESS HOTEL
 Western Zhejiang Tourism Cooperation Organization 2015.11

2015 ANNUAL OUTSTANDING CONFERENCE HOTEL
 The Alliance of China Conference Hotels 2015.11

NEW CENTURY HOTEL XIAOSHAN
2015 ANNUAL OUTSTANDING CONFERENCE HOTEL
 The Alliance of China Conference Hotels 2015.11

FANG MING: 2015 TOURISM SYSTEM TOP TEN PRESIDENT(GENERAL MANAGER)
 Hangzhou Xiaoshan Tourism Bureau 2016.1

NEW CENTURY RESORT QIANDAO LAKE HANGZHOU
2015 THE THIRD CHINA HOTEL GOLDEN STAR AWARD
 China Tourist Hotel Association 2015.10

NEW CENTURY GRAND HOTEL NINGBO
2015 THE THIRD CHINA HOTEL GOLDEN STAR AWARD
 China Tourist Hotel Association 2015.10

NEW CENTURY GRAND HOTEL CHANGCHUN
CHANGCHUN PEACE DEMONSTRATION OF HOTEL
 Bureau of Quality and Technical Supervision, Administration for Industry and Commerce, Environmental Protection Bureau and Food and Drug Administration 2015.4

THE THIRD CHINA HOTEL GOLDEN STAR AWARD
 China Tourist Hotel Association 2015.10

SONGJIANG NEW CENTURY GRAND HOTEL SHANGHAI
2014 SONGJIANG DISTRICT ADVANCED ENTERPRISES
 The People's Government of Shanghai Songjiang 2015.3

THE THIRD CHINA HOTEL GOLDEN STAR AWARD
 China Tourist Hotel Association 2015.10

2015 ANNUAL OUTSTANDING CONFERENCE HOTEL
 The Alliance of China Conference Hotels 2015.11

KAIFENG NEW CENTURY GRAND HOTEL
THE THIRD CHINA HOTEL GOLDEN STAR AWARD
 China Tourist Hotel Association 2015.10

2015 ANNUAL OUTSTANDING CONFERENCE HOTEL
 The Alliance of China Conference Hotels 2015.11

GLOBAL (CHINA) OUTSTANDING TOURIST RESORT HOTEL
 Global Tourism Award Selection Committee 2015.11

2015 THE BEST RESORT HOTEL AWARD
 Ctrip.com 2015.12

HENAN STAR CATERING ENTERPRISES
 Henan Provincial Commerce Department, Restaurant and Catering Industry Association of Henan Province 2015.12



REPORT OF THE REIT MANAGER

Dear Unitholders,

Riding on the latest China economic stimuli and our various internal and external growth initiatives, we will continue to strive to maximize our Unitholders' values.

Cheung Yat Ming

*Executive Director and
Chief Executive Officer*

KEY FINANCIAL HIGHLIGHTS

The revenue and distributable income of New Century REIT for the Reporting Period were RMB307 million (2014: RMB268 million) and RMB163 million (2014: RMB154 million) respectively, increased by 14.8% and 5.7% year-on-year respectively. The total distribution per Unit of New Century REIT for the Reporting Period was RMB0.1737 (2014: RMB0.2285 including special distribution and the Dividend Waivers) or equivalent to HK\$0.2088 (2014: HK\$0.2879), based on a payout ratio of 100%. The distribution yield was 7.2% based on the closing unit price of HK\$2.9 on 31 December 2015. The total distribution per Unit (excluding special distribution and the Dividend Waivers) in RMB increased by 4.5% year-on-year.

Revenue of New Century REIT for the Reporting Period was made up of (i) RMB270 million (2014: RMB235 million) rental income in respect of the leases of the Hotel Properties and (ii) RMB37 million (2014: RMB33 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.

New Century REIT's portfolio observed a stabilizing trend in room department performance in the Reporting Period. Average occupancy increased year-on-year by 5.3 percentage points to 61.8% with the help of competitive ADR and new marketing initiatives.



Regarding F&B, the PRC central government's curbs on luxury spending continued to affect the F&B business. However, overall spending power from private sectors is still relatively strong. Further, leveraged on the well-established reputation of the "New Century" brand across the country, our hotels have continued to expand the Meetings, Incentives, Conferencing and Exhibitions ("**MICE**") businesses.

Prudent costs control has been implemented in the Hotel Properties during the Reporting Period, which contributed to relatively stable portfolio core gross operating profit margins. Overall, the impact caused by hotel market volatility is substantially mitigated through our high base long-term leases, with either bank guarantee or one year cash securities deposit.

On 23 March 2016, the Group entered into a commitment letter with Wing Lung Bank Limited ("**Wing Lung Bank**") in respect of the Wing Lung Bank's commitment to underwrite an onshore loan in the amount of RMB320 million and offshore loans in the aggregate amount of USD250 million (equivalent to approximately RMB1,623 million) for a period of 3 years.

HEALTHY FINANCIAL POSITION

As at 31 December 2015, New Century REIT had in aggregate gross borrowings of RMB2,052 million (as at 31 December 2014: RMB1,607 million). As at 31 December 2015, approximately USD20 million (equivalent to approximately RMB130 million) (as at 31 December 2014: USD50.8 million (equivalent to approximately RMB311 million)) out of USD68.8 million (equivalent to approximately RMB447 million) (as at 31 December 2014: USD68.8 million (equivalent to approximately RMB421 million)) revolving facilities remained unutilized, providing ample financial resources



Hui Chi Kit Yung Yuen Ting Yu Hoi Zin Wan Hui Yeung Ho Wai Chu Hui Nga Wing Ding Hai Jiang

to New Century REIT. As at 31 December 2015, the valuation of the Hotel Properties was RMB5,225 million (as at 31 December 2014: RMB4,870 million) as appraised by DTZ Debenham Tie Leung Limited, our Principal Valuer. The gearing ratio of New Century REIT was approximately 37% (as at 31 December 2014: 31%), being the ratio of the gross borrowings (excluding transaction costs) of RMB2,052 million (as at 31 December 2014: RMB1,607 million) as compared



The 14th China Hotel Owner Event, Beijing – Speaker

with total asset value of RMB5,503 million (as at 31 December 2014: RMB5,156 million), which was well below the maximum limit of 45% as permitted under the REIT Code.

New Century REIT had total cash and cash equivalents and restricted cash of RMB210 million (as at 31 December 2014: RMB231 million), which was comprised of RMB63 million (as at 31 December 2014: RMB187 million) in unrestricted cash and RMB147 million (as at 31 December 2014: RMB44 million) in restricted cash as at 31 December 2015. 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. In terms of maturity profile of borrowings, as of 31 December 2015, 73.5% of the borrowings were on demand or within 1 year; 19.8% were between 1 and 2 years, 1.1% were between 2 and 3 years, and 5.6% were over 3 years. These compared respectively to 7%, 70.4%, 22.6%, and 0% as of 31 December 2014.

KAIFENG HOTEL ACQUISITION

On 31 July 2015, New Century REIT acquired Kaifeng Hotel, a 5-star hotel in the Kaifeng New District of Henan Province, the PRC. The Acquisition of Kaifeng Hotel expanded the overall geographic diversification of the New Century REIT and increased its number of rooms by 14.4% to approximately 2,823 and gross floor area by 13.6% to 445,629 sq.m.

The hotel purchase cost of RMB380 million was approximately 9.52% below the RMB420 million valuation as appraised by an independent property valuer and was financed by internal resources and assumption of liabilities of Kaifeng New Century Grand Hotel Limited. The Kaifeng Hotel is a 5-star hotel located in core area of Kaifeng New Town, which is the former site of the famous Song Dynasty royal water garden, Jinmingchi Lake.

ASSET ENHANCEMENT

In 2015, a number of major capex and asset enhancement works were completed in the Hotel Properties. At New Century Grand Hotel Hangzhou, one of the banquet rooms was upgraded. The outdoor lighting and external landscape were improved. In addition, ventilation at hotel kitchen was also changed. At New Century Hotel Xiaoshan Zhejiang, guest rooms on certain floors were upgraded. At New Century Resort Qiandao Lake Hangzhou, night lighting was enhanced. We believe that all these capex and asset enhancement work will maintain the high quality of Hotel Properties. The REIT Manager will continue to evaluate other asset enhancement initiatives to increase values for the Unitholders.

KEY HOTEL OPERATING HIGHLIGHTS

The following tables sets forth information on the average occupancy rates, ADR and average RevPAR of the Hotel Properties for the years ended 31 December 2015 and 2014.

For the year ended 31 December 2015	Occupancy %	ADR* RMB	RevPAR* RMB
New Century Grand Hotel Hangzhou	65.9%	507	334
New Century Hotel Xiaoshan Zhejiang	66.8%	320	214
New Century Resort Qiandao Lake Hangzhou	49.0%	808	396
New Century Grand Hotel Ningbo	62.5%	534	334
New Century Grand Hotel Changchun	58.0%	563	327
Songjiang New Century Grand Hotel Shanghai	65.1%	675	439
New Century Grand Hotel Kaifeng**	55.0%	602	331
Weighted Average	61.8%	548	338

Notes:

* The ADR and RevPAR included complimentary breakfast for hotel room guests.

** New Century Grand Hotel Kaifeng was acquired by New Century REIT on 31 July 2015. The full year's figures are presented for reference only.

For the year ended 31 December 2014	Occupancy %	ADR* RMB	RevPAR* RMB
New Century Grand Hotel Hangzhou	54.1%	597	324
New Century Hotel Xiaoshan Zhejiang	52.6%	359	189
New Century Resort Qiandao Lake Hangzhou	50.6%	838	424
New Century Grand Hotel Ningbo	54.4%	558	304
New Century Grand Hotel Changchun	57.6%	595	343
Songjiang New Century Grand Hotel Shanghai**	66.0%	662	437
New Century Grand Hotel Kaifeng^	58.5%	626	366
Weighted Average	56.5%	595	336

Notes:

* The ADR and RevPAR included complimentary breakfast for hotel room guests.

** Songjiang New Century Grand Hotel Shanghai was acquired by New Century REIT on 31 July 2014. The full year's figures are presented for reference only.

^ New Century Grand Hotel Kaifeng was acquired by New Century REIT on 31 July 2015. It is included for reference only.

In 2015, overall occupancy of the hotel portfolio increased by 5.3 percentage points to 61.8% while ADR decreased by 8% to RMB548, resulting in a slight increase in RevPAR of 0.6% to RMB338. New Century Grand Hotel Hangzhou, New Century Hotel Xiaoshan Zhejiang, and New Century Grand Hotel Ningbo recorded an increase in occupancies between 8% and 14% year-on-year. On the other hand, the hotel portfolio recorded a slight increase of 0.6% year-on-year in RevPAR. The increase was attributable to the growth of 1% to 13% in RevPAR at New Century Grand Hotel Hangzhou, New Century Hotel Xiaoshan Zhejiang, Shanghai Hotel, and New Century Grand Hotel Ningbo hotels which were offset

by the decline of 5% to 10% in New Century Grand Hotel Changchun, New Century Resort Qiandao Lake Hangzhou, and Kaifeng Hotel. During the Reporting Period, New Century Resort Qiandao Lake Hangzhou was more affected by the seasonal factors. For New Century Grand Hotel Changchun, our major customers are State-Owned Enterprises which remain budget conscious.

The following tables set forth information of the F&B average spending per customer, average outlets seat utilization rate and average revenue per square meter per day of banquet rooms in the Hotel Properties for the year ended 31 December 2015 and 2014:

For the year ended 31 December 2015	F&B Spending Per Customer RMB*	F&B Outlet Utilization Rate %	Revenue Per sq.m. Per Day of Banquet Room RMB
New Century Grand Hotel Hangzhou	150	190%	55
New Century Hotel Xiaoshan Zhejiang	115	132%	69
New Century Resort Qiandao Lake Hangzhou	103	93%	11
New Century Grand Hotel Ningbo	138	164%	52
New Century Grand Hotel Changchun	138	108%	22
Songjiang New Century Grand Hotel Shanghai	143	150%	46
New Century Grand Hotel Kaifeng**	102	132%	11
Weighted Average	128	142%	39

Notes:

* F&B Spending Per Customer excludes breakfast customers.

** New Century Grand Hotel Kaifeng was acquired by New Century REIT on 31 July 2015. The full year's figures are presented for reference only.

For the year ended 31 December 2014	F&B Spending Per Customer RMB*	F&B Outlet Utilization Rate %	Revenue Per sq.m. Per Day of Banquet Room RMB
New Century Grand Hotel Hangzhou	190	158%	60
New Century Hotel Xiaoshan Zhejiang	130	116%	84
New Century Resort Qiandao Lake Hangzhou	117	93%	9
New Century Grand Hotel Ningbo	145	159%	56
New Century Grand Hotel Changchun	158	117%	22
Songjiang New Century Grand Hotel Shanghai**	123	140%	44
New Century Grand Hotel Kaifeng^	114	115%	14
Weighted Average	142	129%	43

Notes:

* F&B Spending Per Customer excludes breakfast customers.

** Songjiang New Century Grand Hotel Shanghai was acquired by New Century REIT on 31 July 2014. The full year's figures are presented for reference only.

^ New Century Grand Hotel Kaifeng was acquired by New Century REIT on 31 July 2015. It is included for reference only.

During the Reporting Period, overall F&B performance in New Century REIT's portfolio remained weak despite the increase in F&B outlet utilization rates. Our hotels provided convenient venues at reasonable price for hosting conventions and other corporate events for both local enterprises and international companies. For example, New Century Grand Hotel Hangzhou, our flagship hotel, possesses two pillar-less banquet halls with over 1,000 sq.m. each and 16 medium-sized meeting rooms which offer a variety of layout and room configuration options to cater various conferences and banquets. Our hotels are also run by a group of experienced event organizers who coordinate and arrange conferences/meetings to suit customers' requirements. Thus, amid a generally tough environment for public spending, banquet business still offers a good source of revenue and earnings to our portfolio.

KEY HOTEL OPERATION INITIATIVES

The hotels in our portfolio have taken initiatives to improve revenue, rationalize expenses, and enhance operating efficiency. In order to increase the overall hotel revenue, room prices at some of the Hotel Properties were reduced to boost occupancies and F&B contributions. In addition, incentives were offered for wedding and new born banquet to prompt banquet business. Price incentives have also been offered to tours and internet-based bookings to encourage tour business and online booking. On the other hand, measures were implemented to reduce unnecessary operating expenses. For instances, to reduce energy consumption, LED lighting are now used at our hotels. To enhance the sales distribution, our hotels have strengthened the connection with Online Travel Agencies such as Ctrip and Quna (去哪儿) and other online travel agents.

In July 2015, New Century Group allied with five other major Chinese high-end hotel groups which have different regional strength to form the “China Hotel Alliance”. Members of the alliance aim to share loyalty member resources and allow customers to redeem bonus points at any alliance hotel, as well as to provide services to other alliance members. The alliance provides tools to the hotel members for comprehensive loyalty member service functions including real-time online booking at members’ prices, inter-alliance loyalty member interactive functions and loyalty member point conversion functions.

RENTAL STRUCTURE AND BANK GUARANTEE

The Hotel Properties are managed and operated to prescribed operating standards and receive rent according to the hotel lease agreements for an initial term of 10 years, commencing from 10 July 2013 (the “**Listing Date**”) for the Initial Hotel Properties from 31 July 2014 for the Shanghai Hotel and from 1 August 2015 for the Kaifeng Hotel, all of which may be renewed for a period of another 10 years.

The lease agreements are designed to provide New Century REIT with a visible and stable income stream minimizing exposure to hotel industry risks (including cyclicity) by way of Base Rents (as defined below), being RMB216 million, RMB45.6 million and RMB22 million, for the 5 Initial Hotel Properties, the Shanghai Hotel, and the Kaifeng Hotel respectively, for the first five years of the leases while providing New Century REIT, by way of variable individual rent, 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 (the “**Base Rent**”), amounts to the total sum of (i) 20% of each of the Initial Hotel Properties and the Kaifeng Hotel; and 25% of the Shanghai Hotel’s total operating revenue; and (ii) 34% of each of the relevant Hotel Properties’ gross operating profit; minus (iii) the Base Rent.

From the sixth to tenth years of the hotel lease agreements (“**Subsequent Period**”), the Base Rents for each year will be the market base rents (“**Market Base Rents**”) which is to be determined by an independent professional property valuer to be jointly appointed by the Lessors and the Lessees. If the Market Base Rents as determined by such independent property valuer to be appointed is lower than 85% of the average annual rent received from the Lessee for the hotel properties for the first four years of the Initial Hotel Properties or for the first four full financial years of the Shanghai Hotel and Kaifeng Hotel (i.e. the “**Reference Average Rent for the First Four Years**”), the Base Rents with respect to the Hotel Properties for each year during the Subsequent Period will be 85% of the Reference Average Rent for the First Four Years instead of the Market Base Rents. Given the minimum amount of the annual rent received from the Lessee for each of the first four years of the term of the lease agreements are RMB216 million, RMB45.6 million and RMB22 Million, being the Base Rents for the first four years of the Initial Hotel Properties, the Shanghai Hotel, and the Kaifeng Hotel respectively, the corresponding Base Rents from the Subsequent Period would be no less than RMB183.6 million, RMB 38.7 million and RMB18.7 million respectively (being 85% of the Base Rents for the first 4 years).

New Century Tourism guarantees the performance of obligations by the Lessees of the Hotel Properties. For the Initial Hotel Properties, 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 subsidiaries of the New Century REIT to cover the payment obligations of the lessees for first 5 years from the Listing Date. Further, the Lessees of the Initial Hotel Properties, the Shanghai Hotel, and the Kaifeng Hotel are required to provide a security deposit in the amount of RMB20 million, RMB45.6 million, and RMB22 Million respectively under the lease agreements.

In addition to the rent receivable under the hotel lease agreements, New Century REIT is also entitled to other rental income from the leasing of commercial, shopping and car parking areas in the Hotel Properties.

HOTEL INDUSTRY CONDITIONS

Even though the overall hospitality industry in China continued to be negatively affected by the short-term over supply of hotels and China's economic slowdown, our resilient hotel operations and qualities were reflected in our 5.3 percentage points year-on-year increase in hotel occupancy rate and slightly higher average revenue per available room ("**RevPAR**"). Leveraging on the significant New Century Group's 184 star-rated hotels platform, our Hotel Properties were managed cost effectively through significant cost savings on items such as salaries & wages, utilities, and sales and marketing.

Besides, New Century Group signed 30 additional new hotel management contracts and increased its Century Club loyal memberships by 53% year-on-year to approximately 2.9 million in 2015, which significantly expanded the potential customers' awareness of with a view to increasing the businesses for our hotels.

OUTLOOK

With the monetary easing in the Euro zone and Japan that is now proceeding broadly, while in December 2015 the U.S. Federal Reserve lifted the federal funds rate from the zero lower bound, the overall global economic and financial markets are generally expected to become more volatile in 2016 than that in last year. Prospects of a gradual increase in interest rates in the United States as well as concerns about emerging market growth prospects have contributed to tighter external financial conditions, declining capital flows, and further currency depreciations in many emerging market economies.

According to the International Monetary Fund, growth in China is expected to slow to 6.3% in 2016 and 6.0% in 2017, primarily reflecting weaker investment growth as the economy continues to rebalance. In view of the fact that China is facing strong headwinds from economic rebalancing and global manufacturing weakness, it is generally expected that the China economy is challenging in 2016. However, we continue to be positive on the medium to long-term China economic growth.

Following the acquisition of Kaifeng Hotel in July 2015, we continue to look for growth opportunities through acquisition from New Century Group, Carlyle networks, and third-party sources from around the world with increasing pipeline investment opportunities coming from overseas with primary focuses in the United Kingdom, Western Europe and the United States of America where more quality and upscale hotels and commercial buildings with long-term stable income stream are available. Potential acquisitions will be funded by internal resources and/or debt facilities. We believe investing in different asset classes with stable long-term income stream across the globe will help maximize the long-term sustainable growth of New Century REIT and diversify the risks from a single market.

PLEDGE OF ASSETS

As at 31 December 2015, Initial Hotel Properties of New Century REIT with an aggregate carrying value of RMB 3,975 million, bank deposits, trade receivables with aggregate value of RMB54.6 million, certain corporate guarantees and certain equity interests of a subsidiaries were pledged to secure bank loan borrowings at an aggregate amount of RMB2,052 million. For details, please refer to Notes 16, 17, 20 and 27(c) of Notes to the Consolidated Financial Statements.

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 four employees in its own right and such costs are reimbursed by the REIT Manager.

New Century REIT provides competitive salary packages and bonuses for its employees, as well as other benefits, including participation in retirement schemes, medical insurance schemes, accident insurance schemes, unemployment insurance schemes, and maternity insurance schemes. The salary levels are regularly reviewed against market standards.

MAJOR REAL ESTATE AGENTS

During the Reporting Period, New Century REIT did not engage any real estate agents and therefore no commission were paid.

FOREIGN CURRENCY EXCHANGE RISK

The Group's exposure to foreign exchange risk relates principally to its cash and cash equivalents and bank borrowings, denominated primarily in United States dollar ("USD") and Hong Kong dollar ("HKD"). The Group has not specifically hedged this exposure as it is of the view that the RMB spot rate against HKD and USD is in predictable trend.

BUY-BACK, SALE OR REDEMPTION OF UNITS

During the year ended 31 December 2015, the REIT Manager on behalf of New Century REIT bought-back and cancelled 1,800,000 units. The monthly break-down is shown at Note 22(c) of Notes to the Consolidated Financial Statements.

Reasons for the Buy-back

Depending on market conditions and funding arrangements at the time, buy-backs may lead to an enhancement of the net asset value per Unit and/or earnings per Unit, and will only be made when the REIT Manager believes that such buy-backs will benefit New Century REIT and the Unitholders as a whole.

The listing of all Units which are bought back by the REIT Manager on behalf of New Century REIT shall be cancelled upon purchase. The REIT Manager will ensure that the documents of title of the purchased Units are cancelled and destroyed as soon as reasonably practicable following settlement of any such purchase.

LIST OF DIRECTORS

Please refer to the section "BOARD OF DIRECTORS OF THE REIT MANAGER" in Corporate Governance Report for details.

Roles of the Key Board Members

The roles of the key members of the Board are as follows:

- Chairman – responsible for the overall leadership of the Board and the REIT Manager generally.
- Chief executive officer – responsible for the day-to-day operations of the REIT Manager and supervises the REIT Manager's management team to ensure that New Century REIT is operating in accordance with its stated strategies, policies and regulations.
- Independent non-executive directors – govern the REIT Manager through the Board and their participation in Board committees.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2015, both the REIT Manager and New Century REIT have been in compliance with the relevant laws, applicable regulations of Mainland China and Hong Kong that have a significant impact on both the REIT Manager and New Century REIT.

MAJOR CONTRACTORS

The top five contractors engaged by New Century REIT and their respective value of services rendered and percentages for the Reporting Period were as follows:

Contractors	Nature of Services	Value of Services RMB'000	% to total
Hangzhou Air Conditioning Equipment & Installation Ltd. 杭州幫事空調設備安裝有限公司	Ventilation System	195	33.5%
Shanghai Long An Fire Equipment Co., Ltd. 上海隆安消防設備有限公司	Automatic Fire Extinguishing System	133	22.8%
Shanghai Pingyang Fire Equipment Co., Ltd. 上海平燕消防設備有限公司	Fire System	126	21.6%
Shanghai Baoshan Pot Plant Equipment Installation and Repair 上海寶山鍋爐設備安裝修理廠	Steam Boiler System	74	12.8%
ChangChun Gas Thermal Design and Research Institute Co., Ltd. 長春燃氣熱力設計研究院有限責任公司	Steam Boiler System	50	8.6%
Total		578	99.3%

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, 29 March 2016



New Century Grand Hotel Hangzhou

CORPORATE AND SOCIAL RESPONSIBILITY REPORT

Corporate social responsibility is one of the principles of New Century REIT's management philosophy. New Century REIT believes that corporate social responsibility will create long-term value for our guests, business partners, investors, employees, and other stakeholders. To this end, issues covering operating practices, the workplace, the environment, and the community are given consideration at the strategic level as well as in the day-to-day operations of the Hotel Properties.

New Century REIT has always endeavored to promote environmental protection and conservation. Through adopting various green initiatives by the Lessees in their operations, the Lessees have raised environmental awareness among their guests, tenants, employees, and service providers in making the community a better place for everyone.

Working Conditions

New Century REIT is managed by the REIT Manager and does not directly employ any staff itself save for the four employees employed through its subsidiaries. The REIT Manager is in compliance with the applicable labour regulations and standards of Mainland China and Hong Kong, covering all aspects of employment protection and employee welfare. No children or adolescents (persons who are below the age of 18), as defined under the relevant labour regulations, have been employed as our employees and there are no potential issues involving under-age workers or forced labour. The Lessees of the Hotel Properties have strictly observed the labour laws of the place where they are situated; and the Manager has strictly complied with the relevant equal opportunities legislation. Under our equal opportunity policy, no job applicant or employee is disadvantaged by or receives less favourable treatment because of disability, gender, pregnancy, marital status or sexual orientation.

Development and Training

The REIT Manager recognizes that productive employees are those who maintain a healthy work-life balance. As such, employees of the REIT Manager are provided with access to various wellness and training sessions that are offered on a yearly basis to satisfy the vocational development needs of the employees.

Close Connection with Guests

The sustainable development of guests and the up-keeping of asset quality of the Hotel Properties are the core performance drivers to the growth of New Century REIT. In 2015, New Century REIT continued to implement a number of asset enhancement improvement works and key hotel operation initiatives to maintain and improve the asset quality of the Hotel Properties. To ensure better services to our hotel guests, ongoing customer survey on service standard as well as F&B quality are being implemented by the Lessees. Moreover, to better communicate and interact with guests, increasing awareness on using social platforms and online social media are being adopted in the Hotel Properties.

Environmental Protection and Energy Conservation

New Century REIT and the Lessees are eager to promote and encourage green and environment-friendly concept at the Hotel Properties. The Lessees have been closely monitoring and analyzing the energy consumption pattern of the Hotel Properties and implement energy saving measures. The Lessees have adopted business measures conducive to environmental protection in the course of daily operations.

Various energy saving measures have been taken in the Hotel Properties. For example, to reduce power consumption, LED lightings are used in the Hotel Properties. In addition, the utilities consumption including power, water, coal and natural gas have been monitored and analyzed regularly. In fact, as a result of implementing energy saving measures in 2015, utility costs of the Hotel Properties reduced by 5.5% year-on-year. The Lessees, through performing routine equipment maintenance and operation control, are making effort to ensure equipment efficiency and hence energy conservation.

GROUP STRUCTURE

Since its inception in Hangzhou, Zhejiang Province in 1988, New Century Group has established the homegrown, widely-recognized “New Century” brand that principally targets the luxury and upscale travel segments, offering hospitality services at international standards complemented by local Chinese elements. New Century Group has established a strong footprint in the Greater Yangtze River Delta region and intends to leverage its knowledge and market reputation to enhance its expansion into second and third-tier cities in other regions of China.

NEW CENTURY GROUP’S HOTEL BRANDS

New Century Group’s hotels are operated under the following 5 brands:



“New Century Grand Hotel” is a 5-star luxury hotel brand, offering services to guests with the perfect fusion of oriental culture and international standards.



“New Century Manju Hotel” is a mid-range business hotel brand.



“New Century Hotel” is a high-grade business hotel brand of the New Century Group.



“Cultural Theme Hotel” is a brand of hotels located in ancient towns, villages, and scenic regions with unique cultural characteristics.



“New Century Resort” is a resort hotel brand and is located in the coast area, lakeside and mountains with beautiful natural environment.



New Century Hotel Xiaoshan Zhejiang

THE REIT MANAGER

The REIT Manager, New Century Asset Management Limited (開元資產管理有限公司), was incorporated in Hong Kong on 12 December 2012 for the sole purpose of managing the assets of New Century REIT. The REIT Manager is licensed by the SFC to undertake the regulated activity of asset management as required by the REIT Code.

It has a general power of management over the assets of New Century REIT. The main duty of the REIT Manager is to manage the assets of New Century REIT for the benefit of the Unitholders and to provide Unitholders with stable distributions per Unit. In addition, the REIT Manager sets the strategic direction and risk management policies of New Century REIT and gives advisory directions to the Trustee on acquisition, divestment, and asset management in accordance with its investment strategy. Governed by the REIT Code, the REIT Manager is required to act in the best interests of Unitholders to whom the Trustee also owes fiduciary duties.

In view of the extended investment strategy, the REIT Manager has employed experienced professionals who have solid experience in property investment, asset management, property leasing, and finance.

The REIT Manager however does not directly manage the Hotel Properties. The Hotel Properties are leased by the Lessors to the Lessee under the Hotel Lease and Management Agreements, which are designed to provide New Century REIT with a visible and stable income stream minimizing exposure to hotel industry risks by way of the Base Rent, 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.

THE TRUSTEE

The Trustee of New Century REIT is DB Trustees (Hong Kong) Limited, a company incorporated in Hong Kong and registered as a trust company under section 77 of the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong). The Trustee is qualified to act as a trustee for collective investment schemes authorized under the SFO pursuant to the REIT Code. The Trustee and the REIT Manager are independent of each other and their respective roles in relation to New Century REIT are set out in the REIT Code and the Trust Deed.



New Century Grand hotel
SONGJIANG
SHANGHAI



CORPORATE GOVERNANCE REPORT

New Century REIT is committed to maintaining a high 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.

During the year ended 31 December 2015, 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.

Set out below is a summary of the key components of the corporate governance policies that have been adopted having due regard to the requirements under Appendix 14 of the Listing Rules and have been followed by the REIT Manager and New Century REIT.

AUTHORIZATION STRUCTURE

New Century REIT is a collective investment scheme authorized by the SFC under section 104 of the SFO and is regulated by the provisions of the REIT Code.

The REIT Manager has been authorized by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. At the date of this report, Mr. Cheung Yat Ming (the Chief Executive Officer and executive Director of the REIT Manager), Mr. Wan Hui Yeung (the Investment and Investor Relations Manager of the REIT Manager) and Ms. Ho Wai Chu (the Chief Operating Officer of the REIT Manager) are the responsible officers of the REIT Manager (“**Responsible Officers**”) pursuant to the requirements under sections 125 of the SFO and Rule 5.4 of the REIT Code. Mr. Cheung Yat Ming was approved by the SFC as an approved person of the REIT Manager pursuant to sections 104(2) and 105(2) of the SFO.

The Trustee is registered as a trust company under section 77 of the Trustee Ordinance and is qualified to act as a trustee for collective investment schemes authorized under the SFO pursuant to the REIT Code.

ROLES OF THE TRUSTEE AND THE REIT MANAGER

The Trustee and the REIT Manager are independent of each other. The Trustee is primarily responsible for the safe custody of the assets of New Century REIT on behalf of Unitholders. The REIT Manager’s role under the Trust Deed is to manage New Century REIT in accordance with the Trust Deed in the sole interest of the Unitholders and to fulfill the duties imposed on it under general law as the REIT Manager of New Century REIT and, in particular, to ensure that the financial and economic aspects of New Century REIT’s assets are professionally managed in the sole interests of Unitholders.

AMENDMENTS TO THE TRUST DEED

Reference is made to the announcement and circular of New Century REIT dated 30 April 2015 (“**Trust Deed Amendment Announcement and Circular**”) in relation to the proposed amendment of the Trust Deed of New Century REIT. 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 Trust Deed Amendment Announcement and Circular.

At the annual general meeting of Unitholders held on 1 June 2015 (the “**AGM**”), Unitholders approved the expansion of the investment strategy of New Century REIT so as to (i) include industrial, retail and/or commercial properties (including but not limited to shopping malls, office buildings, serviced apartments and logistics properties etc.), in addition to hotel or other hospitality related properties, situated anywhere in the world (including Real Estate in the PRC); (ii) permit Property Development and Related Activities and (iii) permit Relevant Investments. Voting results were set out in the announcement dated 1 June 2015. The Trustee and the REIT Manager executed a second supplemental deed dated 15 June 2015 to amend and supplement the Trust Deed in accordance with the special resolutions passed by Unitholders at the AGM.

BOARD OF DIRECTORS OF THE REIT MANAGER

FUNCTIONS OF THE BOARD

The 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 exercises its general powers within the limits defined by the articles of association, with a view to ensuring that management discharges its duties, and that sound internal control policies and risk management systems are maintained. The Board will also review major financial decisions and the performance of the REIT Manager. In accordance with the REIT Code, the REIT Manager is required to act in the best interests of Unitholders, to whom it owes a fiduciary duty.

BOARD COMPOSITION

The Board currently comprises eight members, including one executive Director, four non-executive Directors and three independent non-executive Directors.

Pursuant to the REIT Manager’s corporate governance policy, independent non-executive Directors must be individuals who fulfill the independence criteria set out in the Compliance Manual adopted by the REIT Manager.

The composition of the Board is determined using the following principles:

- a) the Chairman of the Board should be a non-executive Director;
- b) the Board should comprise Directors with a broad range of commercial experience including expertise in property investment and management, funds and asset management and/or the property industry; and
- c) at least one-third of the Board will, at all times, comprise independent non-executive Directors and there will be a minimum of three independent non-executive Directors each with a maximum term of office of nine years.

The positions of Chairman and the Chief Executive Officer are held by two separate persons in order to maintain an effective segregation of duties. The Chairman leads the Board discussions and deliberations and is responsible for setting the meeting agenda of Board meetings. He ensures that Board meetings are held when necessary. He promotes high standards of corporate governance and maintenance of effective communications with Unitholders. The Chief Executive Officer is responsible for the day-to-day management of the REIT Manager and New Century REIT. He executes the strategic plans set out by the Board and ensures that the Directors are kept updated and informed of New Century REIT’s business via management reports.

Non-executive Directors are currently appointed for a term of three years.

