



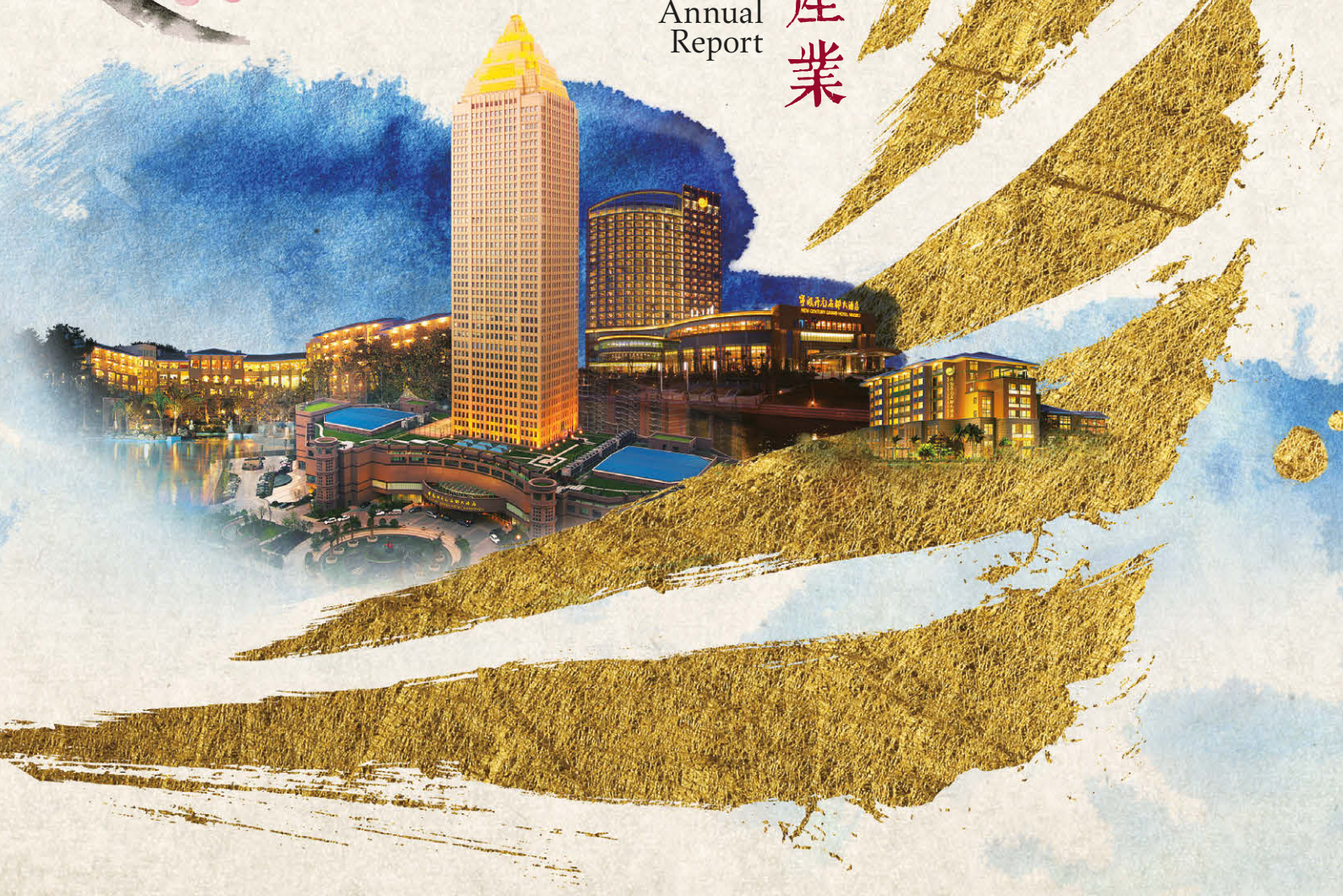
New Century Real Estate Investment Trust 開元產業投資信託基金

(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)



開元 產業

2017
Annual
Report



NEW CENTURY REAL ESTATE INVESTMENT TRUST

The audited consolidated financial statements of New Century Real Estate Investment Trust (“**New Century REIT**”) and its subsidiaries (together, the “**Group**”) for the year ended 31 December 2017 (the “**Reporting Period**”), having been reviewed by the audit committee (the “**Audit Committee**”) and disclosures committee (the “**Disclosures Committee**”) of New Century Asset Management Limited (the “**REIT Manager**”) were approved by the board of directors of the REIT Manager (the “**Board**”) on 22 March 2018.

LONG-TERM OBJECTIVES AND STRATEGY

The REIT Manager continues its strategy of investing on a long-term basis in a diversified portfolio of income-producing real estate globally, with the aim of delivering regular and stable high distributions to the holders of the units of New Century REIT (the “**Unit(s)**”) (the “**Unitholder(s)**”) and achieving long-term growth in distributions and portfolio valuation while maintaining an appropriate capital structure.