The Board currently comprises the following members:

**CHAIRMAN AND
NON-EXECUTIVE DIRECTOR**



Chen Miaolin

**EXECUTIVE DIRECTOR AND
CHIEF EXECUTIVE OFFICER**



Cheung Yat Ming

NON-EXECUTIVE DIRECTORS



Zhang Guanming



Zhang Chi
(with Jiang Tianyi as his alternate)



Tong JinQuan
(appointed on 19 January 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS



Angelini Giovanni



Yu Hon To David



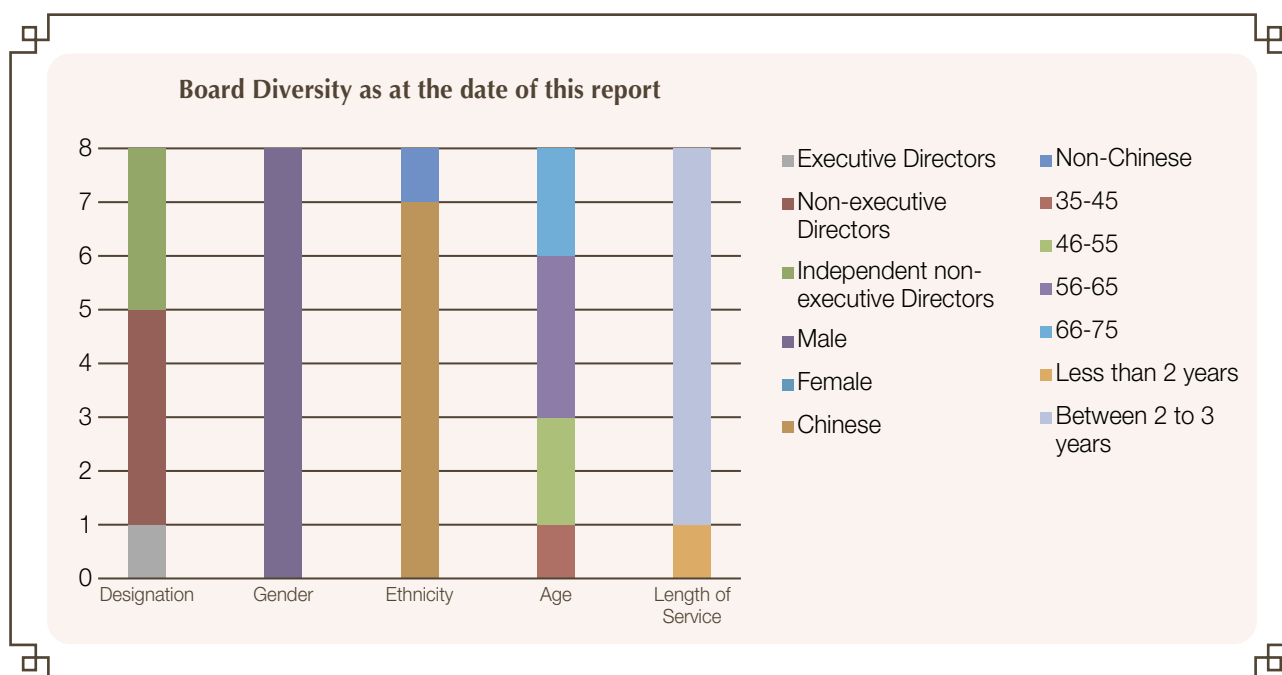
He Jianmin

The biographical details of the Directors, together with any relationships among them, are disclosed in the section “Directors’ Biographical Information” contained in this annual report.

Mr. Tong JinQuan was appointed as a non-executive Director of the REIT Manager with effect from 19 January 2015. For details, please refer to the announcement issued by the REIT Manager on 19 January 2015.

Ensuring that there is an appropriate balance of skills, knowledge and experience, ethnicity and gender on the Board is an important aspect of the REIT Manager’s corporate governance, therefore, the composition of the Board is reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience.

The Board and the Nomination Committee have approved the board diversity policy of the REIT Manager. Selection of candidates for the Board will be based on a range of diverse considerations, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and potential contribution that the selected candidates will bring to the Board. The current mix of our Board members is balanced and diverse.



The Board has, from time to time, reviewed and monitored the implementation of the board diversity policy to ensure its effectiveness. It has set and will update, at appropriate times, measurable objectives for achieving diversity on the Board.

Save as disclosed in this annual report, the REIT Manager is not aware of any other relationships between Board members and in particular, between the Chairman and the Chief Executive Officer.

MEETINGS

The Board conducts regular meetings to discuss and decide on major corporate, strategic, business and operational issues. Appropriate and sufficient information is provided to the members of the Board to enable them to discharge their duties.

In addition to informal or ad hoc meetings and discussions, five formal Board meetings of the REIT Manager were held during the year ended 31 December 2015 and the attendance rates of the individual Board members were as follows:

Name of Director	Role	Attendance/No. of Meetings
Chen Miaolin	Chairman and non-executive Director	5/5
Cheung Yat Ming	Executive Director and Chief Executive Officer	5/5
Zhang Guanming	Non-executive Director	5/5
Zhang Chi	Non-executive Director	1/5*
Tong JinQuan	Non-executive Director	3/5
Angelini Giovanni	Independent non-executive Director	5/5
Yu Hon To David	Independent non-executive Director	5/5
He Jianmin	Independent non-executive Director	5/5

* Mr. Jiang Tianyi, alternate to Mr. Zhang Chi, attended all five meetings.

APPOINTMENT AND REMOVAL OF DIRECTORS

The appointment and removal of Directors (including responsible officers) is a matter for the Board and the shareholders of the REIT Manager to determine in accordance with the Compliance Manual, the articles of association of the REIT Manager and the applicable law. As the REIT Manager is licensed by the SFC under Part V of the SFO, the appointment and removal of any of its executive Directors and non-executive Directors (including the independent non-executive Directors) and the removal of a responsible officer must be notified to the SFC. The appointment of a responsible officer requires the prior approval of the SFC.

INTERNAL CONTROLS

The REIT Manager has an internal audit function in place to provide an independent assessment of the REIT Manager's internal control systems. The internal auditor conducts a risk-based review of the policies and procedures described in the Compliance Manual to ensure that they are operating as expected. The review covers all major operations of New Century REIT in accordance with the audit plan approved by the Audit Committee. The results of the audit review are discussed at Audit Committee meetings and are further reported to the Board where required.

The Board is responsible to ensure the REIT Manager maintains sound and effective internal control systems to safeguard the assets of New Century REIT and the interest of the Unitholders. The Board, through the Audit Committee, conducts annual review on the effectiveness of internal control systems of New Century REIT which covers all material controls including financial, operational and compliance controls and risk management functions. The review also covers the adequacy of resources, qualifications and experience of the REIT Manager's staff who carry out New Century REIT's accounting and financial reporting function, and their training programmes and budget. The Board noted no significant areas of concern which should be drawn to Unitholders.

Based on the internal audit reviews for the year ended 31 December 2015, the Board considers that the internal control system is effective and adequate. No significant irregularity or deficiency in internal controls has come to the attention of the Audit Committee during the year ended 31 December 2015.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors participated in training courses and other continuous professional development arrangements to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. For the year ended 31 December 2015, below are activities that were undertaken by our Directors as part of their ongoing training and professional development:

Name of Director	Training Courses	Updates in meetings and reading materials
Chen Miaolin	Yes	Yes
Cheung Yat Ming	Yes	Yes
Zhang Guanming	Yes	Yes
Zhang Chi	Yes	Yes
Tong JinQuan	Yes	Yes
Angelini Giovanni	Yes	Yes
Yu Hon To David	Yes	Yes
He Jianmin	Yes	Yes

BOARD COMMITTEES

The Board has the power to delegate to committees consisting of such numbers of its body as it thinks fit.

Various committees have been established to assist the Board in discharging its responsibilities. The committees of the Board have been set up with clear terms of reference to review specific issues or items and then to submit their findings and recommendations to the full Board for consideration and endorsement. Unless the decision making power has been vested in the relevant committee by the Board, the ultimate responsibility for making final decisions rests with the full Board and not the committees.

The committees of the Board are currently as follows:

AUDIT COMMITTEE

The Audit Committee is appointed by the Board from among the non-executive Directors. A majority of the members of the Audit Committee are independent non-executive Directors and at least one of these independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise. As at the date of this report, the members of the Audit Committee are Mr. Yu Hon To David and Professor He Jianmin, who are independent non-executive Directors and Mr. Zhang Chi, who is a non-executive Director. Mr. Yu Hon To David is the chairman of the Audit Committee.

The Audit Committee is responsible for (i) ensuring an effective financial reporting, internal control and risk management system, (ii) overseeing the quality and integrity of financial statements, (iii) selecting and assessing the independence and qualification of external auditors and (iv) ensuring effective communications between the Directors, internal audit function and external auditors, in respect of both the REIT Manager and New Century REIT.

For the year ended 31 December 2015, the Audit Committee's main responsibilities also include:

- a) making recommendations on the appointment, reappointment and removal of the external auditors and reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process;
- b) developing and implementing policies on engaging external auditors to supply non-audit services;
- c) reviewing the financial and accounting policies and practices, and monitoring the integrity of the financial statements, annual and interim reports, and accounts of the REIT Manager and New Century REIT;
- d) monitoring and reviewing the completeness, accuracy, clarity and fairness of the financial statements of New Century REIT and the REIT Manager, reviewing the audited reports of New Century REIT and the REIT Manager provided by external auditors and reviewing significant financial reporting judgments contained in them (including both interim and annual financial statements);
- e) oversight of the financial control and internal control procedures of the REIT Manager and New Century REIT, including the following:
 - 1) reviewing and overseeing the financial control, internal control and risk management systems;
 - 2) discussing with management to ensure that management has performed its duty by having effective internal control and risk management systems, which includes the adequacy of resources, training programmes and staff qualifications and experiences etc.;
 - 3) considering major investigation findings on risk management and internal control matters and management's response;
 - 4) maintaining an independent and objective internal audit function and reviewing internal audit reports, coordinating between the internal and external auditors and monitoring the effectiveness of the internal audit function; and
 - 5) reviewing the external auditors' management letter;
- f) overseeing the relationship with the external auditors;

- g) reviewing and monitoring connected party transactions of New Century REIT;
- h) reviewing dealings of the Units by the REIT Manager and the Directors on a semi-annual basis;
- i) reviewing and monitoring on a regular basis the procedures in place to ensure compliance with applicable laws and regulations, the REIT Code and the Listing Rules; and
- j) to report to the Board on the matters in the Code on Corporate Governance Practices.

In addition to informal or ad hoc meetings and discussions, the Audit Committee held three formal meetings during the year ended 31 December 2015 to (among others) consider and review the annual results for the year ended 31 December 2014, the interim results for the six months ended 30 June 2015, corporate governance, connected party transactions, internal audit reports, reports from the external auditors and other compliance matters of New Century REIT. The attendance rates of the individual members were as follows:

Name of Audit Committee Members	Role	Attendance/No. of Meetings
Yu Hon To David	Chairman of the Audit Committee	3/3
Zhang Chi	Member of the Audit Committee	1/3*
He Jianmin	Member of the Audit Committee	3/3

* Mr. Jiang Tianyi, alternate to Mr. Zhang Chi, attended three meetings.

FINANCE AND INVESTMENT COMMITTEE

The Finance and Investment Committee is appointed by the Board and it comprises the Chief Executive Officer, the Investment and Investor Relations Manager and the Chief Operating Officer. As at the date of this report, the members of the Finance and Investment Committee are Mr. Cheung Yat Ming (the Chief Executive Officer and executive Director), Mr. Wan Hui Yeung and Ms. Ho Wai Chu. Mr. Cheung Yat Ming is the chairman of the Finance and Investment Committee. The Finance and Investment Committee is responsible for, among other matters, evaluating and making recommendations on proposed acquisitions and disposals of assets, approving budgets and reviewing actual expenses on all key expenditures and reviewing financial performance, forecasts and annual financial plan of the REIT Manager and New Century REIT. The Finance and Investment Committee also reviews and recommends changes to financial authorities, policies or procedures in areas such as accounting, taxes, treasury, distribution payout, investment appraisal, management and statutory reporting.

In addition to informal or ad hoc meetings and discussions, three formal Finance and Investment Committee meetings of the REIT Manager were held during the year ended 31 December 2015 for reviewing performance, budgets and investment opportunities of New Century REIT. The attendance rates of the individual members were as follows:

Name of Finance and Investment Committee Members	Role	Attendance/No. of Meetings
Cheung Yat Ming	Chairman of the Finance and Investment Committee	3/3
Hong Kam Kit Eddie	Member of the Finance and Investment Committee	2/2**
Wan Hui Yeung	Member of the Finance and Investment Committee	1/1**
Ho Wai Chu	Member of the Finance and Investment Committee	3/3

** In the year under review, Mr. Wan Hui Yeung was added as a member of the Finance and Investment Committee on 16 September 2015, filling the vacancy of Mr. Hong Kam Kit Eddie who resigned on 23 July 2015.

NOMINATION COMMITTEE

The Nomination Committee is appointed by the Board from among the Directors. The Nomination Committee comprises not less than three Directors, a majority of which are independent non-executive Directors. As at the date of this report, the members of the Nomination Committee are Mr. Chen Miaolin (Chairman and non-executive Director), Mr. Angelini Giovanni (independent non-executive Director) and Professor He Jianmin (independent non-executive Director). Mr. Chen Miaolin is the chairman of the Nomination Committee.

The Nomination Committee's responsibilities include:

- a) reviewing the structure, size and composition (including skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the REIT Manager's corporate strategy;
- b) developing the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship;
- c) identifying individuals who are qualified/suitable to become a member of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;
- d) assessing the independence of independent non-executive Directors to determine their eligibility; and
- e) making recommendations to the Board on the appointment, re-appointment or removal of Directors and succession planning for Directors, in particular, the Chairman and the Chief Executive Officer.

In addition to informal or ad hoc meetings and discussions, a Nomination Committee meeting of the REIT Manager was held during the year ended 31 December 2015 to review the composition of the Board, assess the independence of independent non-executive Directors, review the criteria for identifying, assessing and evaluating candidates for directorship and review the rotation and succession policy of the Directors of New Century REIT.

The attendance rates of the individual members were as follows:

Name of Nomination Committee Members	Role	Attendance/No. of Meetings
Chen Miaolin	Chairman of the Nomination Committee	1/1
Angelini Giovanni	Member of the Nomination Committee	1/1
He Jianmin	Member of the Nomination Committee	1/1

DISCLOSURES COMMITTEE

The Disclosures Committee is appointed by the Board from among the Directors. The Disclosures Committee comprises three Directors, including the Chief Executive Officer and two non-executive Directors, one of whom is an independent non-executive Director. The role of the Disclosures Committee is to review matters relating to the disclosure of information to Unitholders and public announcements. The Disclosures Committee also works with the management of the REIT Manager to ensure the disclosure of information is accurate, complete and not misleading. As at the date of this report, the members of the Disclosures Committee are Mr. Cheung Yat Ming (the Chief Executive Officer and executive Director), Mr. Zhang Guanming (Non-executive Director) and Mr. Yu Hon To David (Independent non-executive Director). Mr. Cheung Yat Ming is the chairman of the Disclosures Committee.

The Disclosures Committee's responsibilities include:

- a) reviewing and recommending to the Board on matters of corporate disclosure issues and announcements, regarding (without limitation) financial reporting, connected party transactions and potential areas of conflict of interests;
- b) overseeing compliance with applicable legal requirements and the continuity, accuracy, clarity, completeness and currency of information disseminated by or on behalf of New Century REIT to the public and applicable regulatory agencies;
- c) reviewing and approving all material non-public information and all public regulatory filings of or on behalf of New Century REIT prior to such information being disseminated to the public or filed with applicable regulatory agencies, as applicable;
- d) reviewing periodic and current reports, proxy statements, information statements, registration statements and any other information filed with regulatory bodies;
- e) reviewing press releases containing financial information, information about material acquisitions or dispositions or other information material to Unitholders; and
- f) reviewing correspondences containing financial information disseminated to Unitholders.

In addition to informal or ad hoc meetings and discussions, three Disclosures Committee meetings of the REIT Manager were held during the year ended 31 December 2015 to review the annual results and report for the year ended 31 December 2014, the interim results and report for the six months ended 30 June 2015, announcements and circulars related to the acquisition of Kaifeng Hotel and other corporate disclosure issues of New Century REIT. The attendance rates of the individual members were as follows:

Name of Disclosures Committee Members	Role	Attendance/No. of Meetings
Cheung Yat Ming	Chairman of the Disclosures Committee	3/3
Zhang Guanming	Member of the Disclosures Committee	3/3
Yu Hon To David	Member of the Disclosures Committee	3/3

CONFLICTS OF INTEREST

All conflicts of interest are managed by the Board in accordance with the articles of association of the REIT Manager and applicable laws, rules and regulations. The REIT Manager will ensure that all conflicts of interest relating to New Century REIT will be managed and avoided. The following measures are taken in that regard:

- a) the REIT Manager will be a dedicated manager to New Century REIT and, unless with the approval from the SFC, the REIT Manager will not manage any REIT other than New Century REIT nor manage other real estate assets other than those in which New Century REIT has an ownership interest or investment;
- b) the REIT Manager will ensure that it will be able to function independently from its shareholders and all executive officers will be employed by the REIT Manager on a full time basis;
- c) the REIT Manager has established internal control systems to ensure that connected party transactions between New Century REIT and its connected persons are monitored and undertaken according to procedures and/or on terms in compliance with the REIT Code (or where applicable, in compliance with the waiver conditions imposed by the SFC) and that other potential conflicts of interest situation that may arise are monitored;
- d) all conflicts of interest will be required to be managed by a physical Board meeting rather than a written resolution and independent non-executive Directors who, and whose associates, have no material interest in the matter should be present at such Board meeting; and
- e) a Director who has material interests in a matter which is the subject of a resolution proposed at a Board meeting of the REIT Managers will abstain from voting on the resolution concerned and not to be counted in the quorum at the Board meeting at which such resolution is proposed.

Huge Harvest Group is engaged in and/or may engage in, among other things, investment in, and the development and management of, hotel properties in the PRC. As such, New Century REIT may compete with Huge Harvest Group for potential acquisition of hotel properties in the PRC. As at the end of 2015, New Century Hotel Management, a subsidiary of Huge Harvest Group, and its subsidiaries have about 177 star-rated hotels in operations or under development (excluding the seven hotels owned by New Century REIT). New Century REIT may compete with hotels operated by New Century Hotel Management and other subsidiaries of Huge Harvest Group for customers.

The following contractual provisions are included in the Non-Competition Deed dated 14 June 2013 to minimize any possible conflicts of interest at the operational level:

- a) if any member of the Huge Harvest Group becomes aware of any opportunity to acquire any majority ownership and control (or such level of interest as New Century REIT is permitted to acquire) of any hotel in operation, completed or substantially completed, in China, the Huge Harvest Group would use its best endeavours to direct such opportunity to the REIT Manager on behalf of New Century REIT;
- b) if any member of the Huge Harvest Group wishes to sell any majority ownership and control (or such level of interest as New Century REIT is permitted to acquire) of any hotel in operation, completed or substantially completed, in China, it would provide the REIT Manager on behalf of New Century REIT the right of first refusal; and
- c) during the term of the Hotel Lease and Management Agreements, the Huge Harvest Group would not, without prior written consent from the majority of the independent non-executive Directors, manage, grant a licence to or authorize any other person or company to manage any hotel with similar star-rating to any of the Hotel Properties controlled by New Century REIT in an area within a radius of ten kilometers from such properties.

With regards to the Initial Hotel Properties, the following contractual provisions are included in the Hotel Lease and Management Agreements dated 14 June 2013 to minimize any possible conflicts of interest at the operational level:

- a) each Initial Hotel Property is operated and managed by a local branch or subsidiary of New Century Hotel Management situated at separate operating premises with segregated operational, management and sales and marketing teams. Employees of any such branch or subsidiary are dedicated to the management and operation of the particular Initial Hotel Property and are not at the same time involved in the management and operation of any other hotels managed by New Century Group;
- b) separate sets of accounts are maintained in respect of the management of the expenses of each Initial Hotel Properties (subject to sharing of corporate overheads based on square footage under management and property type);
- c) the Lessee is under confidentiality obligation to ensure that all non-public information with respect to the Initial Hotel Properties is kept under strict confidence and would not be disclosed to or used by any third party outside the New Century Group without prior consent of the REIT Manager;

- d) the Lessee implements the business proposal and budget approved by the REIT Manager every year and uses its best endeavours to achieve the revenue targets in such approved business proposal and budget; and
- e) if hotel management opportunities in relation to any of New Century REIT's properties become available to the Lessee which the Lessee, acting reasonably and in good faith, consider are or are likely to be in competition with any member of the New Century Group, the Lessee would either: (i) refer all such business proposals to the REIT Manager for vetting and confirmation before the Lessee proceeds with such proposals or opportunities; or (ii) sub-contract to a third party leasing agent independent of the New Century Group, to devise and implement the relevant business proposal.

For Shanghai Hotel and Kaifeng Hotel, the following contractual provisions are included in the Shanghai Hotel Lease Agreement dated 25 June 2014 and the Kaifeng Hotel Lease Agreement dated 29 June 2015 to minimize any possible conflicts of interest at the operational level:

- a) the Lessee is under confidentiality obligation to ensure that all non-public information with respect to the Shanghai Hotel/Kaifeng Hotel is kept under strict confidence and would not be disclosed to or used by any third party outside the New Century Group without prior consent of the REIT Manager;
- b) if hotel management opportunities in relation to any of New Century REIT's properties become available to the Lessee which the Lessee, acting reasonably and in good faith, consider are or are likely to be in competition with any member of the New Century Group, the Lessee would either: (i) refer all such business proposals to the REIT Manager for vetting and confirmation before the Lessee proceeds with such proposals or opportunities; or (ii) sub-contract to a third party leasing agent independent of the New Century Group, to devise and implement the relevant business proposal.

To address such possible conflicts of interest, any matter which may give rise to conflicts of interest between the REIT Manager and New Century REIT on the one hand and New Century Group on the other hand would be dealt with in accordance with the measures set out above, and, for the avoidance of doubt, any Director with an overlapping management role in New Century Group will be regarded as having material interest for such purposes.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors of the REIT Manager has made an annual confirmation of independence pursuant to the "Independence of Directors" as set out in the Compliance Manual, on terms no less exacting than those set out in the Listing Rules for assessing the independence of a non-executive Director.

The Company considered all independent non-executive Directors to be independent in accordance with the independence guidelines set out in Listing Rules.

GENERAL MEETINGS

New Century REIT will in each calendar year hold a general meeting as its annual general meeting in addition to any other general meetings in that year. The Trustee or the REIT Manager may at any time convene a meeting of Unitholders. The REIT Manager will also convene a meeting if requested in writing by not less than two Unitholders registered as together holding not less than 10% of the Units for the time being issued and outstanding. In respect of an annual general meeting, not less than 20 clear business days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) in writing thereof will be given to the Unitholders. In respect of any meeting of Unitholders other than an annual general meeting, at least 10 clear business days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of every meeting will be given to the Unitholders in the manner provided in the Trust Deed, except that at least 21 days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of the meeting will be given to the Unitholders where a matter requiring a vote by special resolution is proposed for consideration at such meeting. The notice for each of the above meetings will specify the time and place of the meeting and the resolutions to be proposed.

Two or more Unitholders present in person or by proxy registered as holding in aggregate not less than 10% of the Units for the time being in issue and outstanding will form a quorum for the transaction of all business, except for the purpose of passing a special resolution. The quorum for passing a special resolution will be two or more Unitholders present in person or by proxy registered as holding in aggregate not less than 25% of the Units in issue and outstanding. The quorum for an adjourned meeting will be such number of Unitholders who are present in person or by proxy regardless of the number of Units held by them.

Unitholders can forward proposals at general meetings by contacting the REIT Manager. Please refer to the paragraph headed "Unitholders' Communication Policy" below on the contact of the REIT Manager.

COMMUNICATION WITH UNITHOLDERS

The REIT Manager considers that effective communication with Unitholders is essential for enhancing investor relations and investors' understanding of New Century REIT's business performance and strategies. The REIT Manager also recognizes the importance of transparency and timely disclosure of corporate information, which will enable Unitholders and investors to make informed decisions.

The general meetings of Unitholders provide a forum for communication between the Board and the Unitholders.

Two general meetings, including one annual general meeting and one extraordinary general meeting, were held in the year ended 31 December 2015. The attendance of individual members of the Board at these general meetings were as follows:

Name of Director	Role	Attendance/No. of General Meetings
Chen Miaolin	Chairman and non-executive Director	2/2*
Cheung Yat Ming	Executive Director and Chief Executive Officer	2/2
Zhang Guanming	Non-executive Director	2/2*
Zhang Chi	Non-executive Director	2/2*
Tong Jin Quan	Non-executive Director	2/2*
Angelini Giovanni	Independent non-executive Director	2/2*
Yu Hon To David	Independent non-executive Director	2/2
He Jianmin	Independent non-executive Director	2/2*

* Mr. Chen Miaolin, Mr. Zhang Guanming, Mr. Zhang Chi, Mr. Tong Jin Quan, Professor He Jianmin and Mr. Jiang Tianyi, alternate to Mr. Zhang Chi, attended the two general meetings by telephone conference. Mr. Angelini Giovanni attended one general meeting in person and one general meeting by telephone conference.

REPORTING AND TRANSPARENCY

New Century REIT prepares its financial statements in accordance with International Financial Reporting Standards with a financial year-end of 31 December and a financial half-year of 30 June. In accordance with the REIT Code, the annual report and financial statements for New Century REIT are published and sent to Unitholders no later than four months following each financial year-end and the interim report no later than two months following each financial half-year end.

As required by the REIT Code, the REIT Manager will ensure that public announcements of material information and developments with respect to New Century REIT will be made on a timely basis in order to keep Unitholders apprised of the position of New Century REIT.

The REIT Manager will also issue circulars to the Unitholders in respect of transactions that, pursuant to the REIT Code (or in the reasonable opinion of the Trustee or the REIT Manager), require Unitholders' approval or circulars in respect of material information in relation to New Century REIT, in accordance with the Trust Deed.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of a true and fair presentation of the consolidated financial statements for the year ended 31 December 2015.

The statement of the auditor of New Century REIT about its reporting responsibilities with respect to the consolidated financial statements is set out in the Independent Auditor's Report.

AUDITOR'S REMUNERATION

The remuneration to PricewaterhouseCoopers, the external auditor of New Century REIT, in respect of the audit and non-audit services rendered for the year ended 31 December 2015 were RMB1,702,000 and nil respectively.

ISSUES OF FURTHER UNITS POST-LISTING

To minimize the possible material dilution of holdings of Unitholders, any further issue of Units will need to comply with the pre-emption provisions contained in the REIT Code. Such provisions require that further issues of Units be first offered on a pro rata pre-emptive basis to existing Unitholders except that Units may be issued: (i) free of such pre-emption rights up to an aggregate maximum in any financial year of 20% of the number of Units in issue at the end of the previous financial year; and (ii) free of pre-emption rights in other circumstances provided that the approval of Unitholders by way of an ordinary resolution is obtained. Subject thereto, Units may be issued as consideration for the acquisition of additional real estate.

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 required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules ("**Model Code**"). Pursuant to the Model Code, all Directors and employees of the REIT Manager, subsidiaries of the REIT Manager or the SPVs of New Century REIT who, because of his/her office or employment in the REIT Manager, the relevant subsidiaries of the REIT Manager or the relevant SPVs of New Century REIT, is likely to be in possession of unpublished price sensitive information in relation to the securities of New Century REIT ("**Management Persons**" and each a "**Management Person**") wishing to deal in the Units must first have regard to provisions in Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct as if those provisions applied to the securities of New Century REIT.

Management Persons who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are notifiable transactions under Chapter 14 of the Listing Rules as if applicable to New Century REIT or any connected party transactions under the REIT Code or any inside information must refrain from dealing in the Units as soon as they become aware of them or privy to them until proper disclosure of the information in accordance with the REIT Code and any applicable Listing Rules has taken place. Management Persons who are privy to relevant negotiations or agreements or any inside information should caution those Management Persons who are not privy that there may be inside information and that they must not deal in New Century REIT's securities for a similar period.

A Management Person must not deal in any of the securities of New Century REIT on any day on which New Century REIT's financial results are published and: (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and (b) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) or half-yearly results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results, unless the circumstances are exceptional. In any event, in the case of dealings by a Management Person, the Management Person must comply with the procedures set out in the code containing rules on dealings by the Management Person adopted by the REIT Manager.

The REIT Manager is subject to the same dealing requirements as the Directors under the Model Code (*mutatis mutandis*).

Specific enquiry has been made with the Directors and the Management Persons, and all of them confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2015.

The REIT Manager has also adopted procedures for monitoring of disclosure of interests by Directors, the chief executives of the REIT Manager, and the REIT Manager. The provisions of Part XV of the SFO are deemed to apply to the REIT Manager, the Directors and chief executives of the REIT Manager and each Unitholder and all persons claiming through or under him.

Under the Trust Deed, Unitholders with a holding of 5% or more of the Units in issue, and the Directors and chief executives of the REIT Manager with an interest in the Units, will have a notifiable interest and will be required to notify the Hong Kong Stock Exchange and the REIT Manager of their holdings in New Century REIT. The REIT Manager keeps a register for these purposes and it records in the register, against a person's name, the particulars provided pursuant to the notification and the date of entry of such record. The said register is available for inspection by the Trustee and any Unitholder at any time during business hours upon reasonable notice to the REIT Manager.

MATTERS TO BE DECIDED BY UNITHOLDERS BY SPECIAL RESOLUTION

In accordance with the Trust Deed, a meeting of Unitholders will be convened to pass special resolutions with respect to certain matters which include, without limitation: (a) change in the REIT Manager's investment policies or strategies for New Century REIT; (b) disposal of any land or an interest, option or right over any of the land forming part of the assets of New Century REIT or shares in any company holding such land, option or right over any of the land for New Century REIT within two years of the acquisition of such land; (c) any increase in the rate of the base fee payable to the REIT Manager above the permitted limit or any change in the structure of the Base Fee; (d) any increase in the variable fee payable to the REIT Manager above the rate stated in the Trust Deed or any change in the structure of the Variable Fee; (e) any increase in the Acquisition Fee payable to the REIT Manager above the permitted limit or any change in the structure of the Acquisition Fee; (f) any increase in the Divestment Fee payable to the REIT Manager above the permitted limit or any change in the structure of the Divestment Fee; (g) any increase in the rate of the remuneration of the Trustee above the permitted limit or any change in the structure of the remuneration of the Trustee; (h) amendment, variation, modification, alteration or addition to the provisions of the Trust Deed; (i) termination of New Century REIT; and (j) merger of New Century REIT. Unitholders may also, by way of Special Resolution, (x) remove New Century REIT's auditors and appoint other auditors or (y) remove the Trustee.

Decisions which require approval by way of Ordinary Resolution include, without limitation, (a) subdivision or consolidation of the Units; (b) any issue of the Units after the Listing Date which would increase the market capitalization of New Century REIT by more than 50%; (c) any issue of the Units during any financial year that would increase the total number of the Units from the number of the Units that were outstanding at the end of the previous financial year by more than 20% (or such other percentage of the outstanding Units as may, from time to time, be prescribed by the SFC); (d) except pursuant to an initial public offering, an issue of Units in lieu of the payment of fees to the REIT Manager pursuant to the Trust Deed, an issue of Units in respect of re-investment of distribution to Unitholders, or a rights issue, an issue of new Units to a connected person (other than as part of

an offer made to all Unitholders on a pro rata basis); and (e) the election by the REIT Manager for the Acquisition Fee or the Divestment Fee, which is to be paid to the REIT Manager in the form of cash, to be paid in the form of the Units or partly in cash and partly in the form of the Units. The appointment of a new manager of New Century REIT by the Trustee upon the dismissal or retirement of the REIT Manager is (to the extent required by the REIT Code (as may be modified by any waivers or exemptions)) subject to the passing of an Ordinary Resolution by the Unitholders and the prior approval of the SFC. Unitholders may also, by way of Ordinary Resolution, dismiss the REIT Manager and any principal valuer appointed by the Trustee on behalf of New Century REIT in accordance with the Trust Deed.

NEW UNITS ISSUED

Reference is made to the announcements dated 27 May 2015 and 23 September 2015. In the year ended 31 December 2015, an aggregate of 10,085,173 new Units were issued to the REIT Manager as payment of the REIT Manager's base fee and variable fee.

The total number of Units in issue as at 31 December 2015 was 939,424,740 Units.

BUY-BACK, SALE OR REDEMPTION OF UNITS

During the year ended 31 December 2015, the REIT Manager on behalf of New Century REIT bought-back and cancelled 1,800,000 Units.

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 31 December 2015.

CLOSURE OF THE REGISTER OF UNITHOLDERS

The record date for the final distribution will be 6 May 2016, Friday ("**Record Date**"). The Register of Unitholders will be closed on 6 May 2016, Friday, during which period no transfer of Units will be effected. The final distribution is expected to be paid on or about 27 May 2016, Friday, to Unitholders whose names appear on the Register of Unitholders on the Record Date.

In order to qualify for the final 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 5 May 2016, Thursday.

COMPLIANCE WITH THE COMPLIANCE MANUAL

During the year ended 31 December 2015, both the REIT Manager and New Century REIT have in material terms complied with the provisions of the Compliance Manual.

TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE BY DIRECTORS

Other than as disclosed in this report and previous disclosures (including announcements, circulars and the Offering Circular) issued by the REIT Manager, there are no transactions, arrangements or contracts of significance subsisting during or at the end of the Reporting Period in which a Director or an entity connected with a Director is or was materially interested, either directly or indirectly.

REVIEW OF ANNUAL REPORT

The Group's annual report has been reviewed by the Disclosures Committee and the Audit Committee of the REIT Manager.

UNITHOLDERS' COMMUNICATION POLICY

The REIT Manager has a Unitholders' communication policy in place to ensure that Unitholders are provided with timely and equal access to balanced and understandable information on New Century REIT. Unitholders can direct any enquiries to the Board by contacting the REIT Manager. The contact details of the REIT Manager is as follows:

New Century Asset Management Limited

Address: Unit 4706, 47th Floor, The Center, 99 Queen's Road Central, Hong Kong

Phone: (852) 2153-3588

Fax: (852) 3488-6403

Email: ir@ncreit.com

CONNECTED PARTY TRANSACTIONS

Set out below is summary information in respect of connected party transactions for the year ended 31 December 2015 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 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 auditor 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**").

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. For the year ended 31 December 2015, New Century REIT has complied with the relevant terms and conditions of the Modified and Extended Waiver.