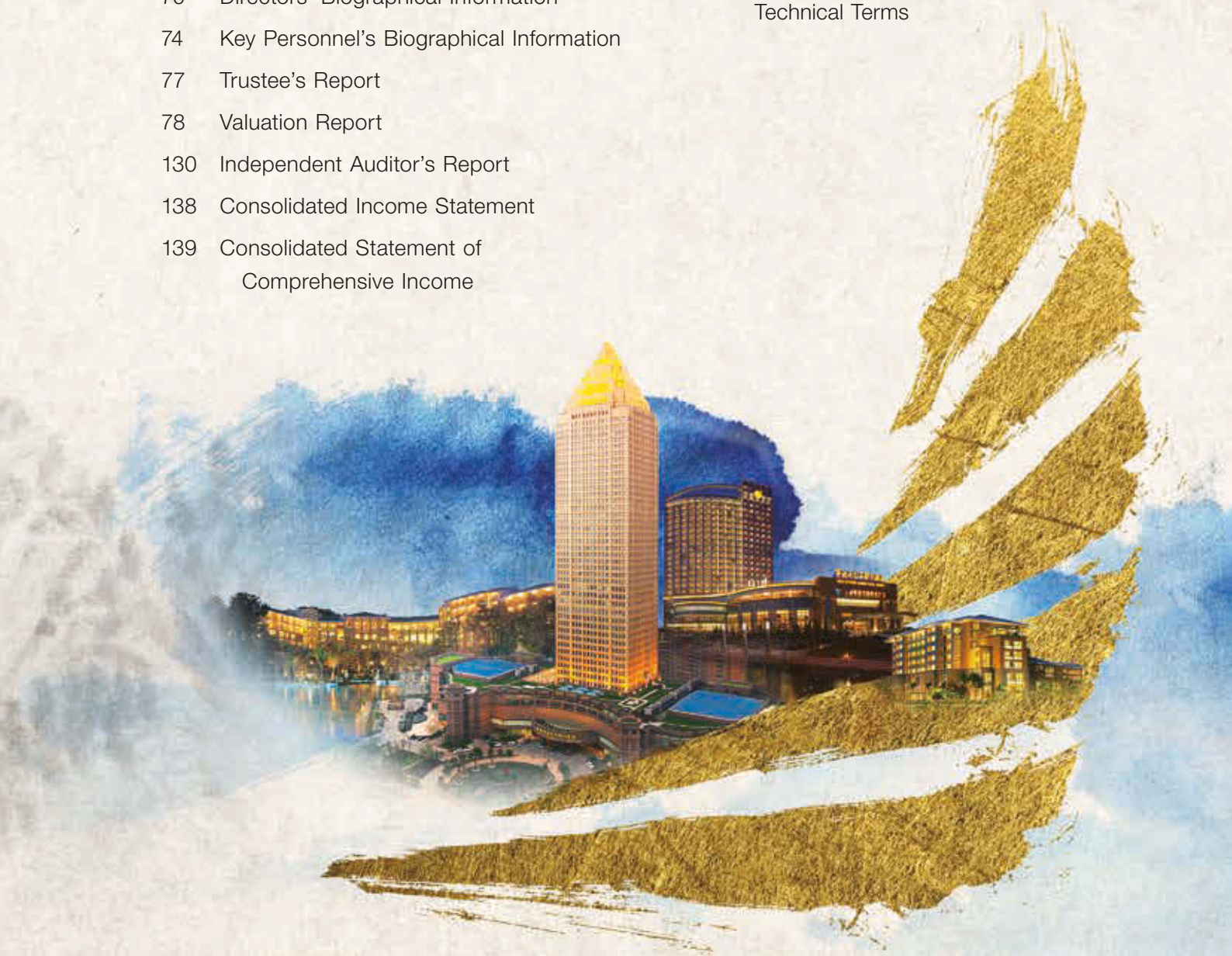
New Century REIT is sponsored by New Century Tourism Group Limited and its subsidiaries (together the “**New Century Tourism Group**”), the largest privately owned star-rated hotel group in the People’s Republic of China (“**China**” or the “**PRC**”). Ranked the 27th globally in 2016, as published by *Hotels Magazine* in July 2017, New Century Tourism Group has about 284 star-rated hotels in operations or under development in China, the Netherlands and Germany.

After the disposal of Songjiang New Century Grand Hotel Shanghai (上海松江開元名都大酒店) (the “**Shanghai Hotel**”) with effect from 1 June 2017, New Century REIT’s portfolio comprised five 5-star hotels and two 4-star hotels as at 31 December 2017, 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), New Century Hotel Xiaoshan Zhejiang (浙江開元蕭山賓館), (collectively, the “**Initial Hotel Properties**”), New Century Grand Hotel Kaifeng (開封開元名都大酒店) (the “**Kaifeng Hotel**”), and Holiday Inn Eindhoven (荷蘭開元假日酒店－埃因霍溫) (the “**Netherlands Hotel**”) (together, the “**Hotel Properties**”). Of the Hotel Properties, six are located in China (the “**PRC Hotels**”) and one in the Netherlands. Altogether they have an aggregate of 2,584 rooms and 386,277 square meters (“**sq.m.**”) in total gross floor area (“**GFA**”). The majority of the hotels within our portfolio were rated the top 3.0% best hotels in their respective cities by TripAdvisor.com as at 25 January 2018.



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KEY FINANCIAL FIGURES FOR THE REPORTING PERIOD



New Century Grand Hotel Changchun Ballroom

(expressed in thousands of Renminbi (“RMB”) unless otherwise specified)

	For the year ended 31 December 2017	For the year ended 31 December 2016	Percentage Increase/ (Decrease)
Total Revenue	293,407	316,750	(7.4%)
Profit attributable to Unitholders	170,594	119,268	43.0%
Basic earnings per Unit¹	0.1786	0.1263	41.4%
Distributable income for the year	108,733	122,754	(11.4%)
Total interim distribution	79,591	77,757	2.4%
Total final distribution²	51,269	79,497	(35.5%)
Total distribution for the year	130,860	157,254	(16.8%)
Final distribution per Unit (“DPU”)	0.0535	0.0836	(36.0%)
Total DPU³	0.1365	0.1659	(17.7%)
Final DPU⁴ (HK\$)	0.0663	0.0943	(29.7%)
Total DPU⁴ (HK\$)	0.1636	0.1904	(14.1%)
Distribution yield⁵	6.9%	7.6%	(0.7%)
Net assets attributable to Unitholders per Unit (“NAV per Unit”)⁶	2.5081	2.4925	0.6%
Adjusted NAV per Unit^{6 & 7}	3.4461	3.5195	(2.1%)
Adjusted NAV per Unit (HK\$)^{4, 6 & 7}	4.1226	3.9346	4.8%
Gearing ratio⁸	36.5%	43.7%	(7.2%)

KEY FINANCIAL FIGURES FOR THE REPORTING PERIOD

Notes:

1. Basic earnings per Unit is calculated by dividing profit attributable to Unitholders of RMB170,594,000 (2016: RMB119,268,000) by the weighted average number of Units in issue during the year with an amount of 955,384,000 Units (2016: 944,495,000 Units).
2. Excluding the RMB39 million special final distribution in 2016, the 2017 final distribution is higher than the 2016 final distribution by RMB10.8 million.
3. For the year ended 31 December 2017, total DPU comprised interim DPU of RMB0.0830 (2016 interim DPU: RMB0.0823) and final DPU of RMB0.0535 (2016 final DPU: RMB0.0836).
4. Unless indicated otherwise, amounts specified in Hong Kong dollars (“**HK\$**” or “**HKD**”) are based on an exchange rate of HK\$1=RMB0.8359 as at 31 December 2017 (as at 31 December 2016: HK\$1=RMB0.8945) while amounts specified in United States dollars (“**USD**” or “**US\$**”) are based on an exchange rate of US\$1=RMB6.5342 as at 31 December 2017 (as at 31 December 2016: US\$1 = RMB6.9370).

Distribution payable to Unitholders is paid in Hong Kong dollars. The exchange rate adopted by the REIT Manager for the interim and final distribution of 2017 is HK\$1=RMB0.8527 (2016: HK\$1=RMB0.8567) and HK\$1=RMB0.8070 (2016: HK\$1=RMB0.8868) 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.

5. Distribution yield is calculated based on total DPU of HK\$0.1636 for 2017 (2016: HK\$0.1904) over the closing market price of the Unit of HK\$2.37 on 29 December 2017 (as at 30 December 2016: HK\$2.49).
6. NAV per Unit is calculated by dividing net assets attributable to Unitholders of RMB2,404,023,000 (2016: RMB2,371,097,000) by the total number of Units in issue as at 31 December 2017 of 958,500,829 Units (2016: 951,301,342 Units).
7. Adjusted by excluding deferred tax liabilities of RMB899,059,000 (as at 31 December 2016: RMB977,023,000) as at 31 December 2017.
8. Gearing ratio is calculated based on the total borrowings comprising bank borrowings excluding transaction costs, and loan from a related party (if any) over total asset value as at the end of the Reporting Period.



New Century Grand Hotel Hangzhou
Four Seasons Chamber

CHAIRMAN'S STATEMENT



Dear Unitholders,

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

In 2017, the overall performance of the New Century REIT's portfolio observed steady YoY increase in occupancy and revenue per available room ("**RevPAR**"). The Netherlands Hotel also demonstrated healthy growths in occupancy and RevPAR of 0.3 percentage points and 7.9% YoY, respectively. Overall, occupancy in

2017 increased by 5.0 percentage points YoY to 69.6%, resulting in an 8.2% increase in RevPAR to RMB368. Based on the closing market price of the Unit of HK\$2.37 on 29 December 2017, our 2017 distribution yield amounted to 6.9% per annum.

The hospitality industry in China continued to benefit from the rise in household income and consumption and as well as the continuous expansion of transportation networks, which contributed to the increasing number of both leisure and business travelers. According to the



Jin Wenjie
Chairman

China National Tourism Administration (中華人民共和國國家旅遊局), domestic tourism registered 2.54 billion tourist trips in the first half of 2017, having increased by 13.5% YoY. In the first half of 2017, inbound tourist trips amounted to 69.5 million, up 2.4% compared with the same period in 2016.

China growth was solid throughout 2017. According to the World Bank's forecast, supported by the growth of personal consumption and foreign trade, China's annual economic growth was at 6.9% in 2017. With

administrative polices in place to stop illegal capital outflows, the RMB exchange rate has regained its upward momentum as compared with the beginning of 2017. Across the globe, momentum in the US economy has strengthened, while the outcomes of the national elections in France and Germany eliminated some of the political uncertainties. Economic performance in Japan and emerging market economies was also better than expected. Moving into 2018, market optimism continues to prevail. However, such a favorable environment would be subject to certain economic and

CHAIRMAN'S STATEMENT



2017 China Hotel Operation Conference
at New Century Grand Hotel Hangzhou

political risks, including whether the pace of US interest rate normalization will need to quicken if inflationary pressure surges, whether the US government's trade policy and protectionism will have adverse effects on global trade and economy, and whether geopolitical tensions will arise.