CONNECTED PARTY TRANSACTIONS

INCOME

The following table sets out information on continuing connected party transactions from which New Century REIT derived its income for the year ended 31 December 2015:

Name of the Connected Person	Relationship with New Century REIT	Nature of the connected party transactions	Income received/receivable during the year ended 31 December 2015 (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	217,772
上海松江開元名都大酒店有限公司 (Shanghai Songjiang New Century Grand Hotel Limited*)	Associate of significant holder and director ²	Leasing transaction	48,085
開封開元名都酒店管理有限公司 (New Century Grand Hotel Kaifeng Management Company Limited*)	Associate of significant holder and director ²	Leasing transaction	9,256
上海開元企業經營管理有限公司 (Shanghai New Century Enterprise Operation Management Limited*)	Associate of significant holder and director ³	Leasing transaction	6,174
開元旅業集團有限公司 (New Century Tourism Group Limited*)	Associate of significant holder and director ⁴	Leasing transaction	1,902
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 ⁴	Leasing transaction	1,772
德清開元森泊渡假開發有限公司 (Deqing New Century Senbo Holiday Limited*)	Associate of significant holder and director ³	Leasing transaction	309
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	252
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	126
杭州開元裝飾工程有限公司 (Hangzhou New Century Decorating Limited*)	Associate of significant holder and director ²	Leasing transaction	116
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	52
杭州智榮貿易有限公司 (Hangzhou Zhirong Trading Limited*)	Associate of significant holder and director ³	Leasing transaction	34

RENTAL DEPOSITS

New Century REIT has received the following rental deposits from its connected persons for the year ended 31 December 2015:

Name of the Connected Person	Relationship with New Century REIT	Nature of the connected party transactions	Rental deposits received during the year ended 31 December 2015 (RMB'000)
開封開元名都酒店管理有限公司 (New Century Grand Hotel Kaifeng Management Company Limited*)	Associate of significant holder and director ³	Leasing transaction	22,000
上海松江開元名都大酒店有限公司 (Shanghai Songjiang New Century Grand Hotel Limited*)	Associate of significant holder and director ²	Leasing transaction	109

Notes:

1. The connected person concerned is a subsidiary of Huge Harvest. The connected person concerned is also an associate 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).
2. The connected person concerned is an associate of Mr. Chen Miaolin (Chairman and non-executive Director).
3. The connected person concerned is a subsidiary of Huge Harvest. The connected person concerned is also an associate of Mr. Chen Miaolin (Chairman and non-executive Director) and Mr. Chen Canrong (director of Xiaoshan Hotel Company).
4. The connected person concerned is a subsidiary of Huge Harvest. The connected person concerned is also an associate 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).
5. The connected person concerned is a subsidiary of Huge Harvest. The connected person concerned is also an associate 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.

EXPENSES

For the year ended 31 December 2015, New Century REIT incurred an interest expense of RMB3,358,000 to New Century Tourism in relation to a loan of RMB180,000,000 from New Century Tourism to Kaifeng New Century Grand on 8 June 2015. This loan was fully repaid on 30 December 2015. For more details, please refer to the circular dated 30 June 2015 and announcements dated 29 June 2015 and 30 December 2015 issued by New Century REIT.

Save as disclosed above and in the paragraphs headed “Terms and Remuneration of Services Provided by the REIT Manager, the Trustee and the Principal Valuer” and “Major Acquisition and Connected Party Transactions in relation to Sale and Purchase Agreement to Acquire Kaifeng Hotel and Continuing Connected Party Transactions” as set out below in this section, there are no other connected party transactions in which New Century REIT incurred expenses for the year ended 31 December 2015.

RECEIVABLES AND PAYABLES

There are receivable and payable balances and receipts in advance from leasing transactions with connected persons brought forward from prior years, as well from leasing transactions occurred for the year ended 31 December 2015, which are set out in notes 27(b) and 27(c), respectively, of the Notes to the Consolidated Financial Statements on pages 175 to 179 of this report.

MAJOR ACQUISITION AND CONNECTED PARTY TRANSACTIONS IN RELATION TO THE SALE AND PURCHASE AGREEMENT TO ACQUIRE KAIFENG HOTEL AND CONTINUING CONNECTED PARTY TRANSACTIONS

Reference is made to the announcements of New Century REIT dated 29 June 2015, 17 July 2015, 31 July 2015, 17 August 2015, 25 September 2015 and 30 December 2015 (the “**Kaifeng Hotel Announcements**”) and the circular dated 30 June 2015 (the “**Kaifeng Hotel Circular**”) in relation to the following connected party transactions. 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 Kaifeng Hotel Circular and the Kaifeng Hotel Announcements.

1. SALE AND PURCHASE AGREEMENT

On 29 June 2015, Zhejiang New Century Hotel entered into the Sale and Purchase Agreement with Hangzhou New Century Real Estate Group Limited (the “**Vendor**”) (being a wholly-owned subsidiary of New Century Tourism), New Century Tourism, Kaifeng New Century Grand Hotel (the “**Target Company**”) and the Trustee pursuant to which Zhejiang New Century Hotel conditionally agreed to acquire and the Vendor agreed to sell the entire registered capital of the Target Company (the “**Transaction**”). After the acquisition of the Target Company, New Century REIT, through Zhejiang New Century Hotel and the Target Company, owned Kaifeng Hotel.

The Hotel Purchase Cost for New Century REIT was RMB380 million, which consisted of (i) the assumption of approximately RMB182.6 million of liabilities of the Target Company (the “**Reference Date Liabilities**”) (based on the total liabilities less current assets of the Target Company as at 31 December 2014, being approximately RMB223 million, excluding the pro forma amount of deferred tax liabilities of approximately RMB47 million as at 31 December 2014 relating to the fair value gain of Kaifeng Hotel and taking into account a subsequent capital injection of RMB40 million by the Vendor on 4 June 2015); and (ii) the Consideration of approximately RMB197.4 million (subject to adjustments) for the sale and purchase of the entire registered capital of the Target Company.

Within 20 days from the Completion Date, PricewaterhouseCoopers, the independent auditor appointed by Zhejiang New Century Hotel, would provide Zhejiang New Century Hotel and the Vendor with the table (the “**Assets and Liabilities Table**”) setting out the amount of all the current assets, liabilities and debts of the Target Company as at the Completion Date (the “**Target Company Debt**”). An adjustment to the Consideration will be made if the Target Company Debt is more or less than the Reference Date Liabilities, being approximately RMB182.6 million, such that any additional liabilities over the Reference Date Liabilities will be deducted from the Consideration of approximately RMB197.4 million. To the extent that the amount of Consideration is not sufficient to cover the difference, the Vendor would need to pay Zhejiang New Century Hotel such surplus within 30 days from the Completion Date. Conversely, if the Target Company Debt is less than the Reference Date Liabilities, the difference would be added to the Consideration, payable to the Vendor within 30 days from Completion Date.

2. CONTINUING CONNECTED PARTY TRANSACTIONS

NEW HOTEL LEASE AGREEMENT

On 29 June 2015, New Century REIT (through the REIT Manager) and the Target Company as the Lessor entered into a lease agreement with New Century Grand Hotel Kaifeng Management Company Limited (the “**Lessee**”) and New Century Tourism as guarantor in respect of Kaifeng Hotel (being the “**New Hotel Lease Agreement**”). The New Hotel Lease Agreement is effective from the Completion Date and is for a term of ten years commencing from the Completion Date and expiring on the tenth anniversary from the date of the New Hotel Lease Agreement. The REIT Manager has an option, solely at the REIT Manager’s discretion, to renew the New Hotel Lease Agreement for a further term of ten years.

On 17 July 2015, the SFC granted a waiver to New Century REIT from strict compliance with the certain requirements under Chapter 8 of the REIT Code in respect of the entering into transactions with certain connected persons of New Century REIT in relation to the New Hotel Lease Agreement (the “**New Hotel Lease Transactions**”). For details, please refer to the announcement issued by New Century REIT on 17 July 2015.

SHAREHOLDER’S LOAN

Prior to the completion of the Transaction in June 2015, New Century Tourism granted a loan to the Target Company of RMB180 million (the “**Shareholder’s Loan**”), to repay the then existing bank borrowings of the Target Company. The Shareholder’s Loan granted by New Century Tourism to the Target Company was unsecured, with interest rate per annum at 110% of one year’s borrowing rate stipulated by the PBOC and for a period of one year.

On 30 December 2015, the Target Company obtained funds under a bank loan (“**BOCOM Bank Loan**”) with Bank of Communications Limited Zhejiang Branch (“**BOCOM**”), an independent third party to the New Century REIT Group, pursuant to a loan agreement dated 30 December 2015 entered into between the Target Company and BOCOM (the “**Loan Agreement**”). The Loan Agreement is for a term of eight years, under which BOCOM agreed to grant to the Target Company the BOCOM Bank Loan of RMB180 million at the interest rate per annum of 110% of the five years’ borrowing rate issued by the PBOC, for the purposes of repayment of the Shareholder’s Loan. The BOCOM Bank Loan shall be repaid in bi-annual instalments of a total minimum of RMB22.5 million annually, and the final repayment date of the BOCOM Bank Loan shall be 1 December 2023. The BOCOM Bank Loan is guaranteed by Zhejiang New Century Hotel, the immediate holding company of the Target Company.

As disclosed in the Kaifeng Hotel Announcements and the Kaifeng Hotel Circular, the Shareholder’s Loan shall be repaid by the Target Company to New Century Tourism within 10 days from obtaining the funds under the Bank Loan. Accordingly, on 30 December 2015, the Shareholder’s Loan was repaid in full by the Target Company. For more details, please refer to the announcement issued by New Century REIT on 30 December 2015.

On 29 January 2016, the BOCOM Bank Loan was fully repaid using funds obtained under a bank loan of RMB180 million (“**Wing Lung Bank Loan**”) obtained from Wing Lung Bank Shanghai Branch. The Wing Lung Bank Loan is for a term of three years at an interest rate per annum of 110% of the one-to-five years’ borrowing rate issued by the PBOC. The Wing Lung Bank Loan is guaranteed by Zhejiang New Century Hotel, the immediate holding company of the Target Company, and mortgaged with Kaifeng Hotel.

3. APPROVAL BY UNITHOLDERS, COMPLETION OF TRANSACTION, PAYMENT OF THE CONSIDERATION AND PAYMENT OF COSTS AND EXPENSES BY THE VENDOR

Other than the Wing Lung Bank Loan, the above transactions have been approved by the independent Unitholders at the extraordinary general meeting of New Century REIT held on 17 July 2015. On 31 July 2015, all the conditions precedent under the Sale and Purchase Agreement have been satisfied, and the Transaction was completed. Therefore, New Century REIT acquired the Target Company Shares and the Target Company has become part of New Century REIT Group on 31 July 2015, the Completion Date.

On 13 August 2015, PricewaterhouseCoopers has provided the Assets and Liabilities Table to Zhejiang New Century Hotel and the Vendor. According to the Assets and Liabilities Table as at 31 July 2015, the Target Company Debt as at 31 July 2015 was approximately RMB183.1 million; therefore, the downward adjustment to the Consideration was approximately RMB0.5 million. After deducting such adjustment from the original Consideration of approximately RMB197.4 million, the final amount of the Consideration was approximately RMB196.9 million. The final Consideration of RMB196.9 million was paid by New Century REIT to the Vendor on 17 August 2015.

On 9 September 2015, New Century REIT Group has issued a written notice to the Vendor setting out the total third party costs and expenses of New Century REIT Group in connection with the Transaction, amounting to RMB7,914,765.30, together with a reasonably detailed breakdown. On 25 September 2015, the Vendor has paid New Century REIT Group an amount equal to such total third party costs and expenses in cash. For more details, please refer to the announcement issued by New Century REIT on 25 September 2015.

CONFIRMATION BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors have confirmed that they have reviewed the terms of all the connected party transactions between New Century REIT and its connected persons conducted for the year ended 31 December 2015 and that they are satisfied that these transactions have been entered into:

- a) in the ordinary and usual course of business of New Century REIT;
- b) on normal commercial terms (to the extent that there are comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to New Century REIT than terms available to or from (as appropriate) independent third parties; and
- c) in accordance with the relevant agreements and (where applicable) the REIT Manager’s internal procedures governing them (if any) on terms that are fair and reasonable and in the interests of the Unitholders of New Century REIT as a whole.

REPORT FROM THE AUDITOR OF NEW CENTURY REIT

PricewaterhouseCoopers, auditor of New Century REIT, has been engaged to report on New Century REIT's continuing connected party transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors has issued its unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by New Century REIT as set out in Note 27 of the Notes to the Consolidated Financial Statements on pages 174 to 179 of this report in accordance with the Waivers and the Modified and Extended Waiver. A copy of the auditors' letter has been provided by New Century REIT to the SFC.

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

Pursuant to note 2 to paragraph 8.10 of the REIT Code, services provided by the REIT Manager, the Trustee and the Principal Valuer to 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.

For the year ended 31 December 2015, 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 RMB1,156,000 and RMB28,497,000 respectively. Particulars of services provided by the REIT Manager for the year ended 31 December 2015 is set out in Note 8 of the Notes to the Consolidated Financial Statements on pages 145 to 146 of this report. The fees paid/payable to the Principal Valuer of New Century REIT for the year ended 31 December 2015 was RMB503,000.

Other than the fees paid/payable to the Principal Valuer and the Trustee, the connected party transactions and significant related party transactions disclosed in Note 27 of the Notes to the Consolidated Financial Statements are all connected transactions or continuing connected transactions as defined under the Listing Rules. The REIT Manager confirms that it has complied with the disclosure requirements in accordance with the applicable rules and regulations including but not limited to the REIT Code.

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 31 December 2015, 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 as far as the REIT Manager is aware, were as follows:

Name of the Significant Unitholders	Total number of issued units held (long positions)	Approximate percentage of the issued units as at 31 December 2015
Standard Chartered Trust (Singapore) Limited ¹	359,269,240	38.24%
SCTS Capital Pte Ltd. ²	359,269,240	38.24%
Poppytown Group Limited ³	303,956,240	32.36%
Huge Harvest International Limited ⁴	303,956,240	32.36%
Blue Sky Holdings Limited ⁵	218,372,000	23.25%
Carlyle Asia Partners II, L.P. ⁶	218,372,000	23.25%
CAP II General Partner, L.P. ⁷	218,372,000	23.25%
CAP II L.L.C. ⁸	218,372,000	23.25%
TC Group Cayman Investment Holdings Sub, L.P. ⁹	218,372,000	23.25%
TC Group Cayman Investment Holdings, L.P. ¹⁰	218,372,000	23.25%
Carlyle Holdings II L.P. ¹¹	218,372,000	23.25%
Carlyle Holdings II GP L.L.C. ¹²	218,372,000	23.25%
The Carlyle Group L.P. ¹³	218,372,000	23.25%
Wealthy Fountain Holdings Inc. ¹⁴	139,450,000	14.84%
Shanghai Summit Pte. Ltd. ¹⁵	139,450,000	14.84%
Weiliang International Limited ¹⁶	55,313,000	5.89%
Sinnabar Group Limited ¹⁷	55,313,000	5.89%

Notes:

1. Standard Chartered Trust (Singapore) Limited holds 100% of the interests of SCTS Capital Pte. Ltd. (Note 2). SCTS Capital Pte. Ltd., as nominee shareholder of irrevocable trusts, holds 100% of the Interests of Poppytown Group Limited (Note 3), Capitilla Worldwide Limited, Litewait Worldwide Limited and Sinnabar Group Limited (Note 17) respectively. Poppytown Group Limited, Capitilla Worldwide Limited, Litewait Worldwide Limited altogether hold 100% of the interests of Huge Harvest International Limited (Note 4). Hence, Standard Chartered Trust (Singapore) Limited has deemed interest in the Units held by Huge Harvest International Limited and Weiliang International Limited (Note 16).

Standard Chartered Trust (Singapore) Limited is accustomed to act in the investment directions of Mr. Chen Miaolin (Chairman and non-executive Director of the REIT Manager), Mr. Zhang Guanming (non-executive Director of the REIT Manager), Mr. Chen Canrong (Director of Xiaoshan Hotel Company) and Mr. Kong Weiliang.

As at 31 December 2015, Mr. Chen Miaolin (Chairman and non-executive Director of the REIT Manager) is the beneficiary of a irrevocable trust with SCTS Capital Pte. Ltd. as nominee shareholder. This irrevocable trust holds 100% of the interests of Poppytown Group Limited and Poppytown Group Limited holds 83.90% of the interests of Huge Harvest International Limited. Standard Chartered Trust (Singapore) Limited holds 100% of the interests of SCTS Capital Pte. Ltd. Therefore, Standard Chartered Trust (Singapore) Limited, SCTS Capital Pte. Ltd., Poppytown Group Limited and Huge Harvest International Limited are connected persons of New Century REIT.

2. SCTS Capital Pte. Ltd., as nominee shareholder, holds 100% of the interests of Poppytown Group Limited (Note 3). SCTS Capital Pte. Ltd., as nominee shareholder, also holds 100% of the interests of Sinnabar Group Limited (Note 17). Hence, SCTS Capital Pte. Ltd. has deemed interest in the Units held by Huge Harvest International Limited and Weiliang International Limited.
3. Poppytown Group Limited holds 83.90% of the interests of Huge Harvest International Limited (Note 4). Hence, Poppytown Group Limited has deemed interest in the Units held by Huge Harvest International Limited.
4. Huge Harvest International Limited is a significant Unitholder (within the meaning of the REIT Code) of New Century REIT.

Of the 303,956,240 Units, Huge Harvest International Limited held 9,791,240 Units via New Century Asset Management Limited, representing 1.04% of the Units issued by New Century REIT, as at 31 December 2015.

5. 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 6 to 13.
6. Carlyle Asia Partners II, L.P. holds 97.27% of the interests of Blue Sky Holdings Limited (Note 5). Hence, Carlyle Asia Partners II, L.P. has deemed interest in the Units held by Blue Sky Holdings Limited.
7. CAP II General Partner, L.P. holds 100% of the interest of Carlyle Asia Partners II, L.P. (Note 6) in which Carlyle Asia Partners II, L.P. holds 97.27% of the interest of Blue Sky Holdings Limited (Note 5). Hence, CAP II General Partner, L.P. has deemed interest in the Units held by Blue Sky Holdings Limited.

DISCLOSURE OF INTERESTS

8. CAP II L.L.C. holds 100% of the interest of CAP II General Partner, L.P. (Note 7). Hence, CAP II L.L.C. has deemed interest in the Units held by Blue Sky Holdings Limited.
9. TC Group Cayman Investment Holdings Sub, L.P. holds 100% of the interest of CAP II L.L.C. (Note 8). Hence, TC Group Cayman Investment Holdings Sub, L.P. has deemed interest in the Units held by Blue Sky Holdings Limited.
10. TC Group Cayman Investment Holdings, L.P. holds 100% of the interest of TC Group Cayman Investment Holdings Sub, L.P. (Note 9). Hence, TC Group Cayman Investment Holdings, L.P. has deemed interest in the Units held by Blue Sky Holdings Limited.
11. Carlyle Holdings II L.P. holds 100% of the interest of TC Group Cayman Investment Holdings, L.P. (Note 10). Hence, Carlyle Holdings II L.P. has deemed interest in the Units held by Blue Sky Holdings Limited.
12. Carlyle Holdings II GP L.L.C. holds 100% of the interest of Carlyle Holdings II L.P. (Note 11). Hence, Carlyle Holdings II GP L.L.C. has deemed interest in the Units held by Blue Sky Holdings Limited.
13. The Carlyle Group L.P. holds 100% of the interest of Carlyle Holdings II GP L.L.C. (Note 12). Hence, The Carlyle Group L.P. has deemed interest in Units held by Blue Sky Holdings Limited.
14. Wealthy Fountain Holdings Inc. is a significant Unitholder (within the meaning of the REIT Code) of New Century REIT. Wealthy Fountain Holdings Inc.'s interest is controlled by the entity stated in Note 15.
15. Shanghai Summit Pte. Ltd. holds 100% of the interests of Wealthy Fountain Holdings Inc. (Note 14). Hence, Shanghai Summit Pte. Ltd. has deemed interest in the Units held by Wealthy Fountain Holdings Inc.

Mr. Tong JinQuan (Note 19), non-executive Director of the REIT Manager with effect from 19 January 2015, holds 100% of the interests Shanghai Summit Pte. Ltd. Hence, Mr. Tong JinQuan has deemed interest in the Units held by Wealthy Fountain Holdings Inc.
16. Weiliang International Limited is a significant Unitholder (within the meaning of the REIT Code) of New Century REIT. Weiliang International Limited's interest is controlled by the entity stated in Note 17.
17. Sinnabar Group Limited holds 100% of the interests of Weiliang International Limited (Note 16). Hence, Sinnabar Group Limited has deemed interest in the Units held by Weiliang International Limited.

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

As at 31 December 2015, 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 positions)	Approximate percentage of the issued units as at 31 December 2015
Chen Miaolin ¹⁸	303,956,240	32.36%
Tong JinQuan ¹⁹	139,450,000	14.84%
New Century Asset Management Limited ²⁰	9,791,240	1.04%
Cheung Yat Ming	61,000	0.01%

Notes:

18. Mr. Chen Miaolin (Chairman and non-executive Director of the REIT Manager) is the beneficiary of a irrevocable trust with SCTS Capital Pte. Ltd. as nominee shareholder. This irrevocable trust holds 100% of the interests of Poppytown Group Limited and Poppytown Group Limited holds 83.90% of the interests of Huge Harvest International Limited. Hence, Mr. Chen Miaolin has deemed interest in the Units held by Huge Harvest International Limited.
19. Mr. Tong JinQuan, non-executive Director of the REIT Manager with effect from 19 January 2015, holds 100% of the interests Shanghai Summit Pte. Ltd. (Note 15). Hence, Mr. Tong JinQuan has deemed interest in the Units held by Wealthy Fountain Holdings Inc.
20. New Century Asset Management Limited is the REIT Manager of New Century REIT. 5,078,306 and 5,006,867 new Units were issued to the REIT Manager on 27 May 2015 and 23 September 2015 as payment of the REIT Manager's fee for the period from 1 January 2015 to 30 June 2015 and from 1 July 2015 to 31 December 2015. As at 31 December 2015, the REIT Manager beneficially held 9,791,240 Units.

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 31 December 2015.

DIRECTORS' BIOGRAPHICAL INFORMATION

CHEN MIAOLIN

Chairman and non-executive Director

Mr. Chen Miaolin (陳妙林), aged 63, has been the Chairman and non-executive Director of the REIT Manager since June 2013. Mr. Chen has over 28 years of experience in hotel operation and management and over 17 years of experience in real estate development. He is one of the founders of the New Century Group, holding various key positions in the New Century Group since 1988, including his role as chairman of New Century Tourism since January 2001 and as president from January 2001 to September 2010, his role as the chairman of Zhejiang New Century Hotel since November 2001 and his role as the chairman of Hangzhou New Century Real Estate from June 1998 to July 2001. Mr. Chen has been a member of the Zhejiang Province People's Congress since 2003 and a member of the Xiaoshan District People's Congress since 1980. Mr. Chen has also been the deputy chairman of the China Tourism Association (中國旅遊協會) since January 2009. Mr. Chen obtained his master's degree in business management from Macau University of Science and Technology (澳門科技大學) in April 2005. He is a senior economist as certified by the Zhejiang Provincial Bureau of Personnel (浙江省人事廳).

CHEUNG YAT MING

Executive Director, Chief Executive Officer and Responsible Officer

Mr. Cheung Yat Ming (張一鳴), aged 47, has been an executive Director, Chief Executive Officer and responsible officer of the REIT Manager since June 2013. He is also a Director of the following special purpose vehicles of New Century REIT: SPV (BVI), SPV (HK), Sky Town, Zhejiang New Century Hotel, Xiaoshan Hotel Company, Qiandao Lake Resort, Ningbo New Century Grand, Changchun New Century Grand, Strong Tower, Full Wise HK, Lishui Full Wise, Shanghai Songjiang Hui Wei and Kaifeng New Century Grand.

Mr. Cheung has extensive experience in the fields of investment, real estate and property market research, corporate finance and auditing. Mr. Cheung was a staff accountant and semi-senior accountant at Arthur Andersen & Co. in Hong Kong and China from August 1991 to August 1994. In September 1994, Mr. Cheung joined Citibank (now named Citigroup) as an Accountant and Administration Manager and held the position of Assistant Vice President from September 1996. In October 1997, he started working in Salomon Smith Barney (now named Citigroup) as an Equity Research Analyst. In May 1999, Mr. Cheung left Salomon Smith Barney to join Donaldson, Lufkin & Jenrette where he worked until November 2000. He joined HSBC Securities (Asia) Limited as the Head of Hong Kong and China Property Research in November 2000 where he worked until April 2005. Mr. Cheung joined Cohen & Steers Asia Limited in 2005 as a Senior Vice President and Executive Director, supervising its Asia Pacific real estate investment and research functions until February 2009. Mr. Cheung joined DBS Vickers (Hong Kong) Limited as the Head of Research in June 2009. Since August 2011, Mr. Cheung had been the Chief Investment Officer of Neutron INV Partners Limited. Further, in 2010, Mr. Cheung received the Outstanding Chinese Business Leader Award from the HongQi and China Report.

Mr. Cheung currently serves as an independent non-executive director of the following companies listed on the Hong Kong Stock Exchange:

- Springland International Holdings Limited (stock code: 1700) and
- Best Pacific International Holdings Limited (stock code: 2111)

ZHANG GUANMING**Non-executive Director**

Mr. Zhang Guanming (張冠明), aged 50, has been a non-executive Director of the REIT Manager since June 2013. He is also a Director of the following special purpose vehicles of New Century REIT: SPV (BVI), SPV (HK), Sky Town, Zhejiang New Century Hotel, Xiaoshan Hotel Company, Qiandao Lake Resort, Ningbo New Century Grand, Changchun New Century Grand, Strong Tower, Full Wise HK, Lishui Full Wise, Shanghai Songjiang Hui Wei and Kaifeng New Century Grand.

Mr. Zhang has over 20 years of experience in hotel operation and management and over 15 years of experience in real estate development. He is also one of the founders of the New Century Group and has been responsible for the administration, human resources management and corporate culture building of the New Century Group.

Mr. Zhang holds various key positions in the New Century Group, including his role as a director and a vice president of New Century Tourism since January 2001, a director of Zhejiang New Century Hotel since September 2005 and a director of Hangzhou New Century Real Estate since July 2000. Mr. Zhang obtained his master's degree in business administration from Europäisches Institut für postgraduale Bildung an der Technischen Universität Dresden e.V. in October 2003.

JIANG TIANYI**Alternate Director to Mr. Zhang Chi**

Mr. Jiang Tianyi (江天一), aged 33, has been an alternate Director to Mr. Zhang Chi in his position as non-executive Director and member of the Audit Committee of the REIT Manager since 25 June 2014.

Mr. Jiang Tianyi joined The Carlyle Group in 2006, where he is currently a director. Mr. Jiang has over 9 years of experience in private equity investment; prior to that, he worked at the investment banking division of Deutsche Bank. Mr. Jiang obtained his Bachelor degree from Columbia University in 2004.

ZHANG CHI**Non-executive Director**

Mr. Zhang Chi (張弛), aged 40, has been a non-executive Director of the REIT Manager since June 2013.

Mr. Zhang has more than 10 years of experience in investment banking and capital markets. Mr. Zhang joined The Carlyle Group in 2006, where he is currently a Global Partner and Managing Director focused on Asia buyout opportunities. Mr. Zhang is serving as Co-Chairman of Crystal Orange Hotel Group, Vice Chairman of Plateno Group Holdings (Previously 7 Days Group Holdings Limited), and also a member on the boards of directors of: 58.com Inc (NYSE: WUBA), SouFun Holdings Limited (NYSE: SFUN), China Reading Group Limited, AnNeng Logistics Group and Kaiyuan Hotel Group. Mr. Zhang was also a member of the boards of directors of Yashili International Holdings Ltd from 2009-2013.

Before joining The Carlyle Group, Mr. Zhang was a Vice President of the Mergers & Acquisition group at Credit Suisse (Hong Kong) Limited. Prior to that, he was a Vice President of the Investment Banking Department at China International Capital Corporate Limited (中國國際金融有限公司) in Beijing where he worked for six years.

Mr. Zhang obtained his master's degree in economics from Shanghai University of Finance and Economics (上海財經大學) in China.

TONG JINQUAN

Non-executive Director

Mr. Tong JinQuan (童錦泉), aged 61, was appointed as non-executive Director of the REIT Manager on 19 January 2015.

Mr. Tong has more than 21 years of experience in property investment, development and management in the PRC. Mr. Tong is the founder, sole shareholder and executive director of Summit Group. Summit Group currently has businesses in industrial, commercial, residential and hotel property development, management and investment; investment management; department store business; and providing business consultancy services. Summit Group currently holds, operates and manages commercial properties with a total gross floor area of 943,800 sq.m. in Shanghai and 1.44 million sq.m. of properties outside Shanghai.

Mr. Tong also has experience investing in REITs. Mr. Tong also has experience managing REITs, as he is currently a non-executive Director of the manager of a REIT listed on the Mainboard of the Singapore Exchange.

YU HON TO DAVID

Independent non-executive Director

Mr. Yu Hon To David (俞漢度), aged 68, has been an independent non-executive Director of the REIT Manager since June 2013.

Mr. Yu has extensive experience in the fields of corporate finance, auditing and corporate management. He was a partner of Coopers & Lybrand (now merged as PricewaterhouseCoopers) in Hong Kong. Mr. Yu is a fellow member of the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Institute of Certified Public Accountants. He obtained his bachelor's degree in social science from the Chinese University of Hong Kong. He currently serves as an independent non-executive director of

several companies listed on the Hong Kong Stock Exchange including:

- China Renewable Energy Investment Limited (formerly known as Hong Kong Energy (Holdings) Limited) (stock code: 987);
- China Resources Gas Group Limited (stock code: 1193);
- Great China Holdings Limited (stock code: 141);
- Haier Electronics Group Co., Ltd. (stock code: 1169);
- Keck Seng Investments (Hong Kong) Limited (stock code: 184);
- Media Chinese International Limited (stock code: 685), a company which is also listed in Malaysia, on Bursa Malaysia Securities Berhad (stock code: 5090);
- One Media Group Limited (stock code: 426);
- Playmates Holdings Limited (stock code: 635);
- Bracell Limited (formerly Sateri Holdings Limited (stock code: 1768)); and
- Synergis Holdings Limited (stock code: 2340).

Mr. Yu previously also held the position of independent non-executive director of VXL Capital Limited (stock code: 727) and resigned with effect from 27 May 2014; TeleEye Holdings Limited (stock code: 8051) and resigned with effect from 25 October 2013; China Datong Corporation Renewable Power Company Limited (stock code: 1798) and resigned with effect from 20 August 2013.

ANGELINI GIOVANNI

Independent non-executive Director

Mr. Angelini Giovanni, aged 70, has been an independent non-executive Director of the REIT Manager since June 2013. Mr. Angelini is a senior and well-respected professional within the hospitality industry and has a wealth of experience, with over 50 years of experience acquired across three continents and in particular, in Asia, through his offices and directorships with quality hotels and organizations in Hong Kong, Singapore, Korea, Mexico, Bermuda and

his native country, Italy. Mr. Angelini is presently based in Hong Kong and is an independent consultant in the travel and tourism industry. Prior to this, Mr. Angelini spent more than 16 years with Shangri-La Hotels and Resorts, where he was Chief Executive Officer and Managing Director of the Global Management Group and Executive Director of Shangri-La Asia Limited, a company listed on the Stock Exchange, for over 9 years. Prior to Shangri-La, Mr. Angelini spent 15 years with Westin Hotels and Resorts and held several key positions, including Senior Vice President for Asia Pacific where he supervised the operation of hotels and development of activities within the region. Prior to Westin, Mr. Angelini was associated with a number of prestigious hotels and well-known groups including the Americana Hotels, the Hongkong and Shanghai Hotels and several other well-known hotels in North and Central America, Europe and Italy, where he completed his studies. Mr. Angelini is a member of many industry-related organizations and quality management groups. He has received several lifetime achievement, including the "2006 Corporate Hotelier of the World" by HOTELS, the magazine of the worldwide hotel industry, an honorary degree of Doctor of Business Administration in Hospitality Management "Honoris Causa" by the Johnson & Wales University in the USA in 2004 and a knighthood from the Italian government. Mr. Angelini graduated from The Institute Volonta (University of Rome) with a degree in Business Administration.

HE JIANMIN

Independent non-executive Director

Professor He Jianmin (何建民), aged 59, has been an independent non-executive Director of the REIT Manager since 30 January 2014.

Professor He has more than 25 years of experience in the fields of hospitality and tourism. Professor He is a professor at the School of International Business Administration of Shanghai University of Finance & Economics (上海財經大學), since 2002. Professor He began his career in 1982 as a lecturer, assistant professor, deputy director and director of the hotel management department at the Shanghai Institute of Tourism (上海旅遊高等專科學校). Between 1993 and

2002, he took up various appointments at Shanghai International Studies University (上海外國語大學), such as associate professor, professor and director of the International Economics and Commerce department, and vice-president and president of the College of International Finance & Commerce. Professor He was appointed by the State Council Academic Degrees Committee (國務院學位委員會) as a member of the Consultative Committee for Master Education for National Tourism Management and is an expert consultant of the United Nations World Tourism Organisation. Professor He has been the leading researcher in many governmental research projects, including the Aim and Path in the Transformation and Development of the Economics of Shanghai Tourism (2011)(上海旅遊經濟轉型發展的目標與路徑研究(2011)) and the Proposals on the Development and Policies of National Tourism in light of the Shanghai Pilot Free Trade Zone (2014) (上海自由貿易試驗區對我國旅遊產業發展影響及政策建議 (2014)). Professor He has also written many award winning publications over the years, including the Current State, Trends and Policies of Foreign Investment into Tourism in China (2010) (外資進入中國旅遊業的現狀、趨向及對策研究(2010)).

Professor He graduated with a bachelor's degree in economics from East China Normal University (華東師範大學) in 1982 and a master's degree in economics from Fudan University (復旦大學) in 1986. He received a Diploma as an expert in International Tourism from the International Institute of Tourism and Management of Austria in 1991 and obtained a doctorate in economics from School of Management of Fudan University (復旦大學管理學院) in 2001.

KEY PERSONNEL'S BIOGRAPHICAL INFORMATION

WAN HUI YEUNG

Investment and Investor Relations Manager

Mr. Wan Hui Yeung (溫煦陽) is the Investment and Investor Relations Manager and responsible officer of the REIT Manager.

Mr. Wan is responsible for identifying and evaluating potential investment opportunities and covering investor relations of New Century REIT. He has extensive experience in the real estate industry including investment, property fund management, and asset management. Before joining the REIT Manager, Mr. Wan was an Investment Manager from 2007 to 2010 and Asset Manager from 2011 to 2015 at Invesco Real Estate Investment Asia Pacific Limited (formerly AIG Global Real Estate Investment (Asia) LLC). Before that, he worked at Mapletree Logistics Management (HK) Limited ("**Mapletree**"), a real estate investment trust in Singapore, as Investment Manager. Prior to joining Mapletree, he worked at MTR Corporation Limited and Knight Frank.