Our unique high-base-rent long-term hotel operating lease structure has continued to demonstrate resilient financial performance with strong downside protection. The New Century Tourism rental guarantee together with the bank guarantee or one-year cash security deposit for our hotels in China, together with the improving cash flows and the guarantee from the lessee's parent company of the Netherlands Hotel have also offered strong protection against rental collectability risk.

Leveraging on New Century Tourism Group's 284 star-rate-hotel platform and the rich management experience of our lessees, our Hotel Properties have been managed cost effectively through cost savings. Besides, New Century Tourism Group increased its Century Club loyal memberships by 45% YoY to approximately 5.5 million in 2017, which significantly expanded the potential customers' awareness of the brand with a view to increase the businesses for New Century REIT hotels.

PROSPECTS

While improving, global economic and political environments will likely remain volatile. Potential negative impact on the global economy arising from intensifying geopolitical and economic uncertainties may weigh on corporate and leisure travel in 2018, but our Hotel Properties should continue to offer high cash yield in addition to solid downside protection. Further to the noticeable improvement in performance of our Hotel Properties in 2017, we believe that the positive trend will continue into 2018. The Netherlands Hotel should continue to benefit from the healthy Netherlands economy and strong hi-tech industry conditions in the city of Eindhoven.

CHAIRMAN'S STATEMENT

We are optimistic on the long-term potential and strength of the global hotel industry. Being among the key industries that contribute towards transforming China's economy into a domestic consumption driven economy, the PRC tourism industry will continue to benefit from the supportive measures promulgated by the Chinese government. We anticipate that hotel supply and demand dynamics will become noticeably more favorable in the medium term, with continuous healthy growth in new demand, coupled with expected fall in completion of new hotels, China is still among the fastest growing countries in the world. All these factors should support higher average room rates and food and beverage ("F&B") charges, and hence higher profitability of the hospitality sector. We remain positive in our medium to long-term outlook of China's hotel industry.

Following the disposal of the Shanghai Hotel, we are actively pursuing other overseas investment opportunities that deliver long-term stable income to the Unitholders. The importance of broadening our asset base remains a paramount consideration. Our

geographically diversified portfolio of quality assets is expected to continue to provide New Century REIT with the benefits of income diversification and generate sustainable returns for our Unitholders.

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

On Behalf of the Board
New Century Asset Management Limited
(as the manager of New Century REIT)

Jin Wenjie
Chairman
Hong Kong, 22 March 2018



He Jianmin Zhang Guanming Yu Hon To David Angelini Giovanni
Cheung Yat Ming Chen Miaolin Jin Wenjie

INVESTMENT PROPERTIES PORTFOLIO

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



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



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



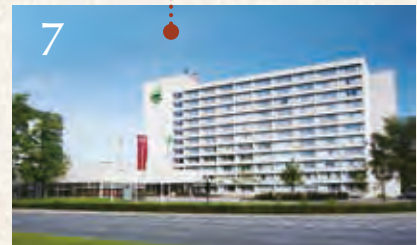
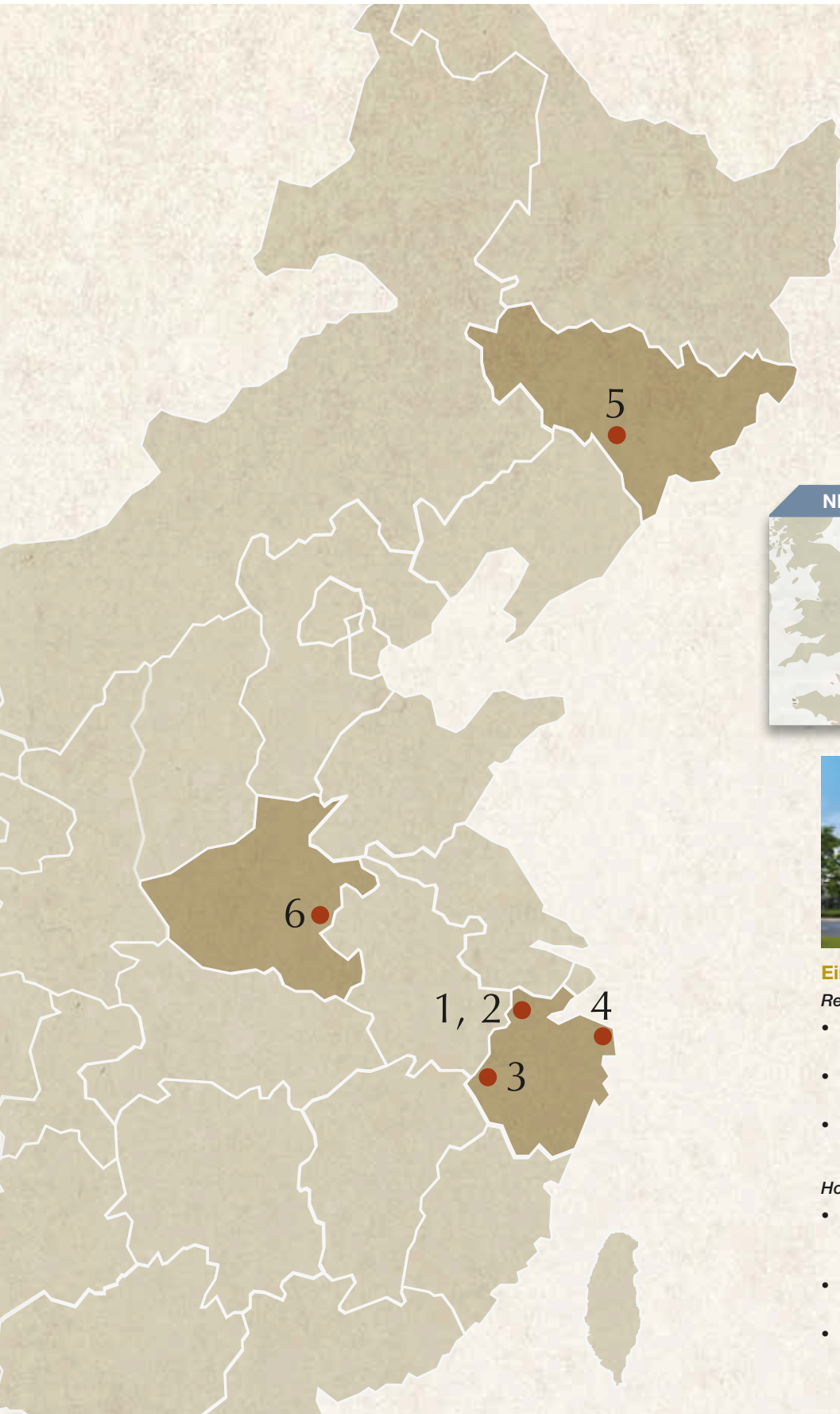
Kaifeng