Mr. Wan holds a Master of Science in Financial Engineering from the City University of Hong Kong and a Bachelor of Business Administration from Simon Fraser University. Mr. Wan has been licensed by the SFC to carry out Type 9 (asset management) regulated activity since September 2015.

HO WAI CHU

Chief Operating Officer

Ms. Ho Wai Chu (何慧珠) is the Chief Operating Officer and responsible officer of the REIT Manager. She is also a Director of the following special purpose vehicles of New Century REIT: SPV (BVI), SPV (HK), Sky Town, Zhejiang New Century Hotel, Xiaoshan Hotel Company, Qiandao Lake Resort, Ningbo New Century Grand, Changchun New Century Grand, Strong Tower, Full Wise HK, Lishui Full Wise, Shanghai Songjiang Hui Wei and Kaifeng New Century Grand.

She has extensive experience in auditing, accounting, financial and asset management. Before joining the REIT Manager, Ms. Ho was the financial controller of Willie International Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 273) which is principally engaged in the business of property investment, investment in securities trading, money lending and investment holding. Ms. Ho started her career as an accountant in KPMG and has over 21 years of experience as the finance manager and chief accountant of several listed companies in Hong Kong.

Ms. Ho holds a Master's degree in Business Administration from University of South Australia. Ms. Ho is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Ms. Ho is licensed by the SFC to carry out Type 9 (asset management) regulated activity.

DING HAI JIANG**Property and Technical Manager**

Mr. Ding Hai Jiang (丁海江) is the Property and Technical Manager of the REIT Manager. Mr. Ding has extensive experience in the hotel industry, and has worked with New Century Group for over 10 years before joining the REIT Manager, being involved with facility management, procurement and supplies. Mr. Ding first joined Ningbo New Century Grand in the facilities department, and was promoted in 2011 as supervisor of the facility management of Zhejiang New Century Hotel.

Mr. Ding graduated from the Shanghai University of Engineering Science with a degree in information engineering in 2004.

YU HOI ZIN**Compliance Manager and Company Secretary**

Ms. Yu Hoi Zin (庾愷善) is the Compliance Manager and Company Secretary of the REIT Manager. Ms. Yu is experienced in auditing and banking compliance matters. Before joining the REIT Manager, she was an Assistant Manager at Lloyds TSB Pacific Limited. Ms. Yu started her professional career at Ernst & Young as an auditor.

Ms. Yu graduated from Hong Kong University of Science and Technology and obtained a Bachelor's degree of business administration in global business and accounting. She has been a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since 2008 and a Chartered Financial Analyst of the CFA Institute since 2011.

YUNG YUEN TING, EDITH**Internal Audit Manager**

Ms. Yung Yuen Ting, Edith (容苑婷) is the Internal Audit Manager of the REIT Manager. Ms. Yung is experienced in auditing and compliance matters. Prior to joining the REIT Manager, she was a finance manager at AMTD Financial Planning Limited, responsible for the financial, management and regulatory reporting of the company. Before then, Ms. Yung worked in Deloitte Touche Tohmatsu for 6 years when she was an audit manager.

Ms. Yung graduated with a Bachelor Degree of Business Administration in Accounting and Finance from The University of Hong Kong. She has been a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since 2010.

TRUSTEE'S REPORT

We hereby confirm that, in our opinion, the Manager of New Century Real Estate Investment Trust ("New Century REIT") has, in all material respects, managed New Century REIT in accordance with the provisions of the Trust Deed dated 10 June 2013 (as amended by the Supplemental Trust Deed dated 20 June 2013 and Second Supplemental Trust Deed dated 15 June 2015) (the "Trust Deed") for the period from 1 January 2015 to 31 December 2015.

DB Trustees (Hong Kong) Limited

(in its capacity as trustee of New Century Real Estate Investment Trust)

Hong Kong, 14 March 2016

VALUATION REPORT



Date : 29 January 2016

New Century Asset Management Limited

(as REIT Manager and on behalf of New Century REIT)

4706, 47/F, The Center

99 Queen's Road Central, Hong Kong

DB Trustees (Hong Kong) Limited

(as Trustee of New Century REIT)

Level 52, International Commerce Centre

1 Austin Road West, Kowloon, Hong Kong

Dear Sirs,

RE: VALUATION OF NEW CENTURY GRAND HOTEL HANGZHOU, NEW CENTURY HOTEL XIAOSHAN ZHEJIANG, NEW CENTURY RESORT QIANDAO LAKE HANGZHOU, NEW CENTURY GRAND HOTEL NINGBO, NEW CENTURY GRAND HOTEL CHANGCHUN, SONGJIANG NEW CENTURY GRAND HOTEL SHANGHAI AND NEW CENTURY GRAND HOTEL KAIFENG IN THE PEOPLE'S REPUBLIC OF CHINA (COLLECTIVELY "EXISTING HOTEL PROPERTIES" OR INDIVIDUALLY "EXISTING HOTEL PROPERTY")

Instructions, Purpose & Date of Valuation

We refer to the instruction from the Manager of New Century REIT (the "REIT Manager") for us to prepare market valuations of the captioned properties located in the People's Republic of China (the "PRC") (as detailed in the attached summary of valuations). We confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing your company with our opinion of the market values of the Existing Hotel Properties as at 31 December 2015 (the "date of valuation") for financial reporting purpose.

Valuer's Interest

We hereby certify DTZ Debenham Tie Leung Limited is independent of the scheme, the trustee, the management company and each of the significant holders of the scheme, as per the Code on Real Estate Investment Trust issued by the Securities and Futures Commission in Hong Kong (the "SFC").

Basis of Valuation

Our valuation of each property represents its market value which in accordance with The HKIS Valuation Standards (2012 Edition) issued by The Hong Kong Institute of Surveyors is defined as “the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Compliance

In valuing the properties, we have complied with the requirements set out in The HKIS Valuation Standards (2012 Edition) issued by The Hong Kong Institute of Surveyors, as well as Chapter 6.8 of the Code on Real Estate Investment Trusts (the “REIT Code”).

Valuation Assumptions

Our valuation of each property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

No allowances have been made in our valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

In the course of our valuations of the properties, we have assumed that transferable land use rights in respect of the properties for their specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have relied on the information provided by the REIT Manager regarding the title to the properties. We have relied on the advice given by the REIT Manager regarding the titles to the properties and the interests in each property.

In valuing the Existing Hotel Properties, we have assumed that the owners of the Existing Hotel Properties has enforceable title to the Existing Hotel Property and has free and uninterrupted rights to use, occupy or assign the Existing Hotel Property for the whole of the respective unexpired term as granted. Moreover, we are not aware of any matters that show the contrary in this regard.

Method of Valuation

We have assessed the value of the Existing Hotel Properties by Discounted Cash Flow (“DCF”) Approach, which involves discounting future net cash flow after real estate tax, land use tax and business tax of each property until the end of the respective unexpired land use term to their present values by using an appropriate discount rate that reflects the rate of return required by a third party investor for an investment of this type. We have prepared each a 10-year cash flow forecast with reference to the current and anticipated market conditions. In addition, we have also taken into account the Hotel Lease and Management Agreements of the Existing Hotel Properties.

In the course of our valuation, apart from our own analysis of the relevant hotel markets, we have also made reference to the projected cash flow and budget prepared by the REIT Manager.

Details of the key assumptions of our DCF valuations are set out in the valuation certificate of each Existing Hotel Property contained herein.

Source of Information

We have relied to very considerable extent on the information given by the REIT Manager and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenures, identification of land and buildings, particulars of occupancy, operation accounts, tenancy details, site and floor areas, site and floor plans, number of units, interests attributable to New Century REIT and all other relevant matters.

Dimensions, measurements and areas are based on the copies of documents or other information provided to us by the REIT Manager and are therefore only approximations. No on-site measurement has been carried out. We have had no reason to doubt the truth and accuracy of the information provided by the REIT Manager which is material to the valuations. We were also advised that no material facts have been omitted from the information provided to us.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the REIT Manager to make reference to the original Chinese edition of the documents and consult your legal advisors regarding the legality and interpretation of such documents.

Title Investigation

We have been provided with copies of the title documents relating to the properties but have not carried out any land title searches. Moreover, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

Site Inspection

Rainy Yu and Dean Chang, both are Registered Real Estate Valuer, inspected the exterior and, where possible, the interior of the properties in December 2015. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the properties are free of rot, infestation or other structural defects. No test was carried out on any of the services. Our valuations are prepared on the assumption that these aspects are satisfactory.

Unless otherwise stated, we have not carried out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

Currency

Unless otherwise stated, all sums stated in our valuation certificates are in Renminbi ("RMB"), the official currency of the PRC.

Non-Publication and Caveat

Neither the whole nor any part of this letter, summary of valuations and valuation certificates or any reference thereto may be included in any document, circular or statement without our prior written approval of the form and context in which they will appear, except for the purposes of disclosure of our valuations in New Century REIT's annual reports and auditing accounts in which the properties are included.

Finally and in accordance with our standard practice, we must state that this letter, summary of valuations and valuation certificates are for the use only of the party to whom they are addressed and no responsibility is accepted to any third party for the whole or any part of their contents.

We enclose herewith a summary of valuations and our valuation certificates for your attention.

Yours faithfully,
for and on behalf of

DTZ Debenham Tie Leung Limited

Andrew K F Chan

Registered Professional Surveyor (General Practice)

Registered China Real Estate Appraiser

MSc, MHKIS

Senior Director, Valuation and Advisory Services

SUMMARY OF VALUATIONS

Property	Market value in existing state as at 31 December 2015 (RMB)	Interest attributable to New Century REIT (%)	Market value in existing state attributable to New Century REIT as at 31 December 2015 (RMB)
1. New Century Grand Hotel Hangzhou, No. 818 Middle Shixin Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC	1,775,000,000	100	1,775,000,000
2. New Century Hotel Xiaoshan Zhejiang, No. 77 Renmin Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC	550,000,000	95.46	525,030,000
3. New Century Resort Qiandao Lake Hangzhou, Qilin Peninsula, Qiandao Lake, Chun'an County, Hangzhou, Zhejiang Province, the PRC	300,000,000	100	300,000,000
4. New Century Grand Hotel Ningbo, No. 666 Shounan Road (M), Yinzhou District, Ningbo, Zhejiang Province, the PRC	765,000,000	100	765,000,000
5. New Century Grand Hotel Changchun, No. 2299 Jingyangda Road, Lvyuan District, Changchun, Jilin Province, the PRC	585,000,000	100	585,000,000
6. Songjiang New Century Grand Hotel Shanghai, No. 1799 North Renmin Road, Songjiang District, Shanghai, the PRC	830,000,000	100	830,000,000
7. New Century Grand Hotel Kaifeng situated at south of Daliang Road, Development Zone, Kaifeng, Henan Province, the PRC	420,000,000	100	420,000,000
	Grand-Total		5,200,030,000

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2015										
1. New Century Grand Hotel Hangzhou, No. 818 Middle Shixin Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC	<p>New Century Grand Hotel Hangzhou is a 45-storey hotel building erected upon 2-level basement standing on parcel of land with site area of 28,903.80 sq m.</p> <p>New Century Grand Hotel Hangzhou was completed in 2005 and operated since January 2005. New Century Grand Hotel Hangzhou currently provides 699 guest rooms, 712 car parking spaces (including loading/unloading spaces), food and beverage outlets, a wine bar, a fitness centre with indoor swimming pool, a show bar, a spa, banquet and function rooms and a business centre.</p> <p>Pursuant to Building Ownership Certificates and Certificates for Completion and Acceptance of Construction Works, New Century Grand Hotel Hangzhou has a total gross floor area of 130,104.94 sq m.</p> <table border="1" data-bbox="440 1144 919 1418"> <thead> <tr> <th data-bbox="440 1144 520 1166">Portion</th> <th data-bbox="735 1144 919 1203">Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td data-bbox="440 1241 491 1263">Hotel</td> <td data-bbox="823 1241 919 1263">98,060.58</td> </tr> <tr> <td data-bbox="440 1274 496 1295">Office</td> <td data-bbox="831 1274 919 1295">4,347.78</td> </tr> <tr> <td data-bbox="440 1306 539 1328">Basement</td> <td data-bbox="823 1306 919 1328">27,696.58</td> </tr> <tr> <td data-bbox="440 1381 496 1403">Total</td> <td data-bbox="807 1381 919 1403">130,104.94</td> </tr> </tbody> </table> <p>As advised by the REIT Manager, New Century Grand Hotel Hangzhou has a total operating area of approximately 101,961 sq m.</p> <p>The land use rights of the property have been granted to 浙江開元酒店投資管理集團 (Zhejiang New Century Hotel Investment & Management Group Co., Ltd.) for a term of 40 years due to expire on 22 December 2043 for commercial use.</p>	Portion	Gross Floor Area (sq m)	Hotel	98,060.58	Office	4,347.78	Basement	27,696.58	Total	130,104.94	<p>As at the date of valuation, the property was operated as a 5-star hotel under a Hotel Lease and Management Agreement for a term of 10 years due to expire in July 2023 for a rent of 20% of the total operating revenue plus 34% of the gross operating profit.</p> <p>The occupancy rate of the hotel for 2015 was 65.78%.</p> <p>Apart from the general hotel operation, a total leasable floor area of 12,739.03 sq m has been occupied by various tenants under various cooperation agreements for terms of 1.0 to 6.4 years at a total monthly service charge of approximately RMB1,354,000 for commercial or office uses while a leasable floor area of 1,788 sq m was vacant and available for lease.</p> <p>Based on the net rental income of 2015, the estimated net yield of the property was 5.2%.</p>	RMB1,775,000,000
Portion	Gross Floor Area (sq m)												
Hotel	98,060.58												
Office	4,347.78												
Basement	27,696.58												
Total	130,104.94												

Notes:–

(1) Details of the room configuration are summarized as follows:–

Room Type	Size (sq m)	Number of Rooms (Typical Floors)	Number of Rooms (Executive Floors)
Standard Room/Deluxe Room	35	575	75
Deluxe Suite	70	26	19
New Century Suite	105	–	3
President Suite	280	–	1
Total		601	98

(2) Details of the facilities and amenities are summarized as follows:–

Food and Beverage Outlet	Style	Total Seating Area (sq m)	Maximum Seating Capacity
Long Bar	Bar	198	60
Yigar Bar	Bar	275	70
Rose Garden Lounge	Bar	210	36
Prestige Club Lounge	Bar	343	48
Café Mediterranean	Western	884	220
Imarigawa	Japanese	250	75
Montalcino Grill	Italian	280	68
Four Season Chamber	Chinese	722	84
Cookfun Town	Chinese boxes	856 (23 boxes)	234
Grand Garden	Chinese boxes	1,591 (14 boxes)	178

Function and Banquet Facilities	Number of Rooms	Total Seating Area (sq m)	Maximum Seating Capacity
New Century Hall	1	1,000	900
Grand Dynasty Hall	1	1,360	1,400
Tianhong Hall	1	95	80
Tianhe Hall	1	95	80
Tianren Hall	1	90	30
Mingsi Hall	1	70	60
Mingde Hall	1	70	60
Mingrui Hall	1	108	90
Minghou Hall	1	108	30
He Hall	1	136	90
Gui Hall	1	95	80
Grand Hall	7	1,265	712

The New Century Hall and the Grand Dynasty Hall have a ceiling height of 7 meters.

Other Amenities	Total Area (sq m)
Chess/poker room	1,070
Sauna	1,531
Beauty salon	120
Karaoke club	5,643.88
Indoor swimming pool	608
Table tennis room	136
Rhythmic gymnastics room	157
Foot spa	580
Tennis court	261
Billiards room	79
Fitness room	168

(3) Pursuant to Certificate for the Use of State-owned Land No. (2009) 4400001 dated 5 February 2009 issued by Zhejiang Provincial Department of Land Resources, the land use rights of the property having a site area of 28,903.80 sq m have been vested in 浙江開元酒店投資管理集團 (Zhejiang New Century Hotel Investment & Management Group Co., Ltd.) for a term of 40 years until 22 December 2043 for commercial use.

(4) Pursuant to 38 Building Ownership Certificates dated 2 February 2009 issued by Hangzhou Real Estate Administration Bureau, the building ownership of the property having a gross floor area of 102,408.36 sq m has been vested in 浙江開元酒店投資管理集團 (Zhejiang New Century Hotel Investment & Management Group Co., Ltd.) for commercial use with details as follows:-

Certificate No.	Level	Gross Floor Area (sq m)	Certificate No.	Level	Gross Floor Area (sq m)
67276	1	68.38	67265	25	1,449.26
67273	1	3,672.62	67257	26	1,449.26
1397942	2	8,777.72	1397952-1	27	1,449.26
67267	1-3	10,801.22	1397952	28	1,449.26
1397941	3	9,167.90	67242	29	1,449.26
1397932	4	9,593.73	67244	31	1,449.26
67272	3-4	6,382.24	1397947	32	1,449.26
00008212-1	5	1,237.93	1397947-1	33	1,449.26
8212	6-14	12,341.79	1397959	34	1,449.26
1397943-3	15	333.46	1397959-1	35	1,449.26
1397943-2	16	1,449.26	1397946-1	36	1,449.26
1397943-1	17	1,449.26	1397946	37	1,449.26
1397943	18	1,449.26	1397955	38	1,449.26
67250	19	1,449.26	1397955-1	39	1,449.26
67251	20	1,449.26	1397956	40	1,449.26
67275	21	1,449.26	1397956-1	41	1,449.26
67274	22	1,449.26	1397957	42	1,400.38
67271	23	1,449.26	1397957-2	43	1,353.98
67270	24	1,449.26	1397957-1	45	1,045.51
Total					102,408.36

- (5) Pursuant to Grant Contract of Land Use Rights ZJZXZ No. (1998) 12 entered into between 浙江金城開發公司 (Zhejiang Jincheng Development Co., Ltd) (Party A) and 蕭山市開元旅業總公司 (Xiaoshan New Century Tourism Co., Ltd) (Party B) on 7 July 1998, Party A has agreed to transfer the land use rights of the land lot No. E-01 situated in Xiaoshan District, Zhejiang Province, with a total site area of approximately 45,000 sq m, to Party B.

The property is part of the said site.

- (6) Pursuant to Planning Permit for Construction Works Nos. (2002) 0110175 and (2004) 0110331 issued by Hangzhou Planning and Construction Bureau on 18 March 2005 and 17 August 2005 respectively, construction works of the property, comprising a total gross floor area of 129,651.55 sq m, are in compliance with the urban planning requirements and are approved.
- (7) Pursuant to a Certificate for Completion and Acceptance of Construction Works issued on 23 August 2005, the construction works of the property with a total gross floor area of 130,104.94 sq m are in compliance with the requirements of urban planning and are examined and accepted.
- (8) Pursuant to the information provided by REIT Manager, the Existing Hotel Properties except Songjiang New Century Grand Hotel Shanghai and New Century Grand Hotel Kaifeng are currently subject to mortgages in favour of 渣打銀行(中國)有限公司 (Standard Chartered Bank (China) Limited), 渣打銀行(中國)有限公司上海分行 (Standard Chartered Bank (China) Limited, Shanghai Branch), 渣打銀行(中國)有限公司杭州蕭山支行 (Standard Chartered Bank (China) Limited, Hangzhou Xiaoshan Sub-Branch), 第一商業銀行股份有限公司上海分行 (First Commercial Bank Limited, Shanghai Branch), 華南商業銀行股份有限公司深圳分行 (Hua Nan Commercial Bank Limited, Shenzhen Branch), 合作金庫商業銀行股份有限公司蘇州分行 (Taiwan Cooperative Bank Co., Ltd., Suzhou Branch), 彰化商業銀行股份有限公司昆山分行 (Chang Hwa Commercial Bank Ltd., Kunshan Branch) for a total maximum consideration of RMB360,000,000.
- (9) Pursuant to Business Licence No. 330181000002554 dated 8 July 2010, 浙江開元酒店投資管理集團 (Zhejiang New Century Hotel Investment & Management Group Co., Ltd.) was established as a limited company with a registered capital of RMB811,000,000 for a valid operation period from 30 September 2001 to 19 September 2027.
- (10) We have prepared our valuation on the following assumptions:-
- (i) 浙江開元酒店投資管理集團 (Zhejiang New Century Hotel Investment & Management Group Co., Ltd.) is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;
 - (ii) all land premium, costs of public utilities, ancillary infrastructure fees and compensation for resettlement of any original residents to make way for the development have been fully settled;
 - (iii) the design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities; and
 - (iv) the property may be disposed of freely to the purchasers at nil encumbrances.

(11) The status of the title and grant of major approvals and licences in accordance with the information provided by the REIT Manager are as follows:-

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Grant Contract of Land Use Rights	Yes
Business Licence	Yes

(12) Our key assumptions used in the DCF valuation are summarized as follows:-

(i) Average daily room rate (“ADR”)	:	2016 – RMB575
(ii) Annual growth in ADR	:	Stabilized at 4%
(iii) Occupancy rate on available room basis	:	2016 – 60%; Stabilized at 68%
(iv) F&B revenue	:	2016 – 60% of gross revenue; Stabilized at 63% of gross revenue
(v) FF&E provision	:	2% of gross revenue
(vi) Discount rate	:	9%
(vii) Terminal growth rate	:	4%

(13) Market Overview

Hangzhou, the capital of Zhejiang Province, is the provincial center in economy, culture, science and education. It is a city famous of history and culture and also an important national tourist city with beautiful scenery. Located at the southern wing of the Yangtze River Delta, the west end of Hangzhou Bay, the lower reaches of Qiantang River and the southern end of the Grand Canal (Beijing-Hangzhou), Hangzhou is one of the most important central cities in the southern wing of the Yangtze River Delta and a hub of transportation in southeast China. Hangzhou owns the natural environment integrating rivers, lakes and hills. Under the jurisdiction of Hangzhou are 9 districts of Shangcheng, Xiacheng, Jianggan, Gongshu, Xihu, Binjiang, Xiaoshan, Yuhang and Fuyang, 2 county-level cities of Jiande and Lin’an and 2 counties of Tonglu and Chun’an. There are 193 villages and towns (districts), including 23 villages, 86 towns and 84 districts, with a total area of 16,596 sq km, including an area of 3,068 sq km of the urban areas. By the end of 2014, the registered population of Hangzhou was 7.16 million, an increase of 92 thousand over the previous year.

The top-tier hotel market of Xiaoshan appeared to be relatively stable in the past 3 years. Only a few new competitors entered the market, one of which is Grand Parkray Hangzhou (杭州雷迪森铂麗大酒店) opened in 2014. Although the daily room rate experienced a bit drop, the REVPAR remained stable.

The hotel is located in Xiaoshan CBD, only 22 km drive to Xiaoshan International Airport and very close to the express way. The hotel is within 30-minute drive to the West Lake, 44 km to the historic city Shaoxing and 2.5 hours’ drive to Shanghai and Ningbo. The Hangzhou Metro Line 2 has been completed and operated in November 2014. The People Square Station of Metro Line 2 is located in front of the hotel, which provides great convenience to the guests of the hotel. It takes approximately 20 minutes to travel from the hotel to the downtown area of the city by subway. According to the REIT Manager, individual visitors account for over 60% of the total guest turnover and constitute the largest portion of the guest profile in the past 3 years. Group convention and tourism contribute over 30% of the total demand.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2015
2. New Century Hotel Xiaoshan Zhejiang, No. 77 Renmin Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC	<p>The property comprises several buildings of 1 to 18 storeys erected on a parcel of land with a total site area of 9,721.30 sq m.</p> <p>New Century Hotel Xiaoshan Zhejiang was completed in 1988 and operated since January 1988. New Century Hotel Xiaoshan Zhejiang currently provides 375 guest rooms, 34 above-ground car parking and 66 mechanical parking spaces, food and beverage outlets, a wine bar, a fitness centre, banquet and function rooms and a business centre.</p> <p>Pursuant to the Building Ownership Certificates, New Century Hotel Xiaoshan Zhejiang has a total above-ground gross floor area of 39,850.77 sq m.</p> <p>As advised by the REIT Manager, New Century Hotel Xiaoshan Zhejiang has a total operating area of approximately 32,486 sq m.</p> <p>The land use rights of the property have been granted to 浙江蕭山賓館股份有限公司 (Zhejiang Xiaoshan Hotel Joint Stock Co., Ltd.). Portion of the site with a site area of 8,361 sq m is held with land use rights for a term of 40 years due to expire on 29 December 2035 for tourism use. The remaining portion of the site with a site area of 1,360.30 sq m is held with land use rights for a term of 40 years due to expire on 13 August 2037 for entertainment use and for a term of 40 years due to expire on 22 December 2043 for commercial use.</p>	<p>As at the date of valuation, the property was operated as a 4-star hotel under a Hotel Lease and Management Agreement for a term of 10 years due to expire in July 2023 for a rent of 20% of the total operating revenue plus 34% of the gross operating profit.</p> <p>The occupancy rate of the hotel for 2015 was 66.72%.</p> <p>Apart from the general hotel operation, a total leasable floor area of 3,543.75 sq m has been occupied by various tenants under various cooperation agreements for terms of 2 to 20 years at a total monthly service charge of approximately RMB 32,650 for commercial use while a leasable floor area of 1,282.03 sq m was vacant and available for lease.</p> <p>Based on the net rental income of 2015, the estimated net yield of the property was 6.7%.</p>	<p>RMB550,000,000</p> <p>(95.46% interest attributable to New Century REIT: RMB525,030,000)</p>

Notes:-

(1) Details of the room configuration are summarized as follows:-

Room Type	Size (sq m)	Number of Rooms
Single Room	20	80
Standard Room/Deluxe Room	21-24	165
Business Deluxe Room	35	114
Deluxe Suite	46	15
New Century Suite	86	1
Total		375

(2) Details of the facilities and amenities are summarized as follows:-

Food and Beverage Outlet	Style	Total Seating Area (sq m)	Maximum Seating Capacity
New Triangle Café	Western	850.46	150
Gentleman Bar	Bar	330.2	53
Dreaming Bar	Bar	175.46	36
Jinxianyuan Restaurant	Chinese	650	230
Penoy Banquet Room	Chinese boxes	659.5 (12 boxes)	250
Jingdu Banquet Room	Chinese boxes	766.3 (27 boxes)	262

Function and Banquet Facilities	Number of Rooms	Total Seating Area (sq m)	Maximum Seating Capacity
New Century Hall	1	576	700
Xiao Ran Hall	1	405.6	350
Jin Lan Hall	1	56.64	50
Jin Xiu Hall	1	183.5	150
Jin Fang Hall	1	38.94	20
VIP Room	1	75.84	13

The New Century Hall has a ceiling height of 4.3 meters.

The hotel also has a sauna, a food SPA, a fitness room, a beauty salon and a chess/poker room.

- (3) Pursuant to 2 State-owned Land Use Rights Certificates issued by Land Rights Bureau of Xiaoshan Land Resources Administration Bureau, the land use rights of the property, located at No. 66 Shixin Road, Xiaoshan District, have been granted to 浙江蕭山賓館股份有限公司 (Zhejiang Xiaoshan Hotel Joint Stock Co., Ltd.) for terms of 40 years for commercial use. 8,361.00 sq m and 1,360.30 sq m of the property will expire on 29 December 2035 and 13 August 2037 respectively with details as follows:-

Certificate No.	Site Area (sq m)	Land Use	Issue Date
(2004) 0100059	1,360.30	Entertainment	13 August 2037
(95) 010050	8,361.00	Commercial use	22 December 2043
		Tourism	29 December 2035
Total	9,721.30		

Pursuant to the information provided by the REIT Manager, the address of the property has been modified from No. 66 Shixin Road to No. 77 Renmin Road.

- (4) Pursuant to 9 Building Ownership Certificates issued by Xiaoshan Real Estate Administration Bureau, the building ownership of the property located at No. 66 Shixin Road, comprising a total gross floor area of 39,850.77 sq m, has been vested in 浙江蕭山賓館股份有限公司 (Zhejiang Xiaoshan Hotel Joint Stock Co., Ltd.) with details as follows:-

Certificate No.	Gross Floor Area (sq m)	Use	Issue Date
00023034	4,330.30	Commercial	23 May 2007
1380079	15.30	Others	5 March 2004
1380079	83.32	Others	5 March 2004
1380079	148.12	Others	5 March 2004
1380080	521.18	Others	5 March 2004
1380080	1,543.02	Commercial	5 March 2004
1380081	14,704.33	Commercial	5 March 2004
1380082	10,727.71	Commercial	5 March 2004
1387391	7,777.49	Commercial	5 March 2004
Total	39,850.77		

Pursuant to the information provided by the REIT Manager, the address of the property has been modified from No. 66 Shixin Road to No. 77 Renmin Road.

- (5) Pursuant to a Housing Transfer Agreement entered into between 蕭山市廣播電視局 (Xiaoshan Radio and Television Bureau) (Party A) and 蕭山賓館 (Xiaoshan Hotel) (Party B), Party A has sold the property situated at the north of Renmin Road and west of Shixin Road to Party B with a gross floor area of 3,007.88 sq m and a land area of 1,846 sq m at a consideration of RMB5,000,000.

The property is part of the said site.

- (6) Pursuant to Grant Contract of Land Use Rights entered into between Xiaoshan Land Administration Bureau and 浙江蕭山開元旅業總公司 (Zhejiang Xiaoshan New Century Tourism Co., Ltd) on 30 December 1993, the land use rights of the property have been contracted to be granted to 浙江蕭山開元旅業總公司 (Zhejiang Xiaoshan New Century Tourism Co., Ltd) with details as follows:-

- (i) Location : A site situated at No. 66 Shixin Road
- (ii) Site Area : 8,361 sq m
- (iii) Use : Tourism
- (iv) Land Use Term : 40 years from 30 December 1993

Pursuant to the information provided by the REIT Manager, the address of the property has been modified from No. 66 Shixin Road to No. 77 Renmin Road.

- (7) Pursuant to the information provided by REIT Manager, the Existing Hotel Properties except Songjiang New Century Grand Hotel Shanghai and New Century Grand Hotel Kaifeng are currently subject to mortgages in favour of 渣打銀行(中國)有限公司 (Standard Chartered Bank (China) Limited), 渣打銀行(中國)有限公司上海分行 (Standard Chartered Bank (China) Limited, Shanghai Branch), 渣打銀行(中國)有限公司杭州蕭山支行 (Standard Chartered Bank (China) Limited, Hangzhou Xiaoshan Sub-Branch), 第一商業銀行股份有限公司上海分行 (First Commercial Bank Limited, Shanghai Branch), 華南商業銀行股份有限公司深圳分行 (Hua Nan Commercial Bank Limited, Shenzhen Branch), 合作金庫商業銀行股份有限公司蘇州分行 (Taiwan Cooperative Bank Co., Ltd., Suzhou Branch), 彰化商業銀行股份有限公司昆山分行 (Chang Hwa Commercial Bank Ltd., Kunshan Branch) for a total maximum consideration of RMB360,000,000.

- (8) Pursuant to Business Licence No. 330100000006536 dated 6 August 2009, 浙江蕭山賓館股份有限公司 (Zhejiang Xiaoshan Hotel Joint Stock Co., Ltd.) was established as a limited company with a registered capital of RMB102,571,739 for a valid operation period commencing on 8 September 1994.

- (9) We have prepared our valuation on the following assumptions:-

- (i) 浙江蕭山賓館股份有限公司 (Zhejiang Xiaoshan Hotel Joint Stock Co., Ltd.) is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;
- (ii) all land premium, costs of public utilities, ancillary infrastructure fees and compensation for resettlement of any original residents to make way for the development have been fully settled;
- (iii) the design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities; and
- (iv) the property may be disposed of freely to the purchasers at nil encumbrances.

- (10) The status of the title and grant of major approvals and licences in accordance with the information provided by the REIT Manager are as follows:-

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Grant Contract of Land Use Rights	Yes
Business Licence	Yes

(11) Our key assumptions used in the DCF valuation are summarized as follows:–

(i)	Average daily room rate (“ADR”)	:	2016 – RMB330
(ii)	Annual growth in ADR	:	Stabilized at 4%
(iii)	Occupancy rate on available room basis	:	2016 – 62%; Stabilized at 70%
(iv)	F&B revenue	:	2016 – 72% of gross revenue; Stabilized at 75% of gross revenue
(v)	FF&E provision	:	2% of gross revenue
(vi)	Discount rate	:	9%
(vii)	Terminal growth rate	:	4%

(12) Market Overview

Hangzhou, the capital of Zhejiang Province, is the provincial center in economy, culture, science and education. It is a city famous of history and culture and also an important national tourist city with beautiful scenery. Located at the southern wing of the Yangtze River Delta, the west end of Hangzhou Bay, the lower reaches of Qiantang River and the southern end of the Grand Canal (Beijing-Hangzhou), Hangzhou is one of the most important central cities in the southern wing of the Yangtze River Delta and a hub of transportation in southeast China. Hangzhou owns the natural environment integrating rivers, lakes and hills. Under the jurisdiction of Hangzhou are 9 districts of Shangcheng, Xiacheng, Jianggan, Gongshu, Xihu, Binjiang, Xiaoshan, Yuhang and Fuyang, 2 county-level cities of Jiande and Lin’an and 2 counties of Tonglu and Chun’an. There are 193 villages and towns (districts), including 23 villages, 86 towns and 84 districts, with a total area of 16,596 sq km, including an area of 3,068 sq km of the urban areas. By the end of 2014, the registered population of Hangzhou was 7.16 million, an increase of 92 thousand over the previous year.

The top-tier hotel market of Xiaoshan appeared to be relatively stable in the past 3 years. Only a few new competitors entered the market, one of which is Grand Parkray Hangzhou (杭州雷迪森铂麗大酒店) opened in 2014. The competitive hotel is a 5-star hotel which has a different clientele from the hotel. The average daily rate of 4-star hotels remained stable.

New Century Hotel Xiaoshan Zhejiang, conveniently located in the most prosperous business centre of Xiaoshan District, is only 24 km from Xiaoshan International Airport and 20 minutes’ drive to the West Lake Scenic Area. The Hangzhou Metro Line 2 has been completed and operated in November 2014. The Renmin Road Station of Metro Line 2 is located adjacent to the hotel, which provides great convenience to the guests of the hotel. It takes approximately 20 minutes to travel from the hotel to the downtown area of the city by subway. The average daily rate of the four star hotels near New Century Hotel Xiaoshan Zhejiang ranged from RMB276 to RMB354 and the occupancy rate ranged from 50% to 65% in 2015.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2015										
3. New Century Resort Qiandao Lake Hangzhou, Qilin Peninsula, Qiandao Lake, Chun'an County, Hangzhou, Zhejiang Province, the PRC	<p>New Century Resort Qiandao Lake Hangzhou comprises a 6-storey hotel building, 2 villas of 3 storeys and a 3-storey staff dormitory erected on a parcel of land with a site area of 36,052.75 sq m.</p> <p>New Century Resort Qiandao Lake Hangzhou was completed in February 2004 and has been operated since April 2004. New Century Resort Qiandao Lake Hangzhou currently provides 227 guest rooms, 108 car parking spaces (including loading/unloading spaces), food and beverage outlets, a fitness centre with swimming pool, banquet and function rooms and a business centre.</p> <p>Pursuant to the Building Ownership Certificates, New Century Resort Qiandao Lake Hangzhou has a total gross floor area of 39,402.37 sq m with details as follows:-</p>	<p>As at the date of valuation, the property was operated as a 5-star hotel under a Hotel Lease and Management Agreement for a term of 10 years due to expire in July 2023 for a rent of 2.0% of the total operating revenue plus 3.4% of the gross operating profit.</p> <p>The occupancy rate of the hotel for 2015 was 48.99%.</p> <p>Apart from the general hotel operation, a total leasable floor area of 1,300 sq m has been occupied by various tenants under various cooperation agreements for terms of 5 years at a total monthly service charge of approximately RMB30,000 for commercial use.</p> <p>Based on the net rental income of 2015, the estimated net yield of the property was 6.4%.</p>	RMB300,000,000										
	<table border="1"> <thead> <tr> <th data-bbox="440 1149 520 1170">Portion</th> <th data-bbox="735 1149 919 1203">Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td data-bbox="440 1246 576 1267">Hotel building</td> <td data-bbox="823 1246 919 1267">35,744.90</td> </tr> <tr> <td data-bbox="440 1278 488 1300">Villas</td> <td data-bbox="855 1278 919 1300">967.94</td> </tr> <tr> <td data-bbox="440 1310 587 1332">Staff dormitory</td> <td data-bbox="831 1310 919 1332">2,689.53</td> </tr> <tr> <td data-bbox="440 1386 496 1407">Total</td> <td data-bbox="823 1386 919 1407">39,402.37</td> </tr> </tbody> </table>	Portion	Gross Floor Area (sq m)	Hotel building	35,744.90	Villas	967.94	Staff dormitory	2,689.53	Total	39,402.37		
Portion	Gross Floor Area (sq m)												
Hotel building	35,744.90												
Villas	967.94												
Staff dormitory	2,689.53												
Total	39,402.37												
	<p>As advised by the REIT Manager, New Century Resort Qiandao Lake Hangzhou has a total operating area of approximately 30,000 sq m.</p> <p>The land use rights of the property have been granted to 杭州千島湖開元度假村開發有限公司 (Hangzhou Qiandao Lake New Century Resort Development Co., Ltd.) for terms of 40 years until 31 July 2041 for commercial use and 70 years until 31 July 2071 for residential use.</p>												

Notes:-

(1) Details of the room configuration are summarized as follows:-

Room Type	Size (sq m)	Number of Rooms
Villa Standard Room/Villa Deluxe Room	30	9
Standard Room/Deluxe Room	33-35	197
Deluxe Suite	49	11
New Century Suite	65	4
Family Suite	68	5
President Suite	450	1
Total		227

(2) Details of the facilities and amenities are summarized as follows:-

Food and Beverage Outlet	Level	Style	Total Seating Area (sq m)	Maximum Seating Capacity
Lobby Lounge	Level 5	Lounge bar	304.50	66
Hawaii	Level 5	Western	597.90	220
Fragrant Court	Level 3	Chinese	224	110
Hanbi Balcony	Level 3	Chinese boxes	430.50 (15 boxes)	142

Function and Banquet Facilities	Level	Total Seating Area (sq m)	Maximum Seating Capacity
Showrain Court	Level 3	572.30	400
New Century Hall	Level 5	600.16	600
Wan Xia Hall	Level 5	130.40	100
Qun Yan Hall	Level 4	133.66	100
Ju Yan Hall	Level 4	133.66	70
Yi Feng Hall	Level 2	89.30	18
Guang Yan Hall	Level 4	109.20	38
Yi He Hall	Level 2	76.50	60
Yi Jing Hall	Level 2	38.40	12
Yi Xiu Hall	Level 2	31.59	10
Linglong Hall	Level 2	45.75	16

The New Century Hall has a ceiling height of 6 meters.

Other Amenities	Level	Total Area (sq m)
a chess/poker room	Level 2	260
a sauna	Level 1	900
a SPA	Level 1	260
a beauty salon	Level 1	12
an indoor & outdoor swimming pool	Level 1/outdoor	1,050
a table tennis room	Level 1	30
a fitness room	Level 1	150
a foot SPA	Level 1	400
a night club	Level 2	260
13 karaoke rooms	Level 2	200
a snooker room	Level 1	90
a tennis court	outdoor	720
a outdoor sand volleyball court	outdoor	500
a outdoor water golf	outdoor	150
a shop	Level 5	35

Apart from the amenities above, the hotel also has a yacht club.

- (3) Pursuant to a management agreement (受託管理業主別墅協議), 3 villas with a total gross floor area of 1,303 sq m, situated at Nos. 32, 33 and 35 New Century Resort Qiandao Lake Hangzhou and 2 yachts, were leased from an independent third party to 杭州千島湖開元度假村開發有限公司 (Hangzhou Qiandao Lake New Century Resort Development Co., Ltd.) for a term of 2 years from 1 September 2013 to 31 August 2015, the lessor has the rights to use the 3 villas for up to 280 nights' per year.
- (4) Pursuant to 4 Certificates for the Use of State-owned Land Nos. (2005) 016, (2005) 017, (2011) 00809 and (2011) 00810 dated 7 January 2005 and 10 March 2011, issued by Chun'an Land Resources Bureau, the land use rights of the property having a site area of 36,052.75 sq m have been vested in 杭州千島湖開元度假村開發有限公司 (Hangzhou Qiandao Lake New Century Resort Development Co., Ltd.) for terms of 40 years until 31 July 2041 for commercial use and 70 years until 31 July 2071 for residential use.
- (5) Pursuant to 4 Building Ownership Certificates Nos. 40295, 40296, 40320 and 40335 dated 15 and 25 March 2005 issued by Chun'an County Real Estate Administration Office, the building ownership of the property having a gross floor area of 39,402.37 sq m has been vested in 杭州千島湖開元度假村開發有限公司 (Hangzhou Qiandao Lake New Century Resort Development Co., Ltd.) for terms of 40 years for commercial use and 70 years for residential use.

- (6) Pursuant to Grant Contract of Land Use Rights No. (2001) 004 dated June 2001 and the supplementary dated December 2004 entered into between 淳安縣土地局 (Chun'an County Land & Resources Administration Bureau) and 杭州千島湖開元度假村開發有限公司 (Hangzhou Qiandao Lake New Century Resort Development Co., Ltd.), the land use rights of the property having a site area of 25,115.84 sq m have been contracted to be granted to 杭州千島湖開元度假村開發有限公司 (Hangzhou Qiandao Lake New Century Resort Development Co., Ltd.) for a term of 50 years commencing on the date upon obtaining the Certificate for the Use of State-owned Land for composite use at a total consideration of RMB1,718,497.

Pursuant to Grant Contract of Land Use Rights No. (2001) 007 dated June 2001 and the supplementary dated December 2004 entered into between 淳安縣土地局 (Chun'an County Land & Resources Administration Bureau) and 杭州千島湖開元度假村開發有限公司 (Hangzhou Qiandao Lake New Century Resort Development Co., Ltd.), the land use rights of the property having a site area of 10,491.54 sq m have been contracted to be granted to 杭州千島湖開元度假村開發有限公司 (Hangzhou Qiandao Lake New Century Resort Development Co., Ltd.) for a term of 70 years commencing on the date upon obtaining the Certificate for the Use of State-owned Land for residential use at a total consideration of RMB720,018.

Pursuant to Grant Contract of Land Use Rights No. (2001) 008 dated June 2001 and the supplementary dated December 2004 entered into between 淳安縣土地局 (Chun'an County Land & Resources Administration Bureau) and 杭州千島湖開元度假村開發有限公司 (Hangzhou Qiandao Lake New Century Resort Development Co., Ltd.), the land use rights of the property having a site area of 21,150.34 sq m have been contracted to be granted to 杭州千島湖開元度假村開發有限公司 (Hangzhou Qiandao Lake New Century Resort Development Co., Ltd.) for a term of 70 years commencing on the date upon obtaining the Certificate for the Use of State-owned Land for residential use at a total consideration of RMB2,118,081.

Pursuant to Grant Contract of Land Use Rights No. (2001) 009 dated June 2001 and the supplementary dated December 2004 entered into between 淳安縣土地局 (Chun'an County Land & Resources Administration Bureau) and 杭州千島湖開元度假村開發有限公司 (Hangzhou Qiandao Lake New Century Resort Development Co., Ltd.), the land use rights of the property having a site area of 18,397.15 sq m have been contracted to be granted to 杭州千島湖開元度假村開發有限公司 (Hangzhou Qiandao Lake New Century Resort Development Co., Ltd.) for a term of 70 years commencing on the date upon obtaining the Certificate for the Use of State-owned Land for residential use at a total consideration of RMB1,389,097.

The property is part of the said site.

- (7) Pursuant to the information provided by REIT Manager, the Existing Hotel Properties except Songjiang New Century Grand Hotel Shanghai and New Century Grand Hotel Kaifeng are currently subject to mortgages in favour of 渣打銀行(中國)有限公司 (Standard Chartered Bank (China) Limited), 渣打銀行(中國)有限公司上海分行 (Standard Chartered Bank (China) Limited, Shanghai Branch), 渣打銀行(中國)有限公司杭州蕭山支行 (Standard Chartered Bank (China) Limited, Hangzhou Xiaoshan Sub-Branch), 第一商業銀行股份有限公司上海分行 (First Commercial Bank Limited, Shanghai Branch), 華南商業銀行股份有限公司深圳分行 (Hua Nan Commercial Bank Limited, Shenzhen Branch), 合作金庫商業銀行股份有限公司蘇州分行 (Taiwan Cooperative Bank Co., Ltd., Suzhou Branch), 彰化商業銀行股份有限公司昆山分行 (Chang Hwa Commercial Bank Ltd., Kunshan Branch) for a total maximum consideration of RMB360,000,000.
- (8) Pursuant to Business Licence No. 330127000000258, 杭州千島湖開元度假村開發有限公司 (Hangzhou Qiandao Lake New Century Resort Development Co., Ltd.) was established on 15 January 2001 as a limited company with a registered capital of RMB30,000,000.
- (9) We have prepared our valuation on the following assumptions:-
- (i) 杭州千島湖開元度假村開發有限公司 (Hangzhou Qiandao Lake New Century Resort Development Co., Ltd.) is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;

- (ii) all land premium, costs of public utilities, ancillary infrastructure fees and compensation for resettlement of any original residents to make way for the development have been fully settled;
- (iii) the design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities; and
- (iv) the property may be disposed of freely to the purchasers at nil encumbrances.

(10) The status of the title and grant of major approvals and licences in accordance with the information provided by the REIT Manager are as follows:-

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Grant Contract of Land Use Rights	Yes
Business Licence	Yes

(11) Our key assumptions used in the DCF valuation are summarized as follows:-

(i) Average daily room rate (“ADR”)	:	2016 – RMB775
(ii) Annual growth in ADR	:	Stabilized at 4%
(iii) Occupancy rate on available room basis	:	2016 – 50%; Stabilized at 60%
(iv) F&B revenue	:	2016 – 31% of gross revenue; Stabilized at 31% of gross revenue
(v) FF&E provision	:	2% of gross revenue
(vi) Discount rate	:	9%
(vii) Terminal growth rate	:	4%

(12) Market Overview

Chun’an County is the largest county under the administration of Hangzhou City, Zhejiang Province of China. It has a site area of approximately 4,427 sq km. By the end of 2014, the registered population of Chun’an reached 459,037. Chun’an County borders Changshan (常山) to the south, Xiuning (休寧) to the west, Tonglu (桐廬) to the east and Lin’an (臨安) to the north. The famous scenic spot Qiandao Lake is located in Chun’an County and attracts a lot of tourists.

The property is located at the lakeside of the Qiandao Lake in Qiandao Lake Town, which is the capital town of Chun’an County. The town has a site area of approximately 356 sq km and a population of approximately 101,000. The natural lake and mountain resources attract tourists and contribute to the high rapid growth of the hotel industry. The accessibility to the town is via the highways G25 and G60. The construction works of high-speed railway from Hangzhou to Huangshan began in July 2014 and to be completed in 2018. In particular, the Qiandao Lake will have a dedicated stop called Chun’an Station. With the opening of the high-speed railway, it will attract more tourists and enhance hotel room demand.

In the past three years, several high-end hotels have come into operation, which translated into a high rapid room supply and experienced a bit drop in ADR. Nevertheless, the average daily rate of the hotel reached RMB744 in 2015. The average daily rate of the top tier hotels near the hotel New Century Resort Qiandao Lake ranged from RMB635 to RMB831 and the occupancy rate ranged from 52% to 63% in 2015. Since the tourism market of Qiandao Lake is undergoing rapid growth and booming room demand, the hotel market is expected to grow especially upon the opening of high-speed railway.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2015								
4. New Century Grand Hotel Ningbo, No. 666 Shounan Road (M), Yinzhou District, Ningbo, Zhejiang Province, the PRC	<p>New Century Grand Hotel Ningbo is a 22-storey hotel building erected upon a one-tier basement standing on a parcel of land with a site area of 27,389.50 sq m.</p> <p>New Century Grand Hotel Ningbo was completed in October 2007 and has been operated since December 2007. New Century Grand Hotel Ningbo currently provides 392 guest rooms, 300 car parking spaces, food and beverage outlets, business centre, banquet and function rooms, an indoor swimming pool, a fitness room, a billiards room, a karaoke club, a tennis court, a table tennis room, a SPA, a beauty salon, a foot SPA, a chess/poker room and a shopping area.</p> <p>Pursuant to Building Ownership Certificate YFQZSZD No. 200813802, New Century Grand Hotel Ningbo has a total gross floor area of 66,107.27 sq m with details as follows:-</p>	<p>As at the date of valuation, the property was operated as a 5-star hotel under a Hotel Lease and Management Agreement for a term of 10 years due to expire in July 2023 for a rent of 2.0% of the total operating revenue plus 3.4% of the gross operating profit.</p> <p>The occupancy rate of the hotel for 2015 was 62.52%.</p> <p>Apart from the general hotel operation, a total leasable area of 3,503 sq m has been occupied by various tenants under various cooperation agreements for terms of 3 to 10 years at a total monthly service charge of approximately RMB171,000 for commercial use while a leasable floor area of 40 sq m was vacant and available for lease.</p> <p>Based on the net rental income of 2015, the estimated net yield of the property was 5.3%.</p>	RMB765,000,000								
	<table border="1"> <thead> <tr> <th data-bbox="438 1237 520 1263">Portion</th> <th data-bbox="715 1237 919 1300">Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td data-bbox="438 1334 491 1360">Hotel</td> <td data-bbox="823 1334 919 1360">54,226.18</td> </tr> <tr> <td data-bbox="438 1366 539 1392">Basement</td> <td data-bbox="823 1366 919 1392">11,881.09</td> </tr> <tr> <td data-bbox="438 1438 496 1463">Total</td> <td data-bbox="823 1438 919 1463">66,107.27</td> </tr> </tbody> </table>	Portion	Gross Floor Area (sq m)	Hotel	54,226.18	Basement	11,881.09	Total	66,107.27		
Portion	Gross Floor Area (sq m)										
Hotel	54,226.18										
Basement	11,881.09										
Total	66,107.27										
	<p>As advised by the REIT Manager, New Century Grand Hotel Ningbo has a total operating area of approximately 57,311 sq m.</p>										
	<p>The land use rights of the property have been granted to 寧波開元名都大酒店有限公司 (Ningbo New Century Grand Hotel Co., Ltd.) for a term of 40 years until 9 March 2045 for commercial use.</p>										

Notes:-

(1) Details of the room configuration are summarized as follows:-

Room Type	Size (sq m)	Number of Rooms (Typical Floors)	Number of Rooms (Executive Floors)
Superior Room	30	77	—
Standard Room/Deluxe Room/Executive Room	37-45	231	63
Deluxe Suite/Executive Suite	62	16	3
New Century Suite	140	—	1
President Suite	285	—	1
Total		324	68

(2) Details of the facilities and amenities are summarized as follows:-

Food and Beverage Outlet	Level	Style	Total Seating Area (sq m)	Maximum Seating Capacity
Isabella Café	Level 1	Western	950	150
Chiemsee Lobby Bar	Level 1	Lounge bar	920	72
Prestige Club Lounge	Level 21	Lounge bar	315	34
Yuewei Town Balconies	Level 2	Chinese boxes	480 (16 boxes)	168
Zhile Chamber	Level 2	Chinese	550	112
Kyoto Japanese Food	Level 2	Japanese	250	90
Golden Knight Club	Level 24	Chinese boxes	159 (7 boxes)	50

Function and Banquet Facilities	Level	Number of Rooms	Total Seating Area (sq m)	Maximum Seating Capacity
New Century Hall	Level 4	1, can be subdivided into 2	640	700
International Hall	Level 4	1	570	600
Qizhi Hall	Level 4	1	100	80
Shangli Hall	Level 4	1	100	80
Siyi Hall	Level 4	1	100	80
Chongren Hall	Level 4	1	100	20
Qixiao Chamber Banquet Hall	Level 2	1	280	120

The New Century Hall has a ceiling height of 6 meters.

Other Amenities	Level	Total Area (sq m)
Business centre	Level 1	140
Chess/poker room	Level 6	740
Foot SPA	Level 6	420
SPA	Level 3	550
Beauty salon	Level 3	68
Karaoke club	Level 3	3,300
Indoor swimming pool	Level 3	705
Billiards room	Level 3	75
Table tennis room	Level 3	75
Fitness room	Level 3	79
Outdoor tennis court	Outdoor	810
Shopping area	Level 1	277

(3) Pursuant to Certificate for the Use of State-owned Land YGY No. (2008) 14-05041 dated 18 July 2008 issued by Ningbo Municipal Bureau of National Land and Resources, the land use rights of the property having a site area of 27,389.50 sq m have been vested in 寧波開元名都大酒店有限公司 (Ningbo New Century Grand Hotel Co., Ltd.) for a term of 40 years until 9 March 2045 for commercial use.

(4) Pursuant to Building Ownership Certificate YFQZSZD No. 200813802 dated 1 August 2008 issued by Ningbo Yinzhou Municipal Housing Administration Bureau, the building ownership of the property having a gross floor area of 66,107.27 sq m has been vested in 寧波開元名都大酒店有限公司 (Ningbo New Century Grand Hotel Co., Ltd.) for a term of 40 years until 9 March 2045 for commercial use.

(5) Pursuant to Grant Contract of Land Use Rights entered into between Ningbo Yingzhou District Land Resources Bureau and 寧波開元名都大酒店有限公司 (Ningbo New Century Grand Hotel Co., Ltd.) dated 9 October 2003, the land use rights of the property have been contracted to be granted to 寧波開元名都大酒店有限公司 (Ningbo New Century Grand Hotel Co., Ltd.) with details as follows:

- (i) Location : A site situated at Wang Dong San Qiao Cun, Zhong Gong Miao Jie Dao, Yingzhou District
- (ii) Site Area : 27,415 sq m
- (iii) Use : Commercial
- (iv) Plot Ratio : ≤ 1.65
- (v) Land Use Term : 40 years

The property is part of the said site.

(6) Pursuant to the information provided by REIT Manager, the Existing Hotel Properties except Songjiang New Century Grand Hotel Shanghai and New Century Grand Hotel Kaifeng are currently subject to mortgages in favour of 渣打銀行(中國)有限公司 (Standard Chartered Bank (China) Limited), 渣打銀行(中國)有限公司上海分行 (Standard Chartered Bank (China) Limited, Shanghai Branch), 渣打銀行(中國)有限公司杭州蕭山支行 (Standard Chartered Bank (China) Limited, Hangzhou Xiaoshan Sub-Branch), 第一商業銀行股份有限公司上海分行 (First Commercial Bank Limited, Shanghai Branch), 華南商業銀行股份有限公司深圳分行 (Hua Nan Commercial Bank Limited, Shenzhen Branch), 合作金庫商業銀行股份有限公司蘇州分行 (Taiwan Cooperative Bank Co., Ltd., Suzhou Branch), 彰化商業銀行股份有限公司昆山分行 (Chang Hwa Commercial Bank Ltd., Kunshan Branch) for a total maximum consideration of RMB360,000,000.

(7) Pursuant to Business Licence No. 330212000001124, 寧波開元名都大酒店有限公司 (Ningbo New Century Grand Hotel Co., Ltd.) was established on 1 December 2004 as a limited company with a registered capital of RMB170,488,723.

(8) We have prepared our valuation on the following assumptions:-

- (i) 寧波開元名都大酒店有限公司 (Ningbo New Century Grand Hotel Co., Ltd.) is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;
- (ii) all land premium, costs of public utilities, ancillary infrastructure fees and compensation for resettlement of any original residents to make way for the development have been fully settled;
- (iii) the design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities; and
- (iv) the property may be disposed of freely to the purchasers at nil encumbrances.

(9) The status of the title and grant of major approvals and licences in accordance with the information provided by the REIT Manager are as follows:-

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Grant Contract of Land Use Rights	Yes
Business Licence	Yes

(10) Our key assumptions used in the DCF valuation are summarized as follows:-

- (i) Average daily room rate ("ADR") : 2016 – RMB547
- (ii) Annual growth in ADR : Stabilized at 4%
- (iii) Occupancy rate on available room basis : 2016 – 65%; Stabilized at 65%
- (iv) F&B revenue : 2016 – 49% of gross revenue; Stabilized at 52% of gross revenue
- (v) FF&E provision : 2% of gross revenue
- (vi) Discount rate : 9%
- (vii) Terminal growth rate : 4%

(11) Market Overview

Ningbo is located in the middle of the coastal line of the Chinese Mainland and in the southern part of the Yangtze River Delta, which enjoys the most developed economy in China. It lies within the two-hour transportation network among Shanghai, Ningbo and Hangzhou through Hangzhou Bay Bridge. With manufacturing and international trade as its leading industries, Ningbo has experienced positive growth and constant infrastructural improvements over the past years. By the end of 2014, the city has a registered population of 58.38 million.

Yinzhou District is one of the Ningbo's major industrial and educational zones with Southern Business Region and Wanda Plaza as its central business district and major commercial area respectively. A number of private companies have located their headquarters in Southern Business Region which provides continuous demand from corporate travelers. The average daily rate of the five star hotels near the New Century Grand Hotel Ningbo ranged from RMB552 to RMB614 and the occupancy rate ranged from 46% to 61% in 2015.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2015										
5. New Century Grand Hotel Changchun, No. 2299 Jingyangda Road, Lvyan District, Changchun, Jilin Province, the PRC	<p>New Century Grand Hotel Changchun is a 13-storey hotel building erected upon a one-tier basement standing on a parcel of land with a site area of 9,795 sq m.</p> <p>New Century Grand Hotel Changchun was completed in October 2008 and has been operated since December 2008. New Century Grand Hotel Changchun currently provides 328 guest rooms, 130 car parking spaces (including loading/unloading spaces), food and beverage outlets, a business centre, a fitness centre with indoor swimming pool, banquet and function rooms and a business centre.</p> <p>Pursuant to the Building Ownership Certificates, New Century Grand Hotel Changchun has a total gross floor area of 45,624.74 sq m with details as follows:-</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Portion</th> <th style="text-align: right;">Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Hotel</td> <td style="text-align: right;">38,753.40</td> </tr> <tr> <td>Dormitory</td> <td style="text-align: right;">3,764.34</td> </tr> <tr> <td>Basement</td> <td style="text-align: right;">3,107.00</td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>45,624.74</u></td> </tr> </tbody> </table>	Portion	Gross Floor Area (sq m)	Hotel	38,753.40	Dormitory	3,764.34	Basement	3,107.00	Total	<u>45,624.74</u>	<p>As at the date of valuation, the property was operated as a 5-star hotel under a Hotel Lease and Management Agreement for a term of 10 years due to expire in July 2023 for a rent of 2.0% of the total operating revenue plus 3.4% of the gross operating profit.</p> <p>The occupancy rate of the hotel for 2015 was 58.01%.</p> <p>Based on the net rental income of 2015, the estimated net yield of the property is 4.1%</p>	RMB585,000,000
Portion	Gross Floor Area (sq m)												
Hotel	38,753.40												
Dormitory	3,764.34												
Basement	3,107.00												
Total	<u>45,624.74</u>												
	<p>As advised by the REIT Manager, New Century Grand Hotel Changchun has a total operating area of approximately 31,985 sq m.</p> <p>The land use rights of the property have been granted to 長春開元名都大酒店有限公司 (New Century Grand Hotel Changchun Company Limited) for a term of 40 years until 14 October 2043 for hotel and catering use and 28 December 2046 for other commercial use.</p>												

Notes:-

(1) Details of the room configuration are summarized as follows:-

Room Type	Size (sq m)	Number of Rooms (Typical Floors)	Number of Rooms (Executive Floors)
Standard Room/Deluxe Room	35	230	32
Executive Room	35-48	42	7
Deluxe Suite	60	—	2
Business Suite	70	14	—
President Suite	208	—	1
Total		286	42

(2) Details of the facilities and amenities are summarized as follows:

Food and Beverage Outlet	Level	Style	Total Seating Area (sq m)	Maximum Seating Capacity
Ibiza Bar	Level 1	Bar	383	67
Yue Bar	Level 8	Bar	300	38
German Bar	Level 1 mezz	Bar	197	80
Prestige Club Lounge	Level 15	Bar	216.5	36
Weiyuan Cake Shop	Level 1	Bakery	—	—
Xidu Court	Level 3	Chinese boxes	693.5 (18 boxes)	176
Junlanxuan	Level 3	Chinese	250	60
Dome Cafe	Level 1	Western	700	160

Function and Banquet Facilities	Level	Style	Total Seating Area (sq m)	Maximum Seating Capacity
New Century Hall	Level 2	Banquet	700	500
Mingdu Hall	Level 5	Function	500	400
Chunhe Hall	Level 2	Function	278	180
Chun Yue Hall	Level 3	Function	278	180
He Hall	Level 2	Meeting room	68	16
Gui Hall	Level 2	Meeting room	68	25

The New Century Hall has a ceiling height of 3.4 meters.

Other Amenities	Level	Total Seating Area (sq m)
Business centre	Level 1	58
Chess/Poker room	Level 5	251
SPA	B1	569
Beauty salon	B1	68
Swimming pool	B1	708
Table tennis room	B1	64
Fitness room	B1	115
Foot SPA	Level 5	87
Billiards room	B1	79
VIP Lounge	B1	72
Shower room	B1	168

- (3) Pursuant to Certificate for the Use of State-owned Land No. CGY (2008) 060000171 dated 18 January 2008 issued by Changchun Municipal Bureau of Land and Resources, the land use rights of the property having a site area of 6,688 sq m have been vested in 長春開元名都大酒店有限公司 (New Century Grand Hotel Changchun Company Limited) for a term of 40 years until 14 October 2043 for hotels and catering use.

Pursuant to Certificate for the Use of State-owned Land No. CGY (2008) 060000172 dated 18 January 2008 issued by Changchun Municipal Bureau of Land and Resources, the land use rights of the property having a site area of 3,107 sq m have been vested in 長春開元名都大酒店有限公司 (New Century Grand Hotel Changchun Company Limited) for a term of 40 years until 28 December 2046 for other commercial use.

- (4) Pursuant to Building Ownership Certificate No. CFQ5120002516 dated 22 May 2013 issued by Changchun Municipal Housing Security and Management Bureau, the building ownership of the property having a gross floor area of 41,860.40 sq m has been vested in 長春開元名都大酒店有限公司 (New Century Grand Hotel Changchun Company Limited) for business use.

Pursuant to Building Ownership Certificate No. CFQ5120002517 dated 22 May 2013 issued by Changchun Municipal Housing Security and Management Bureau, the building ownership of the property having a gross floor area of 3,764.34 sq m has been vested in 長春開元名都大酒店有限公司 (New Century Grand Hotel Changchun Company Limited) for dormitory use.

- (5) Pursuant to the information provided by REIT Manager, the Existing Hotel Properties except Songjiang New Century Grand Hotel Shanghai and New Century Grand Hotel Kaifeng are currently subject to mortgages in favour of 渣打銀行(中國)有限公司 (Standard Chartered Bank (China) Limited), 渣打銀行(中國)有限公司上海分行 (Standard Chartered Bank (China) Limited, Shanghai Branch), 渣打銀行(中國)有限公司杭州蕭山支行 (Standard Chartered Bank (China) Limited, Hangzhou Xiaoshan Sub-Branch), 第一商業銀行股份有限公司上海分行 (First Commercial Bank Limited, Shanghai Branch), 華南商業銀行股份有限公司深圳分行 (Hua Nan Commercial Bank Limited, Shenzhen Branch), 合作金庫商業銀行股份有限公司蘇州分行 (Taiwan Cooperative Bank Co., Ltd., Suzhou Branch), 彰化商業銀行股份有限公司昆山分行 (Chang Hwa Commercial Bank Ltd., Kunshan Branch) for a total maximum consideration of RMB360,000,000.

- (6) Pursuant to Business Licence No. 220101010000508, 長春開元名都大酒店有限公司 (New Century Grand Hotel Changchun Company Limited) was established on 13 November 2007 as a limited company with a registered capital of RMB120,000,000.

(7) We have prepared our valuation on the following assumptions:-

- (i) 長春開元名都大酒店有限公司 (New Century Grand Hotel Changchun Company Limited) is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;
- (ii) all land premium, costs of public utilities, ancillary infrastructure fees and compensation for resettlement of any original residents to make way for the development have been fully settled;
- (iii) the design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities; and
- (iv) the property may be disposed of freely to the purchasers at nil encumbrances.

(8) The status of the title and grant of major approvals and licences in accordance with the information provided by the REIT Manager are as follows:-

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

(9) Our key assumptions used in the DCF valuation are summarized as follows:-

- (i) Average daily room rate (“ADR”) : 2016 – RMB601
- (ii) Annual growth in ADR : Stabilized at 4%
- (iii) Occupancy rate on available room basis : 2016 – 60%; Stabilized at 72%
- (iv) F&B revenue : 2016 – 43% of gross revenue; Stabilized at 46% of gross revenue
- (v) FF&E provision : 2% of gross revenue
- (vi) Discount rate : 9%
- (vii) Terminal growth rate : 4%

(10) Market Overview

Changchun is the capital and largest city of Jilin Province, located in the northeast part of China, in the center of the Songliao Plain. It is administered as a sub-provincial city with a registered population of 7.55 million in 2014. Known as China’s Automobile City, Changchun is an important industrial base with a particular focus on the automotive sector.

The tourism and exhibition is the largest driver of the hotel demand. Due to the increasing purchasing power of the domestic middle-class in China and the development of high-speed railway, tourism demand is expected to have constant increase in the future.

The property is located at junction of Jingyangda Road and Chunchengda Street in Lvyuan District of Changchun. It is far from the city centre, but the traffic is convenient. It is 45 minutes’ away from Changchun Longjia International Airport and 15 minutes’ away from Changchun Railway Station. The property is adjacent to Changchun West Railway Station and Lvyuan District Government. It is close to China FAW Group and China Northern Automobile Trade Centre which offer a pool of plenty of customers.

In 2015, the citywide occupancy rate of high-end star-rated hotels was about 61%. As for average daily rate, it was approximately RMB574 for high-end star-rated hotels in Changchun.

New Century Grand Hotel Changchun won the national five-star tourist hotel on 25 October 2011 which is the first 5-star hotel in Lvyuan District. With beautiful surroundings and luxurious facilities, New Century Grand Hotel Changchun has become one of the most luxurious business hotels in Changchun. The average daily rate of the hotel reached RMB563 in 2015.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2015								
6. Songjiang New Century Grand Hotel Shanghai, No. 1799 North Renmin Road, Songjiang District, Shanghai, the PRC	<p>Songjiang New Century Grand Hotel Shanghai is a 28-storey hotel building erected upon a two-level basement standing on a parcel of land with a site area of 10,423 sq m.</p> <p>Songjiang New Century Grand Hotel Shanghai was completed in 2007. Songjiang New Century Grand Hotel Shanghai currently provides 446 guest rooms, 274 car parking spaces, food and beverage outlets, business centre, banquet and function rooms, a sauna centre, a SPA and skincare centre, a beauty salon, a swimming pool, a fitness centre, a billiards room and a shopping area.</p> <p>According to Shanghai Certificate of Real Estate Ownership HFDSZ No. (2013) 029687, Songjiang New Century Grand Hotel Shanghai has a total gross floor area of 71,026.98 sq m with details as follows:-</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Portion</th> <th style="text-align: right;">Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Hotel</td> <td style="text-align: right;">50,153.19</td> </tr> <tr> <td>Basement</td> <td style="text-align: right;"><u>20,873.79</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u><u>71,026.98</u></u></td> </tr> </tbody> </table> <p>The land use rights of the property have been granted to 上海松江輝維資產管理有限公司 (Shanghai Songjiang Hui Wei Asset Management Limited) for a term of 40 years until 15 March 2042 for composite use.</p>	Portion	Gross Floor Area (sq m)	Hotel	50,153.19	Basement	<u>20,873.79</u>	Total	<u><u>71,026.98</u></u>	<p>As at the date of valuation, the property was operated as a 5-star hotel under a Hotel Lease Agreement for a term of 10 years due to expire in July 2024 for a rent of 25% of the total operating revenue plus 3.4% of the gross operating profit.</p> <p>The occupancy rate of the hotel for 2015 was 65.57%.</p> <p>Apart from the general hotel operation, a total leasable area of 19,808.36 sq m has been occupied by various tenants under various cooperation agreements for terms of 1 to 10 years at a total monthly service charge of approximately RMB874,800.</p> <p>Based on the net rental income of 2015, the estimated net yield of the property is 6.1%.</p>	RMB830,000,000
Portion	Gross Floor Area (sq m)										
Hotel	50,153.19										
Basement	<u>20,873.79</u>										
Total	<u><u>71,026.98</u></u>										

VALUATION REPORT

Notes:-

(1) Details of the room configuration are summarized as follows:-

Room Type	Size (sq m)	Number of Rooms
Standard Room	36	156
Deluxe Room	36	145
Deluxe Suite	72	42
New Century Suite	108	2
President Suite	268	1
Total		446

(2) Details of the facilities and amenities are summarized as follows:-

Food and Beverage Outlet	Level	Style	Total Seating Area (sq m)	Maximum Seating Capacity
Sunny Lounge	Level 2	Lounge	770	60
Cigar Bar	Level 3	Bar	120	56
Prestige Club Lounge	Level 27	Lounge	170	48
I MA RI GA WA	Level 3	Japanese	400	90
Mediterranean Cafe	Level 1	Western	715	192
Gourmet Palace	Level 2	Chinese	1,230	306

Function and Banquet Facilities	Level	Number of Rooms	Total Seating Area (sq m)	Maximum Seating Capacity
New Century Hall	Level 4	1	800	600
Virtue Hall/Generosity Hall	Level 4	2	140	100
Harmony Hall	Level 4	1	125	90
Benevolence Hall	Level 4	1	54	30
Wisdom Hall	Level 4	1	61	20
Honour Hall	Level 4	1	109	70
Justice Hall	Level 4	1	73	50
Origin Hall	Level 4	1	42	18
Talent Hall	Level 4	1	42	18
Grand Hall	Level 4	1	42	40
Meeting room in Prestige Club	Level 27	1	115	24
Negotiating room in Business Centre	Level 3	1	25	8
Meeting room in Business Centre	Level 3	1	100	26

Other Amenities	Level	Total Area (sq m)
Sauna Centre	Level 4	835
SPA and Skincare Centre	Level 4	632
Beauty Salon	Level 4	114
Swimming Pool	Level 5	920
Fitness Centre	Level 5	206
Billiard Room	Level 3	55

(3) Pursuant to Shanghai Certificate of Real Estate Ownership HFDSZ No. (2008) 019168 dated 4 August 2008 issued by Shanghai Housing & Land Resources Administration Bureau, the particulars as stipulated in the said certificate are summarized as follows:-

- (i) Owner : 上海松江晟陽房地產項目開發有限公司
(Shanghai Songjiang Shengyang Real Estate Co., Ltd.)
- (ii) Location : No. 1799 North Renmin Road, Songjiang District
- (iii) Lot No. : Qiu 34/1, Jiefang 5, Fangsong Jiedao, Songjiang District
- (iv) Total Site Area : 60,770 sq m
- (v) Use : Composite
- (vi) Land Use Term : From 16 March 2002 to 15 March 2052
- (vii) Gross Floor Area : 71,026.98 sq m
- (viii) Remark : The site to build the hotel has a site area of 10,423 sq m and the land use term is from 16 March 2002 to 15 March 2042.