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 Jinmingchi Lake, a famous tourist attraction and landmark



Eindhoven

Regional advantages

- Eindhoven is Netherlands' industrial and technology centre
- 15 minutes by car to High Tech Campus Eindhoven
- Headquarters for internationally-recognized technology companies

Hotel location advantages

- Located directly opposite to Eindhoven Station and within walking distance of the city centre
- Direct connection to Amsterdam by train in 90 minutes
- Eindhoven International airport is 8 kms away

INVESTMENT PROPERTIES PORTFOLIO

Most of the hotels within our portfolio were rated the top 3.0% best hotels in the respective cities by TripAdvisor.com as of 28 January 2018.

		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 Shouan 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, Lyuan District, Changchun, Jilin Province	December 2008 ⁽¹⁾	5-Star	45,625	328	1,918	1,892
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
Holiday Inn Eindhoven		Veldmaarschalk Montgomerylaan 1, Eindhoven, the Netherlands	1973 (major renovation in 2009)	4-Star	11,675	207	60	180
Total					386,277	2,584	14,545	13,835

Notes:

1. New Century Grand Hotel Changchun was constructed by a third party in 2004 and acquired by the New Century Tourism 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)

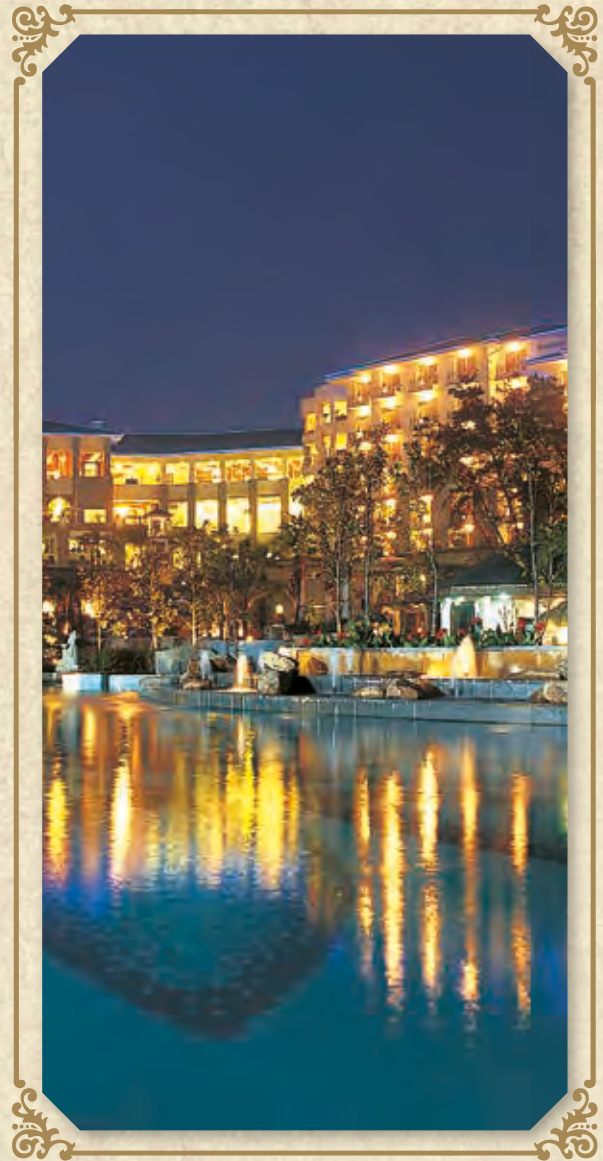


New Century Grand Hotel Hangzhou is the largest 5-Star hotel in Zhejiang Province with its highest hotel revenue in Zhejiang Province in 2014. New Century Hotel Xiaoshan Zhejiang is an upscale 4-Star hotel with a long history, strong reputation and stable customer base. Both New Century Grand Hotel Hangzhou 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.

INVESTMENT PROPERTIES PORTFOLIO

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



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

Tourist Attraction recognized by China National Tourism Bureau, Qiandao 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.

INVESTMENT PROPERTIES PORTFOLIO

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 Lvyuan 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.

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

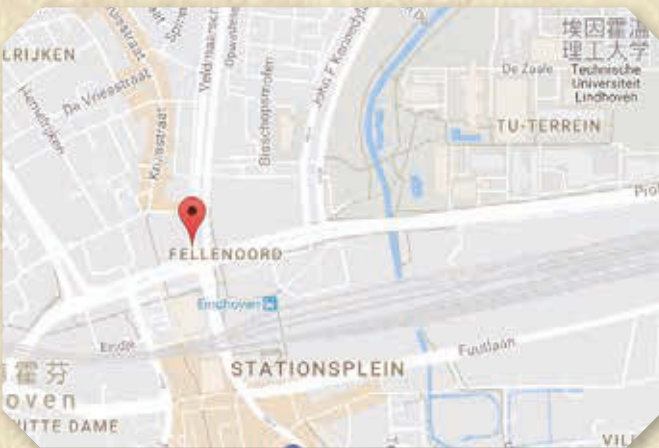


New Century Grand Hotel Kaifeng is the first 5-star hotel in the area with its unique location and view of Kaifeng. It is located in the core area of Kaifeng New District and between the old town and the New District. The hotel has good accessibility to many parts of Kaifeng. Situated about 70 kilometres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

INVESTMENT PROPERTIES PORTFOLIO

Holiday Inn Eindhoven, the Netherlands (荷蘭開元假日酒店－埃因霍溫)



Holiday Inn Eindhoven is located in Eindhoven, a hotbed for technology, innovation and entrepreneurship in Netherlands. The hotel is situated in the centre of Eindhoven, opposite to the central railway station which provides direct connections to Amsterdam in 90 minutes. Located in the Dutch Municipality of North Brabant, Eindhoven is the largest city in southern Holland and is the fifth largest city in the Netherlands. The city and its surrounding areas are regarded as the Netherlands' centre of innovation and technology (the Brainport Region Eindhoven).

The hotel is within walking distance of the city center. The Eindhoven University of Technology's campus is located less than one kilometre from the hotel and the Eindhoven International airport is eight kilometres from the hotel.

MAJOR AWARDS



NEW CENTURY GRAND HOTEL HANGZHOU

2016 ADVANCED UNIT OF SAFETY PRODUCTION
Hangzhou Xiaoshan Tourism Bureau Jan 2017

2016 ZHEJIANG STAR HOTEL OF THE YEAR
Zhejiang Hotel Association Feb 2017

2016-2017 READER'S CHOICE: CHINA BANQUET RESTAURANT AWARDS
Restaurant Review Mar 2017

2017 CHINESE ETHNIC BRAND HOTELS IN THE WORLD
Global Hotel Forum Aug 2017

XIAOSHAN DISTRICT HOSPITALITY INDUSTRY SERVICE SKILLS COMPETITION - ORGANISATION AWARD
Hangzhou Xiaoshan Tourism Bureau Sep 2017

HANGZHOU HOSPITALITY INDUSTRY SERVICE SKILLS COMPETITION - GROUP MERIT AWARD
Hangzhou Tourism Commission/Hangzhou Federation of Trade Unions, etc. Sep 2017

HANGZHOU PUBLIC READING LEAGUE - THE MOST DYNAMIC ENVIRONMENT
Hangzhou Municipal Bureau of Culture, Radio, TV, Film, Press and Publication Nov 2017

ZHEJIANG HOSPITALITY INDUSTRY SERVICE SKILLS COMPETITION GROUP MERIT AWARD
Tourism Bureau of Zhejiang Province Zhejiang Provincial Committee of China Communist Youth League Zhejiang Provincial Finance & Trading Unions Dec 2017

2017 THE BEST EXPERIENCE FOR HOTEL CONFERENCE IN CHINA
China Meetings Industry Convention Dec 2017

2017 FOOD SAFETY MODEL
Hangzhou Municipal Bureau of Market Supervision and Administration Dec 2017

NEW CENTURY RESORT QIANDAO LAKE HANGZHOU

HANGZHOU SMART HOTEL MODEL
Hangzhou Tourism Commission Dec 2017

NEW CENTURY HOTEL XIAOSHAN

2016 GLOBAL OUTSTANDING CITY BUSINESS TRAVEL HOTEL
Global Tourism Award Selection Committee Feb 2017

XIAOSHAN CATERING INDUSTRY OUTSTANDING CONTRIBUTION AWARD
Food and Beverage Industry Association of Xiaoshan District, Hangzhou Municipal Sep 2017