(4) According to 4 Shanghai Commodity House Sales Contracts entered into between 上海松江晟陽房地產項目開發有限公司 (Shanghai Songjiang Shengyang Real Estate Co., Ltd.)(Party A) and 上海松江輝維資產管理有限公司 (Shanghai Songjiang Huiwei Asset Management Co., Ltd.) (Party B) on 15 May 2013, Party A has sold the property situated at No. 1799 North Renmin Road to Party B with a total gross floor area of 71,026.98 sq m at a total consideration of RMB450,000,000.

(5) Pursuant to Shanghai Certificate of Real Estate Ownership HFDSZ No. (2013) 029687 dated 18 October 2013 issued by Shanghai Housing Security & Administration Bureau and Shanghai Planning Land & Resources Administration Bureau, the land use rights of the property and the building ownership rights of the property have been vested in 上海松江輝維資產管理有限公司 (Shanghai Songjiang Huiwei Asset Management Co., Ltd.). The particulars as stipulated in the said certificate are summarized as follows:-

- (i) Owner : 上海松江輝維資產管理有限公司 (Shanghai Songjiang Huiwei Asset Management Co., Ltd.)
- (ii) Location : No. 1799 North Renmin Road, Songjiang District
- (iii) Lot No. : Qiu 34/1, Jiefang 5, Fangsong Jiedao, Songjiang District
- (iv) Total Site Area : 60,770 sq m
- (v) Use : Composite
- (vi) Land Use Term : From 16 March 2002 to 15 March 2052
- (vii) Gross Floor Area : 71,026.98 sq m

Since the site area and the land use term of the property are not registered on the Shanghai Certificate of Real Estate Ownership HFDSZ No. (2013) 029687, in the course of our valuation, the site area and the land use term of the property are based on the Shanghai Certificate of Real Estate Ownership HFDSZ No. (2008) 019168. The property has a site area of 10,423 sq m and the land use rights of the property has been granted for a term of 40 years until 15 March 2042 for composite use.

(6) Pursuant to Business Licence No. 310117003012075, 上海松江輝維資產管理有限公司 (Shanghai Songjiang Huiwei Asset Management Co., Ltd.) was established on 17 April 2013 as a limited company with a registered capital of RMB30,000,000.

(7) We have prepared our valuation on the following assumptions:-

- (i) 上海松江輝維資產管理有限公司 (Shanghai Songjiang Huiwei Asset Management Co., Ltd.) is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;
- (ii) all land premium, costs of public utilities, ancillary infrastructure fees and compensation for resettlement of any original residents to make way for the development have been fully settled;
- (iii) the design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities; and
- (iv) the property may be disposed of freely to the purchasers at nil encumbrances.

(8) The status of the title and grant of major approvals and licences in accordance with the information provided by the REIT Manager are as follows:-

Certificate of Real Estate Ownership	Yes
Shanghai Commodity House Sales Contract	Yes
Business Licence	Yes

(9) Our key assumptions used in the DCF valuation are summarized as follows:-

- (i) Average daily room rate ("ADR") : 2016 – RMB680
- (ii) Annual growth in ADR : Stabilized at 4%
- (iii) Occupancy rate on available room basis : 2016 – 66%; Stabilized at 68%
- (iv) F&B revenue : 2016 -38% of gross revenue; Stabilized at 39% of gross revenue
- (v) FF&E provision : 2% of gross revenue
- (vi) Discount rate : 9%
- (vii) Terminal growth rate : 4%

(10) Market Overview

Shanghai is one of the four Municipalities directly under central administration. It is a global financial centre, and a transport hub with the world's busiest container port. Situated east of the People's Republic China and bordering on Jiangsu and Zhejiang Provinces on the west, Shanghai is bounded by the East China Sea on the east and Hangzhou Bay on the south. North of the city, the Yangtze River pours into the East China Sea. Shanghai covers a total area of 6,340 sq km. The urban area of the city is about 2,141 sq km with 11 urban districts. According to Shanghai Municipal Bureau of Statistics, the total population at the end of 2014 was approximately 24.26 million of which 14.29 million were permanent residents of Shanghai.

The property is located in Songjiang District, which is home to 900,000 inhabitants and is approximately 30 kilometres from the heart of Shanghai city, 25 kilometres from Hongqiao International Airport and 70 kilometres from Pudong International Airport. It is easily accessible from Shanghai city via highway A8 and the Shanghai-Hangzhou Highway. The potential hotel demand generator for Songjiang District mainly includes MICE demand, derived from seminars, dialogues and forum events of universities in Songjiang University City and corporations in Songjiang Industrial and Hi-Tech Parks. Besides, the tourism resources and tourism facilities in Sheshan National Tourism Resort will generate leisure demand from foreign and local tourists.

In 2015, the citywide occupancy rate of five-star hotels was about 67.24%. As for average daily rate, it was approximately RMB610 for high-end star-rated hotels.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2015								
7. New Century Grand Hotel Kaifeng situated at south of Daliang Road, Development Zone, Kaifeng, Henan Province, the PRC	<p>New Century Grand Hotel Kaifeng is a 7-storey hotel building standing on a parcel of land with a site area of approximately 44,289.38 sq m.</p> <p>New Century Grand Hotel Kaifeng was completed in 2007. New Century Grand Hotel Kaifeng currently provides 356 guest rooms, 227 car parking spaces, food and beverage outlets, business centre, banquet and function rooms, a chess/poker room, a sauna centre, a SPA, a beauty salon, an indoor swimming pool, a KTV, a fitness centre and a shopping area.</p> <p>According to Real Estate Title Certificate BFDQZZ No. 279060, New Century Grand Hotel Kaifeng has a total gross floor area of approximately 53,511.80 sq m.</p>	<p>As at the date of valuation, the property was operated by the owner as a hotel under a Hotel Lease Agreement for a term of 10 years due to expire in June 2025 for a rent of 20% of the total operating revenue plus 34% of the gross operating profit.</p> <p>The occupancy rate of the hotel for 2015 was 54.99%.</p> <p>Apart from the general hotel operation, a total leasable area of 6,172 sq m has been occupied by various tenants under various lease agreements for terms of 3 to 6 years at a total monthly rent of approximately RMB265,000.</p> <p>Based on the net rental income of 2015, the estimated net yield of the property is 5.5%.</p>	RMB420,000,000								
	<table border="1"> <thead> <tr> <th data-bbox="440 1106 520 1127">Portion</th> <th data-bbox="715 1106 919 1166">Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td data-bbox="440 1213 496 1235">Hotel</td> <td data-bbox="810 1213 919 1235">51,611.80</td> </tr> <tr> <td data-bbox="440 1252 552 1274">Basement</td> <td data-bbox="826 1252 919 1274">1,900.00</td> </tr> <tr> <td data-bbox="440 1321 496 1343">Total</td> <td data-bbox="826 1321 919 1343">53,511.80</td> </tr> </tbody> </table>	Portion	Gross Floor Area (sq m)	Hotel	51,611.80	Basement	1,900.00	Total	53,511.80		
Portion	Gross Floor Area (sq m)										
Hotel	51,611.80										
Basement	1,900.00										
Total	53,511.80										
	<p>The land use rights of the property have been granted to 開封開元名都大酒店有限公司 (New Century Grand Hotel Kaifeng Co., Ltd.) for a term until 30 October 2044 for hotel use.</p>										

Notes:-

(1) Details of the room configuration are summarized as follows:-

Room Type	Size (sq m)	Number of Rooms
Twin Room	47-55	245
Double Room	47-55	87
Deluxe Suite	82-120	18
New Century Suite	82-120	5
Presidential Suite	1,183	1
Total		356

(2) Details of the facilities and amenities are summarized as follows:-

Food and Beverage Outlet	Level	Style	Total Seating Area (sq m)	Maximum Seating Capacity
Crystal Lounge Bar	Level 2	Lounge	220	52
Top Cafe	Level 1	Western	545	135
Regency Palace	Level 1	Chinese	257	72
Spring Pavilion	Level 1	Chinese	905 (16 boxes)	180
I MA RI GA WA	Level 1	Japanese	152	56

Function and Banquet Facilities	Level	Number of Rooms	Total Seating Area (sq m)	Maximum Seating Capacity
New Century Hall	Level 3	1	906	1,000
VIP Room	Level 3	1	150	100
Jin Ming Hall	Level 2	1	122	80
Min Du Hall	Level 2	1	356	400
Yong Tai Hall	Level 2	1	83	50
Zhao Yang Hall	Level 2	1	83	50
Tian Bo Hall	Level 2	1	65	50
Shun Tian Hall	Level 2	1	65	50
Land Show Hall	Level 4	1	253	150

Other Amenities	Level	Total Area (sq m)
Chess/poker room	Level 2	320
Sauna Centre	Level 1	3,600
SPA	Level 1	404
Beauty Salon	Level 1	48
KTV	Level 2	1,800
Indoor swimming pool	Level 1	763
Fitness Centre	Level 1	123

- (3) Pursuant to Real Estate Title Certificate BFDQZZ No. 279060 issued by Kaifeng Municipal People's Government on 29 June 2015, the land use rights of the property and the building ownership rights of the property have been vested in 開封開元名都大酒店有限公司 (New Century Grand Hotel Kaifeng Co., Ltd.). The particulars as stipulated in the said certificate are summarized as follows:-

(i) Owner	開封開元名都大酒店有限公司 (New Century Grand Hotel Kaifeng Co., Ltd.)
(ii) Location	South of Daliang Road, Development Zone
(iii) Total Site Area	44,289.38 sq m
(iv) Use	Food & Beverage, Hotel
(v) Land Use Term	Expiring on 30 October 2044
(vi) Gross Floor Area	53,511.80 sq m

- (4) According Pursuant to Business Licence No. 410292000013851, 開封開元名都大酒店有限公司 (New Century Grand Hotel Kaifeng Co., Ltd.) was established on 25 December 2013 as a limited company with a registered capital of RMB50,000,000.

- (5) We have prepared our valuation on the following assumptions:-

- (i) 開封開元名都大酒店有限公司 (New Century Grand Hotel Kaifeng Co., Ltd.) is in possession of a proper legal title to the property and is entitled to occupy, use, lease, transfer, mortgage and dispose of the property together with the residual term of its land use rights according to the PRC laws;
- (ii) all land premium, costs of public utilities, ancillary infrastructure fees and compensation for resettlement of any original residents to make way for the development have been fully settled;
- (iii) the design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities; and
- (iv) the property may be disposed of freely to the purchasers at nil encumbrances.

- (6) The status of the title and grant of major approvals and licences in accordance with the information provided by the REIT Manager are as follows:-

Real Estate Title Certificate	Yes
Business Licence	Yes

(7) Our key assumptions used in the DCF valuation are summarized as follows:–

(i)	Average daily room rate (“ADR”)	:	2016 – RMB598
(ii)	Annual growth in ADR	:	Stabilized at 4%
(iii)	Occupancy rate on available room basis	:	2016 – 60%; Stabilized at 64%
(iv)	F&B revenue	:	29% of gross revenue Stabilized at 32% of gross revenue
(v)	FF&E provision	:	2% of gross revenue
(vi)	Discount rate	:	9.5%
(vii)	Terminal growth rate	:	4%

(8) Market Overview

Kaifeng is a prefecture-level city in east-central Henan Province. Historically it was once the capital of the Northern Song Dynasty. Located along the southern bank of the Yellow River, it borders the provincial capital of Zhengzhou to the west, Xinxiang to the northwest, Shangqiu to the east, Zhoukou to the southeast, Xuchang to the southwest, and Shandong Province to the northeast. Kaifeng covers a total area of 6,444 sq km administering five districts and five counties. According to Henan Province Bureau of Statistics, the total population at the end of 2014 was approximately 5.48 million of which 4.65 million were permanent residents of Kaifeng.

The property is located in the Development Zone of Kaifeng. It is close to the Zheng-Kai Highway which ensures easy access to the key areas of the city. It takes only half an hour to Zhengzhou City, 50 minutes to Xingzheng International Airport and 15 minutes to any scenic spots of Kaifeng by drive. The largest hotel demand generator for Kaifeng is corporate guests. Overall, the long history and the splendid culture have made the city famous as the ancient capital of the seven dynasties in Chinese history. There are 213 sights and antiquities in Kaifeng, such as Qingming Riverside Landscape Garden, Baogong Temple, Tie Tower, Fan Tower, and Imperial Street of Song Dynasty and so on, which benefits and promotes the tourism development of the city considerably. The year 2014 saw 3.97 million domestic and inbound visitors to Kaifeng, increased by 13.6% over the previous year. The revenue from domestic and inbound tourism totalled RMB19.26 billion, a year-on-year increase of 15.9%.

With the operation of Pullman Kaifeng in November 2015, currently there are 3 five-star hotels and 2 four-star hotels in operation. The market has appeared to be relatively stable for recent years. Besides New Century Grand Hotel Kaifeng, the Kaifeng Zhongzhou International Hotel about one kilometre away from the property has 212 guest rooms in total, the average daily rate and the occupancy rate in 2015 were about RMB530 and 59% respectively. Pullman Kaifeng, a 5-star hotel brand of Accor Hotel Group currently is located adjacent to a famous tourism destination (i.e. Qingming Riverside Landscape Garden) and the average daily rate and the occupancy rate for the two months of 2015 were about RMB583 and 39% respectively.

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF NEW CENTURY REAL ESTATE INVESTMENT TRUST

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

We have audited the consolidated financial statements of New Century Real Estate Investment Trust ("New Century REIT") and its subsidiaries (together, the "Group") set out on pages 113 to 181, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated income statement, consolidated statement of comprehensive income, distribution statement, consolidated statement of net assets attributable to unitholders and changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGER'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

New Century Asset Management Limited ("the REIT Manager") is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and is responsible for ensuring that the consolidated financial statements have been properly prepared in accordance with the relevant provisions of the Trust Deed dated 10 June 2013 and as amended by the supplemental trust deeds dated 20 June 2013 and 15 June 2015 (the "Trust Deed"), and the relevant disclosure requirements set out in Appendix C of the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong (the "REIT Code"), and for such internal control as the REIT Manager determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the REIT Manager, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the relevant provisions of the Trust Deed and the relevant disclosure requirements set out in Appendix C of the REIT Code.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 29 March 2016

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Notes	Year ended 31 December	
		2015 RMB'000	2014 RMB'000
Revenue	6	307,330	267,793
Operating expenses	7	(70,679)	(67,573)
Other gains – net	9	10,982	5,535
Change in fair values of investment properties	13	(65,000)	(143,412)
Operating profit		182,633	62,343
Finance income	10	6,688	3,587
Finance costs	10	(186,718)	(81,855)
Profit/(loss) before taxation and transactions with unitholders		2,603	(15,925)
Income tax expense	11	(47,333)	(25,994)
Loss for the year, before transactions with unitholders		(44,730)	(41,919)
– Loss attributable to unitholders		(45,568)	(43,104)
– Profit attributable to non-controlling interests		838	1,185
		(44,730)	(41,919)

The notes on pages 121 to 181 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Attributable to			
	Unitholders before transactions with unitholders RMB'000	Transactions with unitholders (Note (i)) RMB'000	Unitholders after transactions with unitholders RMB'000	Attributable to non-controlling interests RMB'000
(Loss)/profit for the year ended 31 December 2014	(43,104)	43,104	-	1,185
Other comprehensive income	-	-	-	-
Total comprehensive (loss)/income for the year ended 31 December 2014 (Note (ii))	<u>(43,104)</u>	<u>43,104</u>	<u>-</u>	<u>1,185</u>
(Loss)/profit for the year ended 31 December 2015	(45,568)	45,568	-	838
Other comprehensive income	-	-	-	-
Total comprehensive (loss)/income for the year ended 31 December 2015 (Note (ii))	<u>(45,568)</u>	<u>45,568</u>	<u>-</u>	<u>838</u>

Notes:

- (i) Transactions with unitholders comprises total (loss)/profit and other comprehensive income attributable to unitholders for the year.
- (ii) In accordance with the Trust Deed dated 10 June 2013 and as amended by the supplemental trust deeds dated 20 June 2013 and 15 June 2015 (the "Trust Deed"), New Century REIT is required to distribute to unitholders not less than 90% of total distributable income for each financial year. Accordingly, the units contain contractual obligations of the trust to pay cash distributions and also upon termination of the trust, a share of all net cash proceeds derived from the sales or realisation of the assets of the trust less any liabilities, in accordance with their proportionate interests in the trust at the date of 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 and transactions with controlling shareholders, are part of finance costs.

The notes on pages 121 to 181 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

		As at 31 December	
		2015	2014
	Notes	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	12	29	110
Investment properties	13	5,225,000	4,870,000
Goodwill	14	7,987	-
Other long-term assets	15	1,299	3,424
		<u>5,234,315</u>	<u>4,873,534</u>
Current assets			
Trade and other receivables and prepayments	16	4,782	2,545
Amount due from related parties	27(c)	53,970	48,929
Restricted cash	17	146,444	43,768
Cash and cash equivalents	17	63,151	187,345
		<u>268,347</u>	<u>282,587</u>
Total Assets		<u><u>5,502,662</u></u>	<u><u>5,156,121</u></u>
Current liabilities			
Trade and other payables	18	39,052	32,880
Amount due to related parties	27(c)	105,601	83,957
Current income tax liabilities		22,245	19,023
Derivative financial instruments	19	6,479	10,407
Borrowings	20	1,496,420	110,590
		<u>1,669,797</u>	<u>256,857</u>
Non-current liabilities, other than net assets attributable to unitholders			
Borrowings	20	538,519	1,461,356
Deferred income tax liabilities	21	881,156	828,972
		<u>1,419,675</u>	<u>2,290,328</u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

		As at 31 December	
	<i>Notes</i>	2015	2014
		RMB'000	RMB'000
Total liabilities, other than net assets attributable to unitholders		3,089,472	2,547,185
Net assets attributable to unitholders	22	<u>2,386,721</u>	<u>2,583,305</u>
Total liabilities		<u>5,476,193</u>	<u>5,130,490</u>
Net assets		<u>26,469</u>	<u>25,631</u>
Non-controlling interests		<u>26,469</u>	<u>25,631</u>
Total equity		<u>26,469</u>	<u>25,631</u>
Net current (liabilities)/assets		<u>(1,401,450)</u>	<u>25,730</u>
Total assets less current liabilities		<u>3,832,865</u>	<u>4,899,264</u>
Units in issue ('000)	22	<u>939,425</u>	<u>931,140</u>
Net assets attributable to unitholders per unit	22	<u>RMB2.5406</u>	<u>RMB2.7743</u>

The consolidated financial statements on pages 113 to 181 were approved by the Board of Directors of the REIT Manager on 29 March 2016 and were signed on its behalf.

Cheung Yat Ming
Executive Director

Chen Miaolin
Chairman

The notes on pages 121 to 181 are an integral part of these consolidated financial statements.

DISTRIBUTION STATEMENT

For the year ended 31 December 2015

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
Loss attributable to unitholders	(45,568)	(43,104)
Adjustments for the total distributable income:		
– Fair value change on investment properties attributable to unitholders	64,092	142,912
– Deferred taxation in respect of investment properties and tax losses attributable to unitholders	5,054	(7,061)
– REIT Manager fee payable in units in lieu of cash	26,597	26,346
– Amortisation of transaction costs of the bank borrowings	21,502	19,520
– Expenses incurred in connection with the acquisition of a subsidiary	–	8,034
– Unrealised net foreign exchange losses on financing activities	94,918	6,838
– Fair value (gain)/loss on derivative financial instruments	(3,928)	876
– Depreciation of property, plant and equipment	81	107
Total distributable income (i)	162,748	154,468
Distributable amount at 1 January	89,947	80,702
Add: special distribution declared during the year (ii)	–	27,000
Distributions paid during the year (ii)	(172,888)	(172,223)
Final distribution to be paid (i)	79,807	89,947
Final distribution per unit before taking into account the effect of Distribution Waivers (iii)	RMB0.0850	RMB0.0966
Final distribution per unit after taking into account the effect of Distribution Waivers (iv)	RMB0.0850	RMB0.1130

DISTRIBUTION STATEMENT

For the year ended 31 December 2015

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 year.

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. The REIT Manager has decided to distribute 100% of New Century REIT's total distributable income for the year ended 31 December 2015 (For the year ended 31 December 2014: 100%).

- (ii) The distributions with amount of RMB172,888,000 paid during the year ended 31 December 2015 comprises:
- Final distribution for the period from 1 July 2014 to 31 December 2014 with a total amount of RMB89,947,000, which was paid to unitholders on 27 May 2015;
 - Interim distribution for the period from 1 January 2015 to 30 June 2015 with a total amount of RMB82,941,000, which was paid to unitholders on 23 September 2015.

The distributions with amount of RMB172,223,000 paid during the year ended 31 December 2014 comprises:

- Final distribution for the period from 10 July 2013 (date of listing) to 31 December 2013 with a total amount of RMB80,702,000, which was paid to unitholders on 28 April 2014;
 - Interim distribution for the period from 1 January 2014 to 30 June 2014 with a total amount of RMB64,521,000, which was paid to unitholders on 9 October 2014;
 - Special distribution with a total amount of RMB27,000,000, which was paid to unitholders on 9 October 2014.
- (iii) The final distribution per unit of RMB0.0850 for the period from 1 July 2015 to 31 December 2015 is calculated by dividing final distribution to be paid to unitholders of RMB79,807,000 for the period from 1 July 2015 to 31 December 2015 by 939,424,740 units in issue as at 31 December 2015. (The final distribution per unit of RMB0.0966 for the period from 1 July 2014 to 31 December 2014 is calculated by dividing final distribution to be paid to unitholders of RMB89,947,000 for the period from 1 July 2014 to 31 December 2014 by 931,139,567 units in issue as at 31 December 2014, before taking into account of the effect of 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 ended 31 December 2014 in relation to 65,600,000 units and 47,400,000 units respectively.

On 25 June 2014, Success Conquer Global Limited and Huge Harvest have each entered into a Success Conquer Distribution Waiver Deed and Huge Harvest Distribution Waiver Deed respectively ("New Distribution Waivers") and pursuant to which Success Conquer Global Limited and Huge Harvest agreed to waive their entitlements to receive any distribution payable with a record date after the issuance of the consideration units and in respect of the period ended 31 December 2014. The number of units waived by Success Conquer Global Limited and Huge Harvest were 15,000,000 units and 7,099,988 units respectively.

The final distribution per unit of RMB0.1130 for the period from 1 July 2014 to 31 December 2014 is calculated by dividing final distribution to be paid to unitholders of RMB89,947,000 for the period from 1 July 2014 to 31 December 2014 by 796,039,579 units, after taking into account the effect of Existing Distribution Waivers and New Distribution Waivers (collectively the "Distribution Waivers").

There are no dividend waivers for the year ended 31 December 2015.

The notes on pages 121 to 181 are an integral part of these consolidated financial statements.

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

For the year ended 31 December 2015

	Notes	Net assets attributable to unitholders RMB'000	Equity	
			Non-controlling interests RMB'000	Total RMB'000
As at 1 January 2014		2,368,015	24,446	2,392,461
(Loss)/profit for the year		(43,104)	1,185	(41,919)
Issuance of new units	22	412,447	–	412,447
Unit issue costs incurred in relation to the acquisition of a subsidiary	22	(7,152)	–	(7,152)
Distributions paid to unitholders	22	(172,223)	–	(172,223)
Excess of fair value of net assets of a subsidiary assumed over acquisition cost	22,24(b)	25,322	–	25,322
As at 31 December 2014		<u>2,583,305</u>	<u>25,631</u>	<u>2,608,936</u>
As at 1 January 2015		2,583,305	25,631	2,608,936
(Loss)/profit for the year		(45,568)	838	(44,730)
Issuance of new units	22	24,955	–	24,955
Units bought back for cancellation	22	(4,454)	–	(4,454)
Contribution from the controlling shareholders	22	1,371	–	1,371
Distributions paid to unitholders	22	(172,888)	–	(172,888)
As at 31 December 2015		<u>2,386,721</u>	<u>26,469</u>	<u>2,413,190</u>

The notes on pages 121 to 181 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	Year ended 31 December	
		2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Cash generated from operations	25	261,818	174,222
Interest paid		(67,412)	(60,103)
Income tax paid		(40,174)	(28,341)
Net cash generated from operating activities		154,232	85,778
Cash flows from investing activities			
Purchase of investment properties		(3,366)	(15,657)
Acquisition of subsidiaries, net of cash acquired	24	(185,854)	(193,289)
Net cash used in investing activities		(189,220)	(208,946)
Cash flows from financing activities			
Changes of restricted cash pledged for borrowings		(102,676)	(19,365)
Repayment of borrowings		(204,500)	(841,500)
Issuance of units	22	24,955	373,716
Unit issue costs	22	-	(7,152)
Units bought back for cancellation	22	(4,454)	-
Proceeds from borrowings, net of transaction costs		370,361	833,041
Distributions paid to unitholders	22	(172,888)	(172,223)
Fee paid for undrawn bank facilities		(124)	(742)
Payment of agency fee		(2,841)	(985)
Net cash (used in)/generated from financing activities		(92,167)	164,790
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year	17	187,345	145,723
Exchange gains on cash and cash equivalents		2,961	-
Cash and cash equivalents at end of the year	17	63,151	187,345

The notes on pages 121 to 181 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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.

These consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of New Century REIT. These consolidated financial statements have been approved for issue by the Board of Directors of the REIT Manager on 29 March 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of New Century REIT have been prepared in accordance with International Financial Reporting Standards (“IFRS”), the relevant provisions of the Trust Deed and Appendix C of the Code on Real Estate Investment Trusts (the “REIT Code”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and derivative financial instruments, which are carried at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors of the REIT Manager to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

At 31 December 2015, the Group's current liabilities exceed its current assets by RMB1,401,450,000. This was mainly due to current bank borrowings with amount of RMB1,496,420,000, and maturity in 2016. On 23 March 2016, the Group entered into a commitment letter with Wing Lung Bank, Limited ("Wing Lung Bank") in respect of the Wing Lung Bank's commitment to underwrite an onshore loan in the amount of RMB320 million and offshore loans in the aggregate amount of USD250 million (equivalent to approximately RMB1,623 million) for a period of 3 years. Taking into account the undrawn banking facilities and the stable operating cash inflow generated from rental income, the REIT Manager considers the Group's liquidity and financial position as a whole is healthy and has a reasonable expectation that the Group has adequate resources to meet its liabilities and commitments (principally relating to the 2015 final distribution) when they fall due and to continue in operational existence for the foreseeable future. Accordingly, the REIT Manager continues to adopt the going concern basis in preparing the consolidated financial statements.

(i) ***New and amended standards adopted by the Group***

The following standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2015.

	Effective date
Amendment to IAS 19	1 January 2015
Defined benefit plans	1 January 2015
Annual improvements 2012	1 January 2015
Annual improvements 2013	1 January 2015

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 standards and interpretations not yet adopted***

Up to the date of this report, International Accounting Standards Board ("IASB") has issued the following new standards, amendments and interpretations which are relevant to the Group's operations but are not yet effective for the annual accounting period beginning on 1 January 2015 or after and which have not been early adopted by the Group:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(ii) **New standards and interpretations not yet adopted** (continued)

		Effective for annual periods beginning or after
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
Amendments to IAS 16 and IAS 41	Agriculture: bearer plants	1 January 2016
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendment to IAS 27	Equity method in separate financial statements	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: applying the consolidation exception	1 January 2016
Amendments to IAS 1	Disclosure initiative	1 January 2016
Annual improvements 2014		1 January 2016
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 9	Financial instruments	1 January 2018
IFRS 16	Lease	1 January 2019

The Group is in the process of making an assessment of the impact of these new standards, amendments and interpretations to existing standards on the financial statements of the Group in the initial application. The adoption of the above is not expected to have a material effect on the Group's operating results and financial position.

2.2 Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

(a) Business Combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is New Century REIT's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within "finance income or costs". All other foreign exchange gains and losses are presented in the consolidated income statement within "other gains – net".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and provision for impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Years
Motor vehicles	5 years
Other equipment	2 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains – net" in the consolidated income statement.

2.5 Investment property

Investment property, principally comprising leasehold, land, buildings and related equipment, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases is accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, and financial assets available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

In 2014 and 2015, financial assets of the Group included loans and receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (continued)

2.8.1 Classification (continued)

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "amount due from related parties", "restricted cash" and "cash and cash equivalents" in the consolidated balance sheet (Notes 2.12, 2.14 and 2.13).

2.8.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statement within "Other gains – net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.10 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

In 2014 and 2015, the Group did not designate any derivatives as hedging instruments.

2.11 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held- to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Restricted cash is excluded from cash and cash equivalents.

2.14 Restricted cash

Restricted cash represents guaranteed deposits in a separate reserve account to be pledged to the bank for issuance of trade facilities such as bills payable and bankers' guarantee or as security deposits under bank borrowing agreement. Such restricted cash will be released when the Group repays the related trade facilities or bank loans.

2.15 Trade and other payables

Trade payables are obligations to pay for construction or services that have been acquired in the ordinary course of business from suppliers. Account payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Borrowings and borrowing cost

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowings are classified as current liabilities if the loan agreements include an overriding repayment on demand clause, which gives the lender the right to demand repayment at any time at their sole discretion, irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the agreement.

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) **Current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the jurisdictions where New Century REIT's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax (continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for rental income in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Rental income (Note 6)

Rental income is measured on the following bases:

- Base Rent from hotel properties and other rental income are recognised in the period in which the properties are let and on a straight-line basis over the periods of the respective leases;
- Total Rent from hotel properties is recognised in the period in which they are earned in accordance with the terms of respective agreements.

2.20 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to assets are included in non-current liabilities as deferred income and are credited to the consolidated income statement on a straight-line basis over the expected useful lives of the related asset.

2.23 Segment information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, which has been identified as senior executive management, in order to allocate resources to segments and to assess their performance.

Upon listing, the sole principal activity of the Group is the leasing of hotel properties, which are all located in PRC. Therefore, senior executive management concludes that the Group has a single reportable segment and no further analysis for segment information is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3 CHANGES IN ACCOUNTING POLICIES

During the year ended 31 December 2014, New Century REIT has changed its accounting policy for the treatment of business combination under common control, from predecessor values method to acquisition method. The directors of the REIT Manager takes the view that the acquisition method provides reliable and more relevant information because investors can make an informed assessment of the financial performance and distributable income of New Century REIT following the acquisition of a subsidiary on 31 July 2014 set out in Note 24 below. The adoption of the new policy has no effect on prior years as there's no business combination under common control incurred before. While under predecessor values method, the comparative figures for the year ended 31 December 2013 should be restated as the financial statements of acquiree should be incorporated in the consolidated financial statements when it first came under the control of the controlling party. The effect of restatement for the year ended 31 December 2013 under predecessor values method is summarised below:

Effect on the consolidated balance sheet	As at 31 December 2013 RMB'000	As at 1 January 2013 RMB'000
Increase in total assets	831,346	840,000
Increase in total liabilities	567,542	140,882
Increase in total equity	263,804	699,118

Effect on the consolidated income statement	Year ended 31 December 2013 RMB'000
Increase in loss before tax	11,824
Decrease in income tax expense	(3,752)
Increase in loss after tax	8,072

The adoption of the new policy has no effect on the consolidated balance sheet of New Century REIT as at 31 December 2014. And the effect on the consolidated income statement for the year ended 31 December 2014 is summarised below, of which the figures of acquiree for the period from 1 January 2014 to 31 July 2014 were incorporated under predecessor accounting:

Effect on the consolidated income statement	Year ended 31 December 2014 RMB'000
Increase in loss before tax	3,842
Decrease in income tax expense	(903)
Increase in loss after tax	2,939

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's major financial instruments include derivative financial instruments, trade and other receivables, amount due from related parties, restricted cash, cash and cash equivalents, trade and other payables, amount due to related parties and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how the Group mitigates these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(a) Market risk

(i) Foreign exchange risk

The Group's exposure to foreign exchange risk relates principally to its cash and cash equivalents and bank borrowings, denominated primarily in United States dollar ("USD") and Hong Kong dollar ("HKD"). The Group has not specifically hedged this exposure as it is of the view that the RMB spot rate against HKD and USD is in predictable trend.

As at 31 December 2015, if RMB had weakened/strengthened by 1% against USD with all other variables held constant, post-tax losses for the year ended 31 December 2015 would have been approximately RMB16,926,000 (2014: RMB10,377,000) higher/lower respectively, mainly as a result of foreign exchange losses/gains on translation of USD denominated bank borrowings, which is partially offsetting by USD denominated cash and cash equivalents.

As at 31 December 2015, if RMB had weakened/strengthened by 1% against HKD with all other variables held constant, post-tax losses for the year ended 31 December 2015 would have been approximately RMB51,000 (2014: RMB4,000) lower/higher respectively, mainly as a result of foreign exchange gains/losses on translation of HKD denominated cash and cash equivalents.

(ii) Cash flow interest risk

The Group has no significant interest-bearing assets except for cash and cash equivalents and restricted cash. Therefore, the Group's interest rate risk mainly arises from borrowings, cash and cash equivalents and restricted cash. Borrowings, cash and cash equivalents and restricted cash obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings, cash and cash equivalents and restricted cash obtained at fixed rates expose the Group to fair value interest rate risk.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps, which have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow interest risk (continued)

As at 31 December 2015, if the interest rates on borrowings have been 25 basis points higher/lower with all other variables held constant, post-tax losses for the year would have been approximately RMB913,000 (2014: RMB430,000) higher/lower respectively, mainly as result of higher/lower interest expense of borrowings with floating rates.

(b) Credit risk

The carrying amounts of cash and cash equivalents, restricted cash, amount due from related parties and trade and other receivables included in the consolidated balance sheet discussed below represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem.

As at 31 December 2015 and 2014, all cash and cash equivalents and restricted cash were deposited in the major financial institutions in the PRC and Hong Kong, which the directors of the REIT Manager believe are of high credit quality. The Group categorises its major counterparties into the following groups:

- Group 1 – Top 4 banks in the PRC (China Construction Bank Corporation, Bank of China Limited, Agriculture Bank of China Limited, and Industrial and Commercial Bank of China Limited) and major listed banks in Hong Kong;
- Group 2 – Other major listed banks in PRC; and
- Group 3 – Regional banks in the PRC.

The bank deposits balances as at 31 December 2015 and 2014 which are placed with these institutions are shown as below:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Group 1	209,444	228,318
Group 2	–	–
Group 3	87	2,740
	<u>209,531</u>	<u>231,058</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

The directors of the REIT Manager do not expect any losses from non-performance by these counterparties.

The Group established policies in place to ensure that rental income from the hotel properties is made to customers with an appropriate credit history and the Group assesses the credit worthiness and financial strength of its customers as well as considering prior dealing history with the customers. Please refer to Note 16 for aging analysis. Management make periodic collective assessment as well as individual assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any trade disputes with the debtors.

(c) Liquidity risk

The Group's objective is to maintain sufficient cash and sources of funding through committed credit facility. To manage the liquidity risk, management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn banking facilities) and cash and cash equivalents on the basis of expected cash flow. The Group expects to fund the future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
As at 31 December 2014					
Borrowings	112,642	1,127,409	367,140	–	1,607,191
Interest payable on borrowings	59,480	36,506	8,932	–	104,918
Derivative financial instruments	10,407	–	–	–	10,407
Trade and other payables and amount due to related parties	99,965	–	–	–	99,965
	<u>282,494</u>	<u>1,163,915</u>	<u>376,072</u>	<u>–</u>	<u>1,822,481</u>
As at 31 December 2015					
Borrowings	1,505,107	412,116	22,500	112,500	2,052,223
Interest payable on borrowings	60,939	17,299	6,608	15,688	100,534
Derivative financial instruments	6,479	–	–	–	6,479
Trade and other payables and amount due to related parties	123,168	–	–	–	123,168
	<u>1,695,693</u>	<u>429,415</u>	<u>29,108</u>	<u>128,188</u>	<u>2,282,404</u>

The interest payments on borrowings are calculated based on borrowings held as at 31 December 2014 and 2015 without taking into account future borrowings. Floating-rate interest is estimated using the relevant interest rates as at 31 December 2014 and 2015 respectively.

At 31 December 2015, the Group's current liabilities exceed its current assets by RMB1,401,450,000. This was mainly due to current bank borrowings with amount of RMB1,496,420,000, and maturity in 2016. On 23 March 2016, the Group entered into a commitment letter with Wing Lung Bank in respect of the Wing Lung Bank's commitment to underwrite an onshore loan in the amount of RMB320 million and offshore loans in the aggregate amount of USD250 million (equivalent to approximately RMB1,623 million) for a period of 3 years. Taking into account the undrawn banking facilities and the stable operating cash inflow generated from rental income, the REIT Manager considers the Group's liquidity and financial position as a whole is healthy and has a reasonable expectation that the Group has adequate resources to meet its liabilities and commitments (principally relating to the 2015 final distribution) when they fall due and to continue in operational existence for the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders.

Consistent with others in the industry, the REIT Manager monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total asset value.

The gearing ratios calculated based on the gross borrowings excluding transaction costs over total asset value as at 31 December 2014 and 2015 are as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Total gross borrowings excluding transaction costs (<i>Note 20</i>)	2,052,223	1,607,191
Total asset value	5,502,662	5,156,121
Gearing ratio	<u>37%</u>	<u>31%</u>

4.3 Fair value estimation

The table below analyses financial instruments carried at fair value as at 31 December 2015 and 2014 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value estimation (continued)

See Note 13 for disclosures of the investment properties that are measured at fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
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As at 31 December 2015

Liabilities

Financial liabilities at fair value through profit or loss

Derivative financial instruments	-	6,479	-	6,479
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	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
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As at 31 December 2014

Liabilities

Financial liabilities at fair value through profit or loss

Derivative financial instruments	-	10,407	-	10,407
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There were no transfers among different levels during the year.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimation of fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Note 13.

(b) Current income taxes and deferred tax

The Group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the provision for income taxes in various jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6 REVENUE

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Rental income from Initial Hotel Properties (a)	213,246	213,261
Rental income from Shanghai Hotel (b)	48,085	21,655
Rental income from Kaifeng Hotel (c)	9,121	–
Other rental income (d)	36,878	32,877
	<u>307,330</u>	<u>267,793</u>

- (a) On 14 June 2013, the Group entered into a hotel lease and management agreement in respect of 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 “Initial Hotel Properties”) (the “Lease Agreement of Initial Hotel Properties”) with Zhejiang New Century Hotel Management Limited, the lessee of Initial Hotel Properties, pursuant to which the Group is entitled to receive an annual rent (“Total Rent of Initial Hotel Properties”) 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 Lease Agreement of Initial Hotel Properties, the lessee has guaranteed a minimum aggregate annual rent of RMB216,000,000 (“Base Rent of Initial Hotel Properties”) for the first five years from the commencement of the Lease Agreement of Initial Hotel Properties. If the Total Rent of Initial Hotel Properties is less than the Base Rent of Initial Hotel Properties for that year, the shortfall would be paid by the lessee to the Group. For the subsequent sixth to tenth years, the Base Rent of Initial Hotel Properties for each of the subsequent years will be the market Base Rent (“Market Base Rent of Initial Hotel Properties”) determined by an independent professional property valuer which will be appointed at least seven months prior to the commencement of each subsequent year. If the Market Base Rent of Initial Hotel Properties as determined is lower than 85% of the average annual rent received from the lessee for the first four years (the “Reference Average Rent of Initial Hotel Properties”), the Base Rent of Initial Hotel Properties for each subsequent year should be 85% of the Reference Average Rent of Initial Hotel Properties, instead of the Market Base Rent of Initial Hotel Properties.

For the year ended 31 December 2015, as the Total Rent of Initial Hotel Properties is less than the Base Rent of Initial Hotel Properties of RMB216,000,000, the shortfall of RMB32,864,000 should be paid by the lessee to the Group in accordance with the Lease Agreement of Initial Hotel Properties. Therefore the rental income from Initial Hotel Properties of RMB213,246,000 is derived from the Base Rent of Initial Hotel Properties of RMB216,000,000 less value-added tax of RMB2,754,000. (2014: The rental income from Initial Hotel Properties of RMB213,261,000 was derived from the Base Rent of Initial Hotel Properties of RMB216,000,000 less value-added tax of RMB2,739,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6 REVENUE (CONTINUED)

- (b) On 25 June 2014, the Group entered into a hotel lease agreement in respect of Songjiang New Century Grand Hotel Shanghai (上海松江開元名都大酒店 “Shanghai Hotel”) and supplemental agreements dated 5 September 2014 and 23 March 2015 (collectively, “Lease Agreement of Shanghai Hotel”) with Shanghai Songjiang New Century Grand Hotel Limited, the lessee of Shanghai Hotel, pursuant to which the Group is entitled to receive an annual rent (“Total Rent of Shanghai Hotel”) which is calculated as 25% of Shanghai Hotel’s total operating revenue plus 34% of Shanghai Hotel’s gross operating profit from the operation of Shanghai Hotel by the lessee for a term of 10 years.

Under the terms of the Lease Agreement of Shanghai Hotel, the lessee has guaranteed a minimum aggregate annual rent of RMB45,580,540 (“Base Rent of Shanghai Hotel”) for the first five years from the commencement of the Lease Agreement of Shanghai Hotel. If the Total Rent of Shanghai Hotel is less than the Base Rent of Shanghai Hotel for that year, the shortfall would be paid by the lessee to the Group. For the subsequent sixth to tenth years, the Base Rent of Shanghai Hotel for each of the subsequent years will be the market Base Rent (“Market Base Rent of Shanghai Hotel”) determined by an independent professional property valuer which will be appointed at least seven months prior to the commencement of subsequent year. If the Market Base Rent of Shanghai Hotel as determined is lower than 85% of the average annual rent received from the lessee for the first four full financial years (the “Reference Average Rent of Shanghai Hotel”), the Base Rent of Shanghai Hotel for each subsequent year should be 85% of the Reference Average Rent of Shanghai Hotel, instead of the Market Base Rent of Shanghai Hotel.

For the year ended 31 December 2015, as the Total Rent of Shanghai Hotel of RMB48,085,000 exceeded the Base Rent of Shanghai Hotel, the rental income from Shanghai Hotel represents Total Rent of Shanghai Hotel. (2014: The rental income of Shanghai Hotel represented Total Rent of Shanghai Hotel of RMB21,655,000, which exceeded the pro-rated Base Rent of Shanghai Hotel based on the leasing period in 2014.)

- (c) On 29 June 2015, the Group entered into a hotel lease agreement in respect of Kaifeng New Century Grand Hotel (開封開元名都大酒店 “Kaifeng Hotel”) (“Lease Agreement of Kaifeng Hotel”) with New Century Grand Hotel Kaifeng Management Company Limited, the lessee of Kaifeng Hotel, pursuant to which the Group is entitled to receive an annual rent (“Total Rent of Kaifeng Hotel”) which is calculated as 20% of Kaifeng Hotel’s total operating revenue plus 34% of Kaifeng Hotel’s gross operating profit from the operation of Kaifeng Hotel by the lessee for a term of 10 years.

Under the terms of the Lease Agreement of Kaifeng Hotel, the lessee has guaranteed a minimum aggregate annual rent of RMB22,000,000 (“Base Rent of Kaifeng Hotel”) for the first five years from the commencement of the Lease Agreement of Kaifeng Hotel. If the Total Rent of Kaifeng Hotel is less than the Base Rent of Kaifeng Hotel for that year, the shortfall would be paid by the lessee to the Group. For the subsequent sixth to tenth years, the Base Rent of Kaifeng Hotel for each of the subsequent years will be the market Base Rent (“Market Base Rent of Kaifeng Hotel”) determined by an independent professional property valuer which will be appointed at least seven months prior to the commencement of subsequent year. If the Market Base Rent of Kaifeng Hotel as determined is lower than 85% of the average annual rent received from the lessee for the first four full financial years (the “Reference Average Rent of Kaifeng Hotel”), the Base Rent of Kaifeng Hotel for each subsequent year should be 85% of the Reference Average Rent of Kaifeng Hotel, instead of the Market Base Rent of Kaifeng Hotel.

For the year ended 31 December 2015, as the Total Rent of Kaifeng Hotel of RMB9,256,000 exceeded the Base Rent of Kaifeng Hotel, which is guaranteed at RMB22,000,000 per annum and pro-rated of RMB9,222,000 based on the leasing period in 2015. The rental income from Kaifeng Hotel represents Total Rent of Kaifeng Hotel. Therefore the rental income from Kaifeng Hotel of RMB9,121,000 is derived from the Total Rent of Kaifeng Hotel of RMB9,256,000 less value-added tax of RMB135,000.

- (d) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

7 OPERATING EXPENSES

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
REIT Manager fee (<i>Notes 8, 27(b)</i>)	28,497	26,346
Urban real estate and land use tax	23,337	16,527
Business tax and surcharges, stamp duty	13,461	11,821
Professional fee incurred in connection with the acquisition of a subsidiary (<i>Note 24</i>)	–	8,034
Auditor's remuneration	1,793	1,623
Legal and other professional fees	823	984
Trustee fee (<i>Note 27(b)</i>)	1,156	983
Valuation fees (<i>Note 27(b)</i>)	503	344
Maintenance and repairs	485	472
Depreciation of property, plant and equipment (<i>Note 12</i>)	81	107
Miscellaneous	543	332
	<hr/>	<hr/>
Total operating expenses	70,679	67,573
	<hr/> <hr/>	<hr/> <hr/>

8 REIT MANAGER FEE

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Base Fee	16,508	13,914
Variable Fee	10,089	8,932
Acquisition Fee	1,900	3,500
	<hr/>	<hr/>
	28,497	26,346
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

8 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, which is defined in the Trust Deed for each of the year;
- an acquisition fee (the “Acquisition Fee”) calculated by: 0.5% of the acquisition price of any real estate acquired by New Century REIT from New Century Hotel Group Limited and its subsidiaries (collectively, “New Century Group”); or 1% of the acquisition price of any real estate acquired by New Century REIT from third parties other than New Century Group.

The Base Fee and Variable Fee for the years ended 31 December 2015 and 2014 are paid to the REIT Manager in the form of units based on the prevailing market price at the time of the issuance of such units.

The Acquisition Fee for Kaifeng Hotel in 2015 with amount of RMB1,900,000 is paid to the REIT Manager in the form of cash (Note 24(a)). (The Acquisition Fee for Shanghai Hotel in 2014 with amount of RMB3,500,000 was paid in the form of units based on the prevailing market price at the time of the issuance of such units).

9 OTHER GAINS – NET

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Government grants (a)	7,249	6,034
Fair value gain/(loss) on derivative financial instruments – interest rate swaps (Note 19)	3,928	(876)
Net foreign exchange losses	(39)	(6)
Others	(156)	383
	<u>10,982</u>	<u>5,535</u>

(a) Government grants

Government grants mainly represented subsidy income from the government relating to costs and are recognised at their fair value over the period necessary to match them with the costs that they are intended to compensate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

10 FINANCE COSTS – NET

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Finance income		
– Interest income derived from bank deposits and other lendings	6,688	3,587
Finance costs		
– Interest expense on bank borrowings and other borrowings	(67,742)	(53,580)
– Unrealised net foreign exchange losses on financing activities	(94,918)	(6,838)
– Realised net foreign exchange losses on financing activities	(97)	(944)
– Amortisation of transaction costs of the bank borrowings	(21,502)	(19,520)
– Agency fee	(2,459)	(973)
	(186,718)	(81,855)
Finance costs – net	(180,030)	(78,268)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

11 INCOME TAX EXPENSE

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Current income tax		
– PRC corporate income tax	43,396	33,806
Deferred income tax		
– PRC corporate income tax (<i>Note 21</i>)	3,937	(7,812)
Tax charge	47,333	25,994

The tax on the Group's profit/(loss) before taxation and transactions with unitholders differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profit/(loss) of the consolidated income statement as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Profit/(loss) before taxation	2,603	(15,925)
Tax calculated at statutory tax rates applicable to each group entity	46,808	20,821
Expenses not deductible for tax purpose	36	4,954
Tax losses for which no deferred income tax asset was recognised	489	219
Tax charge	47,333	25,994

(a) Hong Kong profits tax

Enterprises incorporated in Hong Kong are subject to profits tax rates of 16.5% throughout the year ended 31 December 2015 and 2014. No Hong Kong profits tax has been provided for as the Group has no assessable profits in Hong Kong for the years ended 31 December 2015 and 2014.

11 INCOME TAX EXPENSE (CONTINUED)

(b) PRC corporate income tax

Enterprises incorporated in the PRC are subject to income tax rate of 25% throughout the years ended 31 December 2015 and 2014.

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.

Since the deferred income tax assets and liabilities shall be measured at the tax rates that are expected to apply to the year when the assets is realised or the liability is settled, the change in the applicable tax rate will affect the determination of the carrying values of deferred tax assets and liabilities of the Group's subsidiaries located in the PRC.

(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 directors of the REIT Manager have resolved that the profit of the subsidiaries incorporated in the PRC from the date of listing to 31 December 2015 will not be distributed in the future to the parent company outside PRC. Hence, deferred income tax liabilities as at 31 December 2015 and 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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

12 PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles RMB'000	Other equipment RMB'000	Total RMB'000
As at 1 January 2014			
Cost	565	–	565
Accumulated depreciation	(349)	–	(349)
Net book amount	<u>216</u>	<u>–</u>	<u>216</u>
Year ended 31 December 2014			
Opening net book amount	216	–	216
Acquisition of a subsidiary (Note 24(b))	–	1	1
Depreciation (Note 7)	(107)	–	(107)
Closing net book amount	<u>109</u>	<u>1</u>	<u>110</u>
As at 31 December 2014			
Cost	565	1	566
Accumulated depreciation	(456)	–	(456)
Net book amount	<u>109</u>	<u>1</u>	<u>110</u>
Year ended 31 December 2015			
Opening net book amount	109	1	110
Depreciation (Note 7)	(81)	–	(81)
Closing net book amount	<u>28</u>	<u>1</u>	<u>29</u>
As at 31 December 2015			
Cost	565	1	566
Accumulated depreciation	(537)	–	(537)
Net book amount	<u>28</u>	<u>1</u>	<u>29</u>

Depreciation of property, plant and equipment has been charged to the “operating expenses” in the consolidated income statement (Note 7).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

13 INVESTMENT PROPERTIES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Investment properties	5,225,000	4,870,000

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
At fair value		
Opening balance	4,870,000	4,190,000
Additions	–	13,412
Fair value losses (a)	(65,000)	(143,412)
Acquisition of a subsidiary (Note 24)	420,000	810,000
Closing balance	5,225,000	4,870,000

- (a) An independent valuation of the Group's investment properties was performed by the valuer, DTZ Debenham Tie Leung Limited, to determine the fair value of the investment properties as at 31 December 2015 and 2014.

As at 31 December 2015, bank borrowings are secured on the Initial Hotel Properties for the carrying amount of RMB3,975,000,000 (2014: RMB4,060,000,000) (Note 20).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

13 INVESTMENT PROPERTIES (CONTINUED)

The following table analyses the investment properties carried at fair value, by valuation method.

Description	Fair value measurements as at 31 December 2015 using		
	Quoted prices in	Significant other	Significant
	active markets for	observable inputs	unobservable inputs
	identical assets (Level 1) RMB'000	(Level 2) RMB'000	(Level 3) RMB'000
Recurring fair value measurements			
Investment properties:			
– Initial Hotel Properties	-	-	3,975,000
– Shanghai Hotel	-	-	830,000
– Kaifeng Hotel	-	-	420,000
	<u>-</u>	<u>-</u>	<u>5,225,000</u>

Description	Fair value measurements as at 31 December 2014 using		
	Quoted prices in	Significant other	Significant
	active markets for	observable inputs	unobservable inputs
	identical assets (Level 1) RMB'000	(Level 2) RMB'000	(Level 3) RMB'000
Recurring fair value measurements			
Investment properties:			
– Initial Hotel Properties	-	-	4,060,000
– Shanghai Hotel	-	-	810,000
	<u>-</u>	<u>-</u>	<u>4,870,000</u>

There were no transfers between Levels 1, 2 and 3 during the years ended 31 December 2015 and 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

13 INVESTMENT PROPERTIES (CONTINUED)

Fair value measurements using significant unobservable inputs (Level 3)

	As at 31 December 2015 RMB'000
As at 1 January 2015	4,870,000
Fair value losses	(65,000)
Acquisition of a subsidiary (<i>Note 24(a)</i>)	420,000
	<u>5,225,000</u>
As at 31 December 2015	<u>5,225,000</u>

	As at 31 December 2014 RMB'000
As at 1 January 2014	4,190,000
Additions	13,412
Fair value losses	(143,412)
Acquisition of a subsidiary (<i>Note 24(b)</i>)	810,000
	<u>4,870,000</u>
As at 31 December 2014	<u>4,870,000</u>

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2015 by qualified independent professional valuer, DTZ Debenham Tie Leung Limited, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's management reviews the valuations performed by the independent valuer for financial reporting purposes and reports directly to the Finance and Investment Committee (the "FIC") of the REIT Manager. Discussions of valuation processes and results are held between the FIC, the Group's management and independent valuer at least once every year, in line with the Group's annual reporting dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

13 INVESTMENT PROPERTIES (CONTINUED)

Valuation processes of the Group (continued)

At each financial year end, the Group's management:

- Verifies all major inputs to the independent valuation report;
- Assesses property market conditions and property valuations movements as compared to the prior year valuation report;
- Holds discussions with the independent valuer and the FIC.

Changes in level 3 fair values are analysed at each reporting date during the annual valuation discussions between the Group's management and the FIC.

Valuation techniques

For Initial Hotel Properties, Shanghai Hotel and Kaifeng Hotel 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 to the valuation techniques during the years ended 31 December 2014 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

13 INVESTMENT PROPERTIES (CONTINUED)

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value as at 31 Dec 2015 (RMB'000)	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value	
Initial Hotel Properties, Shanghai Hotel and Kaifeng Hotel	5,225,000	Discounted cash flow	Rental value	<p>For rental income from Initial Hotel Properties and Kaifeng Hotel:</p> <p>Base Rent of Initial Hotel Properties and Kaifeng Hotel are both pre-determined fixed amounts per annum and Total Rent of Initial Hotel Properties and Kaifeng Hotel are calculated as 20% of the lessees' total revenue, plus 34% of the lessees' Gross Operating Profit from operating the Initial Hotel Properties and Kaifeng Hotel respectively. If the Total Rent is less than the Base Rent for that year, the lessee shall pay the difference</p> <p>For rental income from Shanghai Hotel:</p> <p>Base Rent of Shanghai Hotel is a pre-determined fixed amount per annum and Total Rent of Shanghai Hotel is calculated as 25% of the lessees' total revenue, plus 34% of the lessees' Gross Operating Profit from operating the Shanghai Hotel. If the Total Rent of Shanghai Hotel is less than the Base Rent of Shanghai Hotel for that year, the lessee shall pay the difference.</p> <p>For other rental income:</p> <p>Total monthly rental range from RMB30,000 to RMB1,354,000</p>	The higher the input value, the higher the fair value	
			Average daily room rate ("ADR")	2016 – Range from RMB330 to RMB775		
			Annual growth in ADR	Stabilized at 4%		
			Occupancy rate on available room basis	2016 – Range from 50% to 66% Stabilized at range from 60% to 72%		
			Food and beverage revenue	29% to 72% of gross revenue Stabilized at range from 31% to 75%		
			Terminal growth rate	4%		
			Furniture, fixtures and equipment ("FF&E") provision	2% of gross revenue		The higher the input rate, the lower the fair value
			Discount rate	Kaifeng Hotel: 9.5%; Other properties: 9%		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

13 INVESTMENT PROPERTIES (CONTINUED)

Description	Fair value as at 31 Dec 2014 (RMB'000)	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value	
Initial Hotel Properties and Shanghai Hotel	4,870,000	Discounted cash flow	Rental value	<p>For rental income from Initial Hotel Properties:</p> <p>Base Rent of Initial Hotel Properties is a pre-determined fixed amount per annum and Total Rent of Initial Hotel Properties is calculated as 20% of the lessees' total revenue, plus 34% of the lessees' Gross Operating Profit from operating the Initial Hotel Properties. If the Total Rent of Initial Hotel Properties is less than the Base Rent of Initial Hotel Properties for that year, the lessee shall pay the difference.</p> <p>For rental income from Shanghai Hotel:</p> <p>Base Rent of Shanghai Hotel is a pre-determined fixed amount per annum and Total Rent of Shanghai Hotel is calculated as 25% of the lessees' total revenue, plus 34% of the lessees' Gross Operating Profit from operating the Shanghai Hotel. If the Total Rent of Shanghai Hotel is less than the Base Rent of Shanghai Hotel for that year, the lessee shall pay the difference.</p> <p>For other rental income:</p> <p>Total monthly rental range from RMB160,000 to RMB1,470,000</p>	The higher the input value, the higher the fair value	
				ADR		2015 – Range from RMB340 to RMB775
				Annual growth in ADR		Stabilized at 4%
				Occupancy rate on available room basis		2015 – Range from 53% to 66% Stabilized at range from 60% to 72%
				Food and beverage revenue		35% to 76% of gross revenue
				Terminal growth rate		4%
				FF&E		2% of gross revenue
				Discount rate		9%

There are inter-relationships between unobservable inputs. An increase in future rental income may be linked with change of costs. If the remaining lease term increases, the yield may change.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

14 GOODWILL

	Goodwill RMB'000
Year ended 31 December 2015	
Opening net book amount	–
Acquisition of a subsidiary (Note 24(a))	<u>7,987</u>
Closing net book amount	<u>7,987</u>
As at 31 December 2015	
Cost	7,987
Accumulated impairment	<u>–</u>
Net book amount	<u>7,987</u>

Impairment tests for goodwill

For the purpose of impairment review, the recoverable amount of goodwill is determined based on value-in-use calculations. These calculations use pretax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budget.

Key assumptions used in the cash flow projections are as follows:

Key assumptions used for rental income – Annual growth rate in ADR	4%
– Occupancy rate on available room basis	64%
Long term growth rate per annum	4%
Discount rate per annum	9.5%

These assumptions have been used for the analysis of the cash-generating unit (“CGU”). Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. Management estimates the discount rate using pre-tax rates that reflect market assessments of the time value of money and the specific risks relating to the CGU. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections.

Based on the assessment, no goodwill was impaired as at 31 December 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

15 OTHER LONG-TERM ASSETS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Fee paid for undrawn bank facilities	1,299	2,874
Other long-term assets	–	550
	<u>1,299</u>	<u>3,424</u>

16 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Trade receivables (a)	2,042	2,351
Other receivables	2,180	19
Prepayments	560	175
	<u>4,782</u>	<u>2,545</u>
Trade and other receivables and prepayments – net		

As at 31 December 2015 and 2014, 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 31 December 2015 and 2014, the trade receivables represent the rental income receivables from the lessees. The aging analysis of trade receivables as at 31 December 2015 and 2014 was as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Trade receivables, gross		
– Within 30 days	<u>2,042</u>	<u>2,351</u>

Credit period granted to customers is normally 30 days. No interest is charged on the trade receivables. Impairment review on trade receivables has been assessed and would be provided for estimated irrecoverable amounts after taking into account the subsequent settlement, rental deposit receivables and past collection history. For the years ended 31 December 2015 and 2014, no impairment has been provided.

As at 31 December 2015 and 2014, all trade receivables were pledged as collateral for the Group's bank borrowings (Note 20).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

17 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Cash at bank and on hand (a)	209,595	231,113
Less: Restricted cash (b)	(146,444)	(43,768)
Cash and cash equivalents	<u>63,151</u>	<u>187,345</u>

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Cash at bank and in hand:		
• RMB	160,939	183,712
• USD	43,601	46,836
• HKD	5,055	565
	<u>209,595</u>	<u>231,113</u>

(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 20).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

18 TRADE AND OTHER PAYABLES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Trade payables (a)	6,114	7,578
Other payables	10,424	6,030
Advances from customers	2,136	1,990
Interest payables	10,127	9,797
Accrued taxes other than income tax	9,222	5,085
Dividends payable (Note 22)	1,029	2,400
	<u>39,052</u>	<u>32,880</u>

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Trade payables		
– Within 90 days	–	1,934
– Over 90 days and within 360 days	–	4,374
– Over 360 days and within 720 days	5,463	598
– Over 720 days	651	672
	<u>6,114</u>	<u>7,578</u>

As at 31 December 2015 and 2014, all trade and other payables of the Group were non-interest bearing. Their fair values approximate their carrying amounts due to their short maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

19 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Interest rate swaps	6,479	10,407

The Group has entered into interest rate swaps with a commercial bank, which have the economic effect of converting interest rate of 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 years ended 31 December 2014 and 2015. As at 31 December 2015, the notional principal amounts of the outstanding interest rate swaps were USD221,000,000 (2014: USD221,000,000) and the fixed interest rate were 3.45% to 3.7% per annum (2014: 3.45% to 3.7% per annum). Gains and losses arising from the fair value change of the interest rate swaps were recognised in the consolidated income statement in "Other gains – net" (Note 9).

20 BORROWINGS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Non-current		
Principle of bank borrowings – secured (a)	1,735,336	1,497,049
Less: Transaction costs	(17,284)	(35,245)
Current portion of non-current bank borrowings	(1,179,533)	(448)
	538,519	1,461,356
Current		
Bank borrowings – secured (a)	316,887	110,142
Current portion of non-current bank borrowings	1,179,533	448
	1,496,420	110,590

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

20 BORROWINGS (CONTINUED)

The Group's borrowings are denominated in the following currencies:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
• RMB	298,782	141,563
• USD	1,736,157	1,430,383
	2,034,939	1,571,946

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	6 months or less RMB'000	Between 6 and 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
As at 31 December 2014	110,142	–	1,461,804	1,571,946
As at 31 December 2015	615,669	1,038,251	381,019	2,034,939

The maturity of borrowings is as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
On demand or within 1 year	1,496,420	110,590
Between 1 and 2 years	403,519	1,106,943
Between 2 and 3 years	22,500	354,413
Over 3 years	112,500	–
	2,034,939	1,571,946

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

20 BORROWINGS (CONTINUED)

The weighted average effective interest rates during the years ended 31 December 2015 and 2014 were as follows:

	Year ended 31 December	
	2015	2014
Borrowings – current		
– USD	3.18%	2.87%
– RMB	<u>4.55%</u>	<u>4.90%</u>
Borrowings – non-current		
– USD	5.03%	4.84%
– RMB	<u>7.58%</u>	<u>8.64%</u>

The fair values of current borrowings equal their carrying amounts as the discounting impact is not significant.

The carrying amounts and fair values of the non-current borrowings are as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Carrying amount		
Bank borrowings	<u>538,519</u>	<u>1,461,356</u>
Fair value		
Bank borrowings	<u>533,545</u>	<u>1,425,623</u>

The fair values are based on cash flows discounted using the market interest rates prevailing at each balance sheet date and are within level 2 of the fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

20 BORROWINGS (CONTINUED)

The Group had the following undrawn bank borrowing facilities:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
USD facilities	<u>129,872</u>	<u>310,845</u>

All undrawn bank borrowing facilities above will expire on 10 July 2016.