2017 AWARD OF EXCELLENCE FOR BOOKING.COM GUEST REVIEWS
Booking.com BV Dec 2017

2017 HANGZHOU FOOD SAFETY MODEL
Hangzhou Municipal Bureau of Market Supervision Dec 2017

2017 HANGZHOU OUTSTANDING STARRED (TOURISM) HOTEL
Hangzhou Hotel Industry Association Hangzhou Hotel Star-rating Committee Feb 2018

NEW CENTURY GRAND HOTEL NINGBO

2017 INTERNATIONAL HOSPITALITY INDUSTRY'S TOP 10 TRAVELLERS' CHOICE HOTEL
China Hotel Association Nov 2017

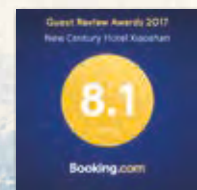
2017 MOST POPULAR HOTEL GOLD AWARD
Ctrip.com Dec 2017

NEW CENTURY GRAND HOTEL KAIFENG

2016 ADVANCED FIRE PROTECTION SOCIAL UNITS
Kaifeng Fire Safety Committee Mar 2017

BEST RECOMMENDED HOTEL FOR 2016
Ctrip.com Jun 2017

2017 KAIFENG CITY'S MODEL FOR CREATION OF A NATIONAL CIVILIZATION CITY
Office of Work Leading Group for Creation of National Civilization City in Kaifeng City Jun 2017



REPORT OF THE REIT MANAGER



Cheung Yat Ming
Chief Executive Officer

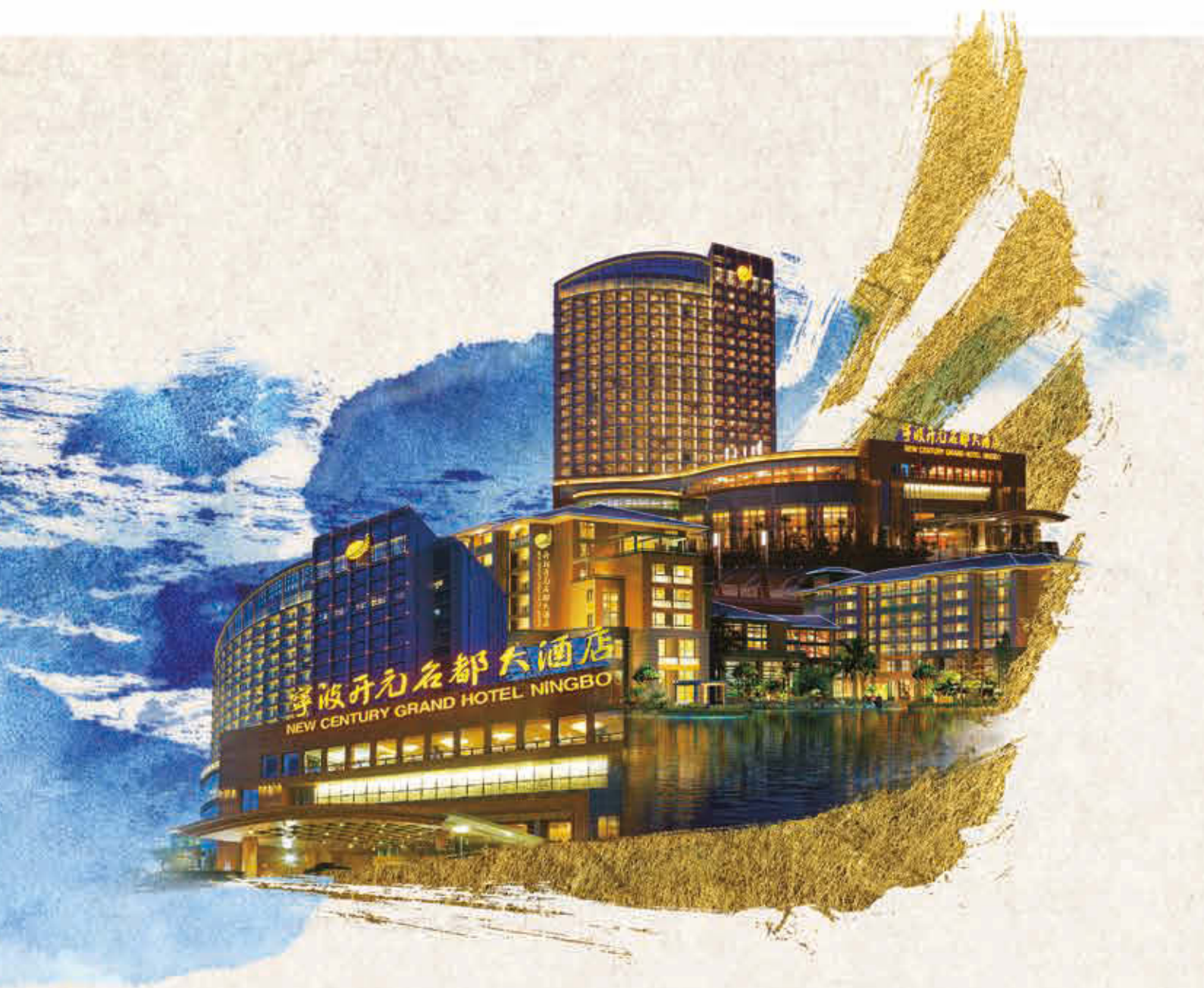
Dear Unitholders,

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

KEY FINANCIAL HIGHLIGHTS

Total revenue and distribution of New Century REIT for the Reporting Period were RMB293 million (2016: RMB317 million) and RMB131 million (2016: RMB157 million) respectively. Excluding the RMB39 million final

special distribution in 2016, the 2017 final distribution is higher than the 2016 final distribution by RMB10.8 million. The total DPU for the Reporting Period was RMB0.1365 or equivalent to HK\$0.1636 (2016: RMB0.1659 or equivalent to HK\$0.1904), based on a payout ratio of 90% for 2017 (2016: 100% payout for the 1st half year and 90% for the 2nd half year). The distribution yield was 6.9% based on the closing market price of the Units of HK\$2.37 on 29 December 2017.