(a) Bank borrowings – secured

Bank borrowings of the Group as at 31 December 2015 and 2014 are secured by the following:

- Investment properties (Note 13), bank deposits (Note 17) and trade receivables (Note 16 and Note 27(c)) and guaranteed by 浙江開元酒店投資管理集團有限公司 (Zhejiang New Century Hotel Investment & Management Group Limited, “Zhejiang New Century Hotel”), Spearhead Investments Limited and Sky Town Investments Limited, subsidiaries of the Group (2014: Investment properties, bank deposits and trade receivables and guaranteed by Spearhead Investments Limited and Sky Town Investments Limited, subsidiaries of the Group);
- Equity interest of Zhejiang New Century Hotel, 浙江銳至投資股份有限公司 (Zhejiang Spearhead Investment 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 and Management 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, 麗水惠富酒店管理有限公司 (Lishui Full Wise Hotel Management Limited) and Strong Tower Global Limited, Full Wise Industrial Limited, subsidiaries of the Group (2014: same as 2015).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

21 DEFERRED INCOME TAX ASSETS AND 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:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Deferred income tax liabilities:		
– to be recovered after more than 12 months	880,750	828,972
– to be recovered within 12 months	406	–
	<u>881,156</u>	<u>828,972</u>

The movements on the net deferred income tax liabilities are as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Opening balance	828,972	749,870
Charged/(credited) to the consolidated income statement (<i>Note 11</i>)	3,937	(7,812)
Acquisition of a subsidiary (<i>Note 24</i>)	48,247	86,914
Closing balance	<u>881,156</u>	<u>828,972</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

21 DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITIES (CONTINUED)

Movements in deferred income tax assets and liabilities during the years ended 31 December 2015 and 2014, without taking into consideration the offsetting of balance within the same tax jurisdiction, are as follows:

Deferred income tax assets	Tax losses RMB'000
As at 31 December 2013	3,948
Charged to the consolidated income statement	(7,326)
Acquisition of a subsidiary (Note 24(b))	3,901
	<hr/>
As at 31 December 2014	523
Credited to the consolidated income statement	304
Acquisition of a subsidiary (Note 24(a))	698
	<hr/>
As at 31 December 2015	<u><u>1,525</u></u>

Deferred income tax liabilities	Difference between tax book and accounting book in respect of investment properties RMB'000	Amortisation of transaction cost for the bank borrowings RMB'000	Others RMB'000	Total RMB'000
As at 31 December 2013	751,606	1,758	454	753,818
(Credited)/charged to the consolidated income statement	(14,445)	(961)	268	(15,138)
Acquisition of a subsidiary (Note 24(b))	90,815	-	-	90,815
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 December 2014	827,976	797	722	829,495
Charged/(credited) to the consolidated income statement	5,193	(430)	(522)	4,241
Acquisition of a subsidiary (Note 24(a))	48,685	-	260	48,945
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 December 2015	<u><u>881,854</u></u>	<u><u>367</u></u>	<u><u>460</u></u>	<u><u>882,681</u></u>

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB708,000 (2014: RMB219,000) in respect of losses amounting to RMB4,291,000 (2014: RMB1,329,000) that can be carried forward against future taxable income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

22 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	Number of units	Net assets attributable to unitholders RMB'000
Year ended 31 December 2014		
Opening balance	772,000,000	2,368,015
Issuance of new units (a)	159,139,567	412,447
Unit issue costs incurred in relation to the acquisition of a subsidiary (Note 24(b))		(7,152)
Loss for the year		(43,104)
Distributions paid to unitholders during the year		(172,223)
Excess of fair value of net assets of a subsidiary assumed over acquisition cost (Note 24(b))		25,322
	<u>931,139,567</u>	<u>2,583,305</u>
As at 31 December 2014		
	<u>931,139,567</u>	<u>2,583,305</u>
Year ended 31 December 2015		
Opening balance	931,139,567	2,583,305
Issuance of new units (b)	10,085,173	24,955
Units bought back for cancellation (c)	(1,800,000)	(4,454)
Loss for the year		(45,568)
Contribution from the controlling shareholders (d)		1,371
Distributions paid to unitholders during the year		(172,888)
	<u>939,424,740</u>	<u>2,386,721</u>
As at 31 December 2015		
	<u>939,424,740</u>	<u>2,386,721</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

22 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (CONTINUED)

- (a) New Century REIT has issued 159,139,567 units during the year ended 31 December 2014:
- (i) On 23 April 2014, 3,840,504 units were issued to the REIT Manager at an issue price of HK\$3.4594 per unit (equivalent to RMB10,552,944) as payment of REIT Manager fee for the period from 10 July 2013 (date of listing) to 31 December 2013;
 - (ii) On 31 July 2014, 151,369,782 units were issued in relation to the acquisition of Shanghai Hotel (Note 24), in which:
 - 135,000,000 placement units were issued at an issue price of HK\$3.25 per unit (equivalent to RMB349,157,250);
 - 15,000,000 consideration units were issued at an issue price of HK\$3.25 per unit (equivalent to RMB38,731,388);
 - 1,369,782 units were issued to the REIT Manager as Acquisition Fee at an issue price of HK\$3.25 per unit (equivalent to RMB3,500,000);
 - (iii) On 9 October 2014, 3,929,281 units were issued to the REIT Manager at an issue price of HK\$3.3718 per unit (equivalent to RMB10,506,260) as payment of REIT Manager fee for the six months ended 30 June 2014.
- (b) New Century REIT has issued 10,085,173 units during the year ended 31 December 2015:
- (i) On 27 May 2015, 5,078,306 units were issued to the REIT Manager at an issue price of HK\$3.0810 per unit (equivalent to RMB12,341,000) as payment of REIT Manager fee for the six months ended 31 December 2014;
 - (ii) On 23 September 2015, 5,006,867 units were issued to the REIT Manager at an issue price of HK\$3.0662 per unit (equivalent to RMB12,614,000) as payment of REIT Manager fee for the six months ended 30 June 2015.
- (c) From July to November 2015, New Century REIT has repurchased and cancelled a total of 1,800,000 units on The Stock Exchange of Hong Kong Limited at the prevailing market price with the aggregate consideration of HK\$5,514,000 (equivalent to RMB4,454,000). Details of the units bought back during the year ended 31 December 2015 were as follows:

Month	Units bought back	Price paid per unit		Aggregate consideration HK\$'000
		Highest HK\$	Lowest HK\$	
July 2015	880,000	3.28	3.00	2,773
August 2015	425,000	3.05	2.81	1,242
September 2015	445,000	3.12	2.90	1,349
November 2015	50,000	3.05	2.95	150
Total	<u>1,800,000</u>			<u>5,514</u>

All units bought back were cancelled during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

22 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (CONTINUED)

- (d) This represents the dividends payable by Zhejiang Spearhead Investment Limited (浙江銳至投資股份有限公司), one subsidiary of the Group and with 95.46% interest held by the Group. In the year ended 31 December 2015, one of the former shareholders, New Century International Controlling Co., Ltd. ("New Century International"), has resolved to waive its dividends receivable of RMB1,371,000 from Zhejiang Spearhead Investment Limited. As New Century International is also controlled by the immediate controlling party of New Century REIT, the waived dividends are deemed as contribution from the controlling shareholders as set out in Note 27(a) and recorded in "Net assets attributable to unitholders".
- (e) As at 31 December 2015, the net assets attributable to unitholders per unit of RMB2.5406 is calculated by dividing the net assets attributable to unitholders of RMB2,386,721,000 by the number of units in issue of 939,424,740 (2014: the net assets attributable to unitholders per unit of RMB2.7743 is calculated by dividing the net assets attributable to unitholders of RMB2,583,305,000 by the number of units in issue of 931,139,567).

23 LOSSES PER UNIT BASED UPON LOSS AFTER INCOME TAX BEFORE TRANSACTIONS WITH UNITHOLDERS ATTRIBUTABLE TO UNITHOLDERS

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

	Year ended 31 December 2015	Year ended 31 December 2014
Loss after income tax before transactions with unitholders attributable to unitholders (RMB'000)	<u>(45,568)</u>	<u>(43,104)</u>
Weighted average number of units in issue ('000)	<u>934,844</u>	<u>839,432</u>
Basic losses per unit (RMB)	<u>(0.0487)</u>	<u>(0.0513)</u>

The diluted losses per unit is the same as the basic losses per unit as there were no diluted instruments in issue during the years ended 31 December 2015 and 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

24 BUSINESS COMBINATION

(a) Acquisition of Kaifeng Hotel in 2015

On 31 July 2015, the Group acquired the entire share capital of Kaifeng New Century Grand Hotel Limited (“Kaifeng New Century Grand”) from Hangzhou New Century Real Estate Group Limited, an associated corporation of significant holders of New Century REIT. The purchase consideration for the acquisition was RMB196,886,000. The acquisition has been accounted for using the acquisition method. The Kaifeng New Century Grand is principally engaged in leasing of Kaifeng Hotel, which is located in PRC.

The acquisition is expected to increase the Group’s presence in the domestic market, add value to Group’s portfolio with potential for further growth in rental income and capital value. The goodwill of RMB7,987,000 arising from the acquisition is attributable to acquired customer base. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid and the fair value of net assets acquired at the acquisition date.

The net cash outflow arising from the net assets acquired is as follows:

	Fair value RMB’000
Recognised amounts of identifiable assets acquired and liabilities	
Investment properties (<i>Note 13</i>)	420,000
Amount due from related parties	1,596
Trade and other receivables and prepayments	1,979
Cash and cash equivalents	11,032
Loan due to related parties	(180,000)
Amount due to related parties	(14,473)
Trade and other payables	(2,988)
Deferred income tax liabilities (<i>Note 21</i>)	(48,247)
Net identifiable assets acquired	188,899
Goodwill (<i>Note 14</i>)	7,987
	196,886
Total consideration for the acquisition satisfied by cash	(196,886)
Net cash outflow arising on acquisition:	
Cash consideration	(196,886)
Cash and cash equivalents in the subsidiary acquired	11,032
	(185,854)

24 BUSINESS COMBINATION (CONTINUED)

(a) Acquisition of Kaifeng Hotel in 2015 (continued)

Pursuant to the terms of the sale and purchase agreement, the vendor has agreed to bear all the transaction cost incurred for the acquisition, except the Acquisition Fee paid to the REIT Manager and the Trustee with amounts of RMB1,900,000 (Note 8) and RMB55,236 respectively, which have been charged to operating expenses in the consolidated income statement for the year ended 31 December 2015.

The revenue included in the consolidated income statement since 31 July 2015 contributed by the Kaifeng New Century Grand was RMB9,568,000. The Kaifeng New Century Grand also contributed profit of RMB5,146,000 over the same period.

Had the Kaifeng New Century Grand been consolidated from 1 January 2015, the consolidated income statement would show pro-forma revenue of RMB45,942,000 and loss of RMB1,136,000.

(b) Acquisition of Shanghai Hotel in 2014

On 31 July 2014, the Group acquired the entire share capital of Strong Tower Global Limited and its subsidiaries (collectively known as "Strong Tower Group") from Success Conquer Global Limited, an associated corporation of significant holders of New Century REIT. The purchase consideration for the acquisition was RMB235,611,000, which was settled partly by cash and partly by issuance of consideration units (Note 22). The cash portion of the consideration was financed by fund drawdown of bank borrowing (Note 20) and the proceeds of placement units (Note 22). The acquisition has been accounted for using the acquisition method. The Strong Tower Group is principally engaged in leasing of Shanghai Hotel, which is located in PRC.

The following table summarises the consideration paid, the fair value of net assets acquired at the acquisition date. The difference between the fair value of net assets acquired and the total consideration in relation to the acquisition has been included in the changes of net assets attributable to unitholders (Note 22).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

24 BUSINESS COMBINATION (CONTINUED)

(b) Acquisition of Shanghai Hotel in 2014 (continued)

The net cash outflow arising from the net assets acquired is as follows:

	Fair value RMB'000
Investment properties (<i>Note 13</i>)	810,000
Amount due from related parties	6,222
Property, plant and equipment (<i>Note 12</i>)	1
Trade and other receivables and prepayments	532
Cash and cash equivalents	3,591
Borrowings	(405,500)
Amount due to related parties	(64,666)
Trade and other payables	(2,333)
Deferred income tax liabilities	(86,914)
	<hr/>
Net identifiable assets acquired	260,933
	<hr/>
Total consideration satisfied by:	
– Cash paid	(196,880)
– Consideration units issued (<i>Note 22</i>)	(38,731)
	<hr/>
Total consideration for the acquisition	(235,611)
	<hr/>
Excess of the fair value of net assets of a subsidiary assumed over acquisition cost (<i>Note 22</i>)	25,322
	<hr/> <hr/>
Net cash outflow arising on acquisition:	
Cash consideration	(196,880)
Cash and cash equivalents in the subsidiary acquired	3,591
	<hr/>
	(193,289)
	<hr/> <hr/>

Acquisition-related cost of RMB8,034,000 (*Note 7*) have been charged to operating expenses in the consolidated income statement for the year ended 31 December 2014. The Acquisition Fee paid to the REIT Manager please refer to *Note 8*.

15,000,000 consideration units were issued as part of the consideration paid to Success Conquer Global Limited (equivalent to RMB38,731,388) (*Note 22*). Issuance costs totalling RMB7,152,000 have been netted against the deemed proceeds (*Note 22*).

The revenue included in the consolidated income statement since 31 July 2014 contributed by the Strong Tower Group was RMB25,986,000. The Strong Tower Group also contributed profit of RMB6,652,000 over the same period.

Had the Strong Tower Group been consolidated from 1 January 2014, the consolidated income statement would show pro-forma revenue of RMB37,599,000 and profit of RMB3,713,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

25 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit/(loss) before taxation to cash generated from operations

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Profit/(loss) before taxation for the year	2,603	(15,925)
Adjustments for:		
– Depreciation of property, plant and equipment (<i>Note 7</i>)	81	107
– Fair value (gain)/loss on derivative financial instruments (<i>Note 9</i>)	(3,928)	876
– Fair value losses on investment properties (<i>Note 13</i>)	65,000	143,412
– Unrealised net foreign exchange losses on financing activities (<i>Note 10</i>)	94,918	6,838
– Realised net foreign exchange losses on financing activities (<i>Note 10</i>)	97	944
– Interest expense on bank borrowings and other borrowings (<i>Note 10</i>)	67,742	53,580
– Amortisation of transaction costs of bank borrowings (<i>Note 10</i>)	21,502	19,520
– Agency fee (<i>Note 10</i>)	2,459	973
Changes in working capital:		
– Decrease in trade and other receivables and prepayments	89	4,697
– Increase in amount due from related parties	(3,445)	(20,503)
– Increase/(decrease) in amount due to related parties	9,073	(17,078)
– Increase/(decrease) in trade and other payables	5,627	(3,219)
Cash generated from operations	261,818	174,222

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

26 COMMITMENTS

Capital commitments

	As at 31 December	
	2015	2014
	RMB'000	RMB'000

In respect of investment properties, contracted but not provided for

	126	–
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27 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions and balances detailed elsewhere in the consolidated financial statements, the Group had the following material transactions with connected and related parties during the year:

(a) Nature of relationship with connected/related parties

The table set forth below summaries the names of the connected/related parties and nature of their relationship with the Group as at 31 December 2015.

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
New Century Tourism Group Limited	Associated corporation of significant holders of New Century REIT
Shanghai New Century Enterprise Operation Management 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
Chun'an Qiandao Lake Property Management Services 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
Zhejiang New Century Hotel Management Limited and other members of its group (collectively the "Hotel Group")	Associated corporation of significant holders of New Century REIT
Shanghai Songjiang New Century Grand Hotel Limited	Associated corporation of significant holders of New Century REIT
New Century Grand Hotel Kaifeng Management Company Limited	Associated corporation of significant holders of New Century REIT
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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

(b) Transactions with connected/related parties

Rental income received/receivable from:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
The Hotel Group (i)	217,772	217,720
Shanghai Songjiang New Century Grand Hotel Limited	48,085	21,655
New Century Grand Hotel Kaifeng Management Company Limited	9,256	–
Shanghai New Century Enterprise Operation Management Limited	6,174	2,308
New Century Tourism Group Limited	1,902	1,847
Hangzhou New Century Real Estate Group Limited	1,772	1,555
Deqing New Century Senbo Holiday Limited	309	266
Hangzhou New Century International Tourism Limited	252	247
Hangzhou New Century Zhijiang Cleaning Chain Limited	126	124
Hangzhou New Century Decorating Limited	116	113
Hangzhou New Century Information System Engineering Limited	52	50
Hangzhou Zhirong Trading Limited	34	67
	285,850	245,952

- (i) The net rental income from Initial Hotel Properties of 2015 is RMB215,018,000, calculated by gross rental income of RMB217,772,000, netting of value-added taxes of RMB2,754,000 (2014: The net rental income from Initial Hotel Properties of 2014 is RMB214,981,000, calculated by gross rental income of RMB217,720,000, netting of value-added taxes of RMB2,739,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

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

Rental deposit received from:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
New Century Grand Hotel Kaifeng Management Company Limited	22,000	–
Shanghai Songjiang New Century Grand Hotel Limited	109	45,471
Shanghai New Century Enterprise Operation Management Limited	–	1,475
New Century Tourism Group Limited	–	466
The Hotel Group	–	434
Hangzhou New Century Real Estate Group Limited	–	434
Deqing New Century Senbo Holiday Limited	–	67
Hangzhou New Century International Tourism Limited	–	63
Hangzhou New Century Zhijiang Cleaning Chain Limited	–	32
Hangzhou New Century Decorating Limited	–	29
Hangzhou Zhirong Trading Limited	–	17
Hangzhou New Century Information System Engineering Limited	–	13
	22,109	48,501

Other connected party transactions:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
REIT Manager fee paid/payable to the REIT Manager	28,497	26,346
Trustee fee paid/payable to the Trustee	1,156	983
Valuation fee paid/payable to the Valuer	503	624
Interest expense paid to New Century Tourism Group Limited (ii)	3,358	–
	33,514	27,953

- (ii) This refers to the related party's loan of RMB180,000,000 (Note 24(a)) from New Century Tourism Group Limited to Kaifeng New Century Grand on 8 June 2015, with an interest rate of 4.42% per annum. The related party's loan was unsecured and was fully repaid on 30 December 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

(c) Balances with connected/related parties

Trade receivables due from:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
The Hotel Group (i)	48,989	45,067
Shanghai Songjiang New Century Grand Hotel Limited (i)	3,535	3,761
New Century Grand Hotel Kaifeng Management Company Limited	1,403	–
	<u>53,927</u>	<u>48,828</u>

(i) As at 31 December 2015 and 2014, all the trade receivables due from the Hotel Group and Shanghai Songjiang New Century Grand Hotel Limited were pledged as collateral for the Group's bank borrowings (Note 20).

Other receivables due from:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Chun'an Qiandao Lake Property Management Services Limited	–	101
REIT Manager	43	–
	<u>43</u>	<u>101</u>

Trade payables due to:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Hangzhou New Century Decorating Limited	<u>11</u>	<u>1,913</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

(c) Balances with connected/related parties (continued)

Other payables due to:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Shanghai Songjiang New Century Grand Hotel Limited	45,581	48,000
New Century Grand Hotel Kaifeng Management Company Limited	22,000	–
The Hotel Group	20,434	18,118
The REIT Manager	13,984	12,317
Hangzhou New Century Real Estate Group Limited	434	434
Shanghai New Century Enterprise Operation Management Limited	1,475	1,475
New Century Tourism Group Limited	466	466
Deqing New Century Senbo Holiday Limited	84	67
Hangzhou New Century International Tourism Limited	63	63
Hangzhou New Century Zhijiang Cleaning Chain Limited	32	32
Hangzhou New Century Decorating Limited	29	29
Hangzhou New Century Information System Engineering Limited	13	13
Hangzhou Zhirong Trading Limited	–	17
The Trustee (ii)	765	592
The Valuer (ii)	360	331
	105,720	81,954

(ii) Other payables due to the Trustee and the Valuer are recorded in "Trade and other payables" of the consolidated balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

(c) Balances with connected/related parties (continued)

Advances from customers:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Shanghai New Century Enterprise Operation Management Limited	457	512
New Century Tourism Group Limited	162	159
The Hotel Group	151	148
Hangzhou New Century Real Estate Group Limited	151	148
Deqing New Century Senbo Holiday Limited	28	–
Hangzhou New Century International Tourism Limited	21	21
Hangzhou New Century Zhijiang Cleaning Chain Limited	11	11
Hangzhou New Century Decorating Limited	10	10
Hangzhou New Century Information System Engineering Limited	4	4
	<u>995</u>	<u>1,013</u>

(d) Key management compensation:

There was no key management compensation for the year ended 31 December 2015 (2014:nil).

(e) Director's emoluments

No directors' emoluments were paid or payable by the Group for the years ended 31 December 2015 and 2014, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

28 SUBSIDIARIES

Particulars of the principal subsidiaries are as follows:

Name	Date of incorporation	Issued and paid up capital/registered capital	Effective interests held by the Group (%)	Principal activities
Incorporated in the PRC:				
浙江開元酒店投資管理集團有限公司 (Zhejiang New Century Hotel Investment & Management Group Limited)	30 November 2001	RMB811,000,000	100%	Investment holding and hotel properties leasing
浙江銳至投資股份有限公司 (Zhejiang Spearhead Investment Limited)	8 September 1994	RMB102,571,739	95.46%	Hotel properties leasing
寧波開元銳至投資有限公司 (Ningbo New Century Spearhead Investment Limited)	1 December 2004	RMB170,488,723	100%	Hotel properties leasing
長春開元銳至投資管理有限公司 (Changchun New Century Spearhead Investment and Management Limited)	13 November 2007	RMB120,000,000	100%	Hotel properties leasing
淳安千島湖開元銳至投資有限公司 (Chun'an Qiandao Lake New Century Spearhead Investment Limited)	15 January 2001	RMB30,000,000	100%	Hotel properties leasing
上海松江輝維資產管理有限公司 (Shanghai Songjiang Hui Wei Asset Management Limited)	17 April 2013	RMB463,000,000	100%	Hotel properties leasing
麗水惠富酒店管理有限公司 (Lishui Full Wise Hotel Management Limited)	25 February 2013	RMB463,901,200	100%	General trading and investment holding
開封開元名都大酒店有限公司 (Kaifeng New Century Grand Hotel Limited)	25 December 2013	RMB50,000,000	100%	Hotel properties leasing
Incorporated in British Virgin Islands:				
Spearhead Global Limited	8 March 2013	20,000 ordinary shares of USD1 each	100%	Investment holding
Strong Tower Global Limited	13 January 2014	10,000 ordinary shares of USD1 each	100%	Investment holding
Incorporated in Hong Kong:				
Spearhead Investments Limited	25 March 2013	1 ordinary share of HKD1 each	100%	Investment holding
Sky Town Investments Limited	22 May 2007	745,054,688 ordinary shares of HKD1 each	100%	Investment holding
Full Wise Industrial Limited	20 September 2012	10,000 ordinary shares of HKD1 each	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

29 FUTURE MINIMUM RENTAL RECEIVABLES

As at 31 December 2015 and 2014, the Group has future minimum rental receivables under non-cancellable leases as follow:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Within one year	319,463	293,264
Between one year and five years	1,124,758	1,069,947
Over five years	721,603	863,844
	<u>2,165,824</u>	<u>2,227,055</u>

30 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

- (a) In January and February 2016, New Century REIT has repurchased a total of 233,000 units on The Stock Exchange of Hong Kong Limited at the prevailing market price with the aggregated consideration of HK\$661,609 (the "Repurchase"). All these units were cancelled in February 2016.

The final distribution per unit for the six months ended 31 December 2015 after taking into account the effect of the Repurchase is RMB0.0850 which is calculated by dividing New Century REIT's final distribution of RMB79,807,000 by 939,191,740.

- (b) On 23 March 2016, the Group entered into a commitment letter with Wing Lung Bank in respect of the Wing Lung Bank's commitment to underwrite an onshore loan in the amount of RMB320 million and offshore loans in the aggregate amount of USD250 million (equivalent to approximately RMB1,623 million) for a period of 3 years.

PERFORMANCE TABLE

As at 31 December 2015

	2015	2014
Net assets attributable to unitholders (RMB'000)	2,386,721	2,583,305
Net assets value per unit attributable to unitholders (RMB) (Equivalent to HK\$)	2.5406 3.0325	2.7743 3.5167
The highest premium of the traded price to net asset value per unit (HK\$) (<i>Note b</i>)	10.80%	10.90%
The highest discount of the traded price to net asset value per unit (HK\$) (<i>Note b</i>)	9.32%	10.14%
Distribution yield per unit (after taking into account the effect of Special Distribution and Distribution Waivers (if any)) (<i>Note c</i>)	7.21%	8.72%
Number of units in issue (units)	939,424,740	931,139,567
Gearing ratio (<i>Note d</i>)	37%	31%
Gross liabilities as a percentage of gross assets (<i>Note e</i>)	56%	50%

Notes:

- a. Hong Kong dollar amounts are based on an exchange rate of HK\$1 = RMB0.8378 (2014: HK\$1 = RMB0.7889) at the end of the reporting period.
- b. The highest premium is calculated based on the highest traded price of HK\$3.36 (2014: HK\$3.90) on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2015. The highest discount is calculated based on the lowest traded price of HK\$2.75 (2014: HK\$3.16) on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2015.
- c. Distribution yield per unit for 2015 is calculated based on total distribution per unit for the year ended 31 December 2015 over the closing price of HK\$2.90 as at 31 December 2015. Distribution yield per unit for 2014 is calculated based on total distribution per unit (after taking into account the effect of Special Distribution and Distribution Waivers) for the year ended 31 December 2014 over the closing price of HK\$3.30 as at 31 December 2014.
- d. Gearing ratio is calculated based on gross borrowings excluding transaction costs over total asset value as at the end of reporting period.
- e. It is calculated based on total liabilities excluding transaction costs on borrowings and net assets attributable to unitholders over total asset value at the end of reporting period.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, the distributions and of the assets and liabilities of New Century REIT, as extracted from the published audited consolidated financial statements, is set out below.

	2015	2014	2013	For the period from 10 July 2013 (date of listing) to 31 December 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Results and distributions				
Revenue				
Rental income	307,330	267,793	141,279	126,842
Hotel operation income	-	-	319,596	-
	307,330	267,793	460,875	126,842
Profit/(loss) before taxation and transactions with unitholders	2,603	(15,925)	(157,519)	(186,066)
Income tax (expense)/credit	(47,333)	(25,994)	26,867	38,867
Loss for the year/period, before transactions with unitholders	(44,730)	(41,919)	(130,652)	(147,199)
Loss attributable to unitholders	(45,568)	(43,104)	(130,888)	(146,859)
Total distributions to unitholders	162,748	181,468	80,702	80,702

SUMMARY OF FINANCIAL INFORMATION

	As at 31 December		
	2015 RMB'000	2014 RMB'000	2013 RMB'000
Assets and liabilities			
Non-current assets	5,234,315	4,873,534	4,204,963
Current assets	268,347	282,587	198,877
Total assets	5,502,662	5,156,121	4,403,840
Current liabilities	1,669,797	256,857	352,484
Non-current liabilities, other than net assets attributable to unitholders	1,419,675	2,290,328	1,658,895
Total liabilities, other than net assets attributable to unitholders	3,089,472	2,547,185	2,011,379
Net assets attributable to unitholders	2,386,721	2,583,305	2,368,015
Total liabilities	5,476,193	5,130,490	4,379,394
Net assets	26,469	25,631	24,446
Total equity			
Non-controlling interest	26,469	25,631	24,446

CORPORATE INFORMATION

THE REIT MANAGER AND THE 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)
(Non-executive Director)
TONG JinQuan
(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
WAN Hui Yeung (with effect from 16 September 2015)
HONG Kam Kit Eddie
(resigned with effect from 23 July 2015)
HO Wai Chu

AUDIT COMMITTEE OF THE REIT MANAGER

YU Hon To David *(Chairman)*
ZHANG Chi
HE Jianmin

DISCLOSURES COMMITTEE OF THE REIT MANAGER

CHEUNG Yat Ming *(Chairman)*
ZHANG Guanming
YU Hon To David

NOMINATION COMMITTEE OF THE REIT MANAGER

CHEN Miaolin *(Chairman)*
ANGELINI Giovanni
HE Jianmin

FINANCE AND INVESTMENT COMMITTEE OF THE REIT MANAGER

CHEUNG Yat Ming *(Chairman)*
WAN Hui Yeung (with effect from 16 September 2015)
HONG Kam Kit Eddie
(resigned with effect from 23 July 2015)
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
Level 52, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

AUDITOR

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central
Hong Kong

PRINCIPAL VALUER

DTZ Deberham Tie Leung Limited
16th Floor, 1063 King's Road
Quarry Bay
Hong Kong

LEGAL ADVISER

Cadwalader, Wickersham & Taft
27th Floor, 100QRC
100 Queen's Road Central
Central
Hong Kong

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
18th Floor, 818 Shixin Zhong Road Beigan Street
Xiaoshan District
Hangzhou
PRC

STOCK CODE

01275

WEBSITE

www.ncreit.com

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

Acquisition Fee	not exceeding the rate of 0.5% of the acquisition price of any real estate from the New Century Group and not exceeding the rate of 1% of the acquisition price of any real estate from third parties other than the New Century Group.
ADR	average daily rate, which means room revenue divided by rooms in use.
Carlyle Group	The Carlyle Group, a global alternative asset manager with approximately US\$183 billion in assets under management with 126 funds and 160 fund of funds vehicles investing in corporate private equity, real assets, global market strategies and fund of funds solutions as at 31 December 2015.
Changchun New Century Grand	Changchun New Century Spearhead Investment and Management 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.
Divestment Fee	not exceeding the rate of 0.5% of the sale price of any real estate divested by New Century REIT.
Directors	the directors of the REIT Manager.
Full Wise HK	Full Wise Industrial Limited (惠富實業有限公司), a company incorporated in Hong Kong on 20 September 2012 and a wholly-owned subsidiary of New Century REIT.
Gross Floor Area or GFA	in respect of a property, the gross floor area of that property being the area contained within the external walls of the building measured at each floor level (including any floor below the level of the ground), together with the area of each balcony in the building, which shall be calculated from the overall dimensions of the balcony (including the thickness of the sides thereof), and the thickness of external walls of the building excluding any floor space that is constructed or intended to be used solely for parking motor vehicles, loading or unloading of motor vehicles, or for refuse storage chambers, material recovery chambers, refuse chutes, refuse hopper rooms and other types of facilities provided to facilitate the separation of refuse, or for access facilities for telecommunications and broadcasting services, or occupied solely by machinery or equipment for any lift, air-conditioning or heating system or any similar service.
Hangzhou New Century Real Estate	Hangzhou New Century Real Estate Group Limited* (杭州開元房地產集團有限公司), a company incorporated in the PRC on 6 July 2001.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited.
Hotel Lease and Management Agreements	with respect to the Initial Hotel Properties, the master hotel lease and management agreement dated 14 June 2013 entered into between Zhejiang New Century Hotel and New Century Hotel Management and the separate hotel lease and management agreements entered into between the Lessors and the Lessees in respect of the leasing of Initial Hotel Properties and delegation of the hotel management function by the Manager to the Lessees; the Shanghai Hotel Lease Agreement dated 25 June 2014 and the Shanghai Hotel Management Agreement dated 1 May 2014 in respect of Shanghai Hotel; the Kaifeng Hotel Lease Agreement and the Kaifeng Hotel Management Agreement both dated 29 June 2015 in respect of Kaifeng Hotel, as amended, supplemented and/or otherwise modified from time to time.
Huge Harvest	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 are ultimately owned by Mr. Chen Miaolin, Mr. Chen Canrong and Mr. Zhang Guanming, respectively as at 31 December 2015.
Huge Harvest Group	Huge Harvest, its direct and indirect subsidiaries and entities ultimately controlled by Mr. Chen Miaolin.
Individual Rent	the rent payable under a Hotel Lease and Management Agreement.
Initial Hotel Properties	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 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 each an “Initial Hotel Property”.
Lessee(s)	New Century Hotel Management in respect of the Initial Hotel Properties and Kaifeng Hotel, whereas for Shanghai Hotel, Shanghai Songjiang New Century Grand Hotel Limited.
Lessor(s)	the Property Companies.
Kaifeng Hotel	New Century Grand Hotel Kaifeng* (開封開元名都大酒店).
Kaifeng New Century Grand	Kaifeng New Century Grand Hotel Limited* (開封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 25 December 2013.

Kaifeng Hotel Lease Agreement	with respect to Kaifeng Hotel, the hotel lease agreement dated 29 June 2015 entered into between Kaifeng New Century Grand, New Century Grand Hotel Kaifeng Management Company Limited* (開封開元名都酒店管理有限公司), New Century Tourism and the REIT Manager in respect of the leasing of Kaifeng Hotel, as amended, supplemented and/or otherwise modified from time to time.
Kaifeng Hotel Management Agreement	with respect to Kaifeng Hotel, the hotel management agreement dated 29 June 2015 entered into between New Century Grand Hotel Kaifeng Management Company Limited* (開封開元名都酒店管理有限公司) and New Century Hotel Management in respect of the management of Kaifeng Hotel, as amended, supplemented and/or otherwise modified from time to time.
Listing Rules	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.
Lishui Full Wise	Lishui Full Wise Hotel Management Limited* (麗水惠富酒店管理有限公司, previously 麗水惠富商貿有限公司), a company incorporated in the PRC on 25 February 2013 and a wholly-owned subsidiary of New Century REIT.
New Century (Cayman)	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	New Century (Cayman) and its subsidiaries.
New Century Hotel Management	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	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	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 incorporated in the PRC on 1 December 2004.
Non-Competition Deed	the deed of non-competition entered into by Mr. Chen Miaolin, Huge Harvest, the REIT Manager and the Trustee dated 14 June 2013.
Offering Circular	offering circular of New Century REIT dated 24 June 2013 and as supplemented by the supplemental offering circular dated 29 June 2013.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

Ordinary Resolution	a resolution of Unitholders proposed and passed by a simple majority of the votes of those present and entitled to vote that shall be taken by way of poll, but with a quorum of two or more Unitholders holding 10% of Units in issue.
PRC or China	the People's Republic of China excluding, for the purpose of this report only, Hong Kong, the Macau Special Administrative region of the PRC and Taiwan.
Property Companies	Changchun New Century Grand, Zhejiang New Century Hotel, Ningbo New Century Grand, Qiandao Lake Resort, Xiaoshan Hotel Company, Shanghai Songjiang Hui Wei and Kaifeng New Century Grand.
Qiandao Lake Resort	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(s)	real estate investment trust(s)
REIT Code	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 by published practice statements or in any particular case, by specific written guidance issued or exemptions or waivers granted by the SFC.
SFC	the Securities and Futures Commission of Hong Kong.
SFO	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) as amended, supplemented or otherwise modified and the rules thereunder.
Shanghai Hotel	Songjiang New Century Grand Hotel Shanghai* (上海松江開元名都大酒店).
Shanghai Hotel Lease Agreement	with respect to Shanghai Hotel, the hotel lease agreement dated 25 June 2014 entered into between Shanghai Songjiang New Century Grand Hotel Limited and Shanghai Songjiang Hui Wei in respect of the leasing of Shanghai Hotel, as amended, supplemented and/or otherwise modified from time to time.
Shanghai Hotel Management Agreement	with respect to Shanghai Hotel, the hotel management agreement dated 1 May 2014 entered into between Shanghai Songjiang New Century Grand Hotel Limited and New Century Hotel Management in respect of the management of Shanghai Hotel, as amended, supplemented and/or otherwise modified from time to time.
Shanghai Songjiang Hui Wei	Shanghai Songjiang Hui Wei Asset Management Limited* (上海松江輝維資產管理有限公司), a company incorporated in the PRC on 17 April 2013 and a wholly-owned subsidiary of New Century REIT.

Significant Holder(s)	has the meaning ascribed to this term in the REIT Code.
Sky Town	Sky Town Investments Limited, a company incorporated in Hong Kong on 22 May 2007 and a wholly-owned subsidiary of New Century REIT.
Special Purpose Vehicle(s) ("SPV(s)")	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 31 December 2015, including SPV (BVI), SPV (HK), Sky Town, Strong Tower, Full Wise HK, Lishui Full Wise and the Property Companies.
Special Resolution	a resolution of Unitholders proposed and passed by a majority consisting of 75% or more of the votes of those present and entitled to vote in person or by proxy where the votes shall be taken by way of poll, but with a quorum of two or more Unitholders holding 25% of the Units in issue.
SPV (BVI)	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)	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.
sq.m.	square meter.
Strong Tower	Strong Tower Global Limited, a company incorporated in the British Virgin Islands on 13 January 2014 and a wholly-owned subsidiary of New Century REIT.
substantial shareholder	has the meaning ascribed to this term under the Listing Rules.
Trust Deed	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 trust deed dated 20 June 2013 and the second supplemental trust deed dated 15 June 2015, as may be further amended and supplemented from time to time.
Unit(s)	unit(s) of New Century REIT.
Unitholder(s)	holders of the Units from time to time.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

Xiaoshan Hotel Company	Zhejiang Spearhead Investment Limited* (浙江銳至投資股份有限公司, previously 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	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.
Zhejiang New Century Real Estate	Zhejiang New Century Real Estate Limited* (浙江開元置業有限公司), a company incorporated in the PRC on 21 May 2002.

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 ASSET MANAGEMENT LIMITED

Unit 4706, 47th Floor, The Center, 99 Queen's Road Central, Hong Kong

Tel: (852) 2153 3588 Fax: (852) 3488 6403



www.ncreit.com



New Century Real Estate Investment Trust

開元產業投資信託基金

(Stock code: 1275)