Revenue of New Century REIT for the Reporting Period was made up of (i) RMB262 million (2016: RMB281 million) rental income in respect of the leases of the Hotel Properties plus Shanghai Hotel and (ii) RMB31 million (2016: RMB36 million) other rental income from the leasing of commercial and office spaces, shopping and recreational areas in the Hotel Properties plus Shanghai Hotel under various individual lease agreements. There has been no rental contribution from Shanghai Hotel since the sale thereof with effect from 1 June 2017.

New Century REIT's portfolio demonstrated a steady upward trend in room departmental performance with RevPAR having increased by 8.2% YoY during the Reporting Period. Average occupancy rate ("**Occupancy**") increased by 5.0 percentage points YoY to 69.6% with the help of new marketing initiatives. Despite the fact that the Hotel Properties have witnessed a growth in RevPAR in 2017, the combined growth was partially offset by the reduced F&B business in the PRC Hotels, which suffered from a decline in banqueting business as 2017 was not

REPORT OF THE REIT MANAGER

considered to be a good year for wedding in China. Over the Reporting Period, F&B revenue decreased by 4.8% YoY. In aggregate, total revenue increased by 1.7% YoY. In addition, leveraging on the well-established reputation of the “New Century” brand across China, our hotels in the PRC have continued to expand their Meetings, Incentives, Conferencing and Exhibitions businesses.

Prudent cost control measures have been implemented in relation to the Hotel Properties during the Reporting Period, which contributed to relatively stable portfolio core gross operating profit margins. Overall, (i) our high-base rent long-term leases, with either bank guarantee(s) or one- year cash securities deposits for the hotels in the PRC, and (ii) the high-base rent long-term hotel lease for the Netherlands Hotel help mitigate any overall hotel market volatility in future.

HEALTHY FINANCIAL POSITION

As at 31 December 2017, New Century REIT had in aggregate gross borrowings of RMB1,999 million (as at 31 December 2016: RMB2,707 million) and approximately US\$122 million (equivalent to RMB797 million) (as at 31 December 2016: US\$123 million (equivalent to RMB853 million)) out of US\$150 million (equivalent to RMB980 million) (as at 31 December 2016: US\$150 million (equivalent to RMB1,041 million)) revolving facilities is unutilized, providing ample financial resources for New Century REIT. As at 31 December 2017, taking into account the disposal of the Shanghai Hotel with effect from 1 June 2017, the valuation of the Hotel Properties, as appraised by Savills Valuation and Professional Services Limited and its affiliates, was RMB4,891 million (as at 31 December 2016: RMB5,656 million). Excluding the Shanghai Hotel, portfolio valuation was RMB4,776 million as at 31 December 2016.



The 4th Edition REITs Asia Pacific
Singapore Aug 2017



The 17th China Hotel Global Forum
Guangzhou Mar 2017

As at 31 December 2017, the gearing ratio of New Century REIT was approximately 36.5% (as at 31 December 2016: 43.7%), being the ratio of the total borrowings comprising gross bank borrowings of RMB1,999 million (as at 31 December 2016: RMB2,707 million comprising gross bank borrowings of RMB2,601 million and loan from a related party of RMB106 million), over the total asset value of RMB5,472 million (as at 31 December 2016: RMB6,196 million).

New Century REIT had total cash and cash equivalents and restricted cash of RMB516 million (as at 31 December 2016: RMB453 million), which comprised RMB361 million (as at 31 December 2016: RMB202 million) in unrestricted cash and RMB155 million (as at 31 December 2016: RMB251 million) in restricted cash as at 31 December 2017. 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 the maturity profile of the total borrowings of RMB1,999 million as of 31 December 2017, 9.4% of total borrowings was payable on demand or within one year; 84.9% was between one and two years, 0% was between two and three years, and 5.7% was over three years. These compared respectively to 22.5%, 0.2%, 69.4%, and 7.9% as of 31 December 2016.

FOREIGN CURRENCY EXCHANGE RISK AND INTEREST RATE RISK

The Group's exposure to foreign exchange risk relates principally to its cash and cash equivalents and bank borrowings denominated primarily in USD and HKD. In view of the continuous depreciation of the RMB in late 2016 and early 2017 and having to satisfy the hedging requirement under a USD230 million syndicated loan, maturing in July 2019 ("**Underlying Loan**"), the Group specifically hedged this exposure through entering into several capped forward foreign exchange contracts ("**Capped Forward Contracts**") in an aggregate amount of USD120 million in January 2017 for one-year tenor at a capped exchange rate of RMB7.20 per USD1.00. As a result of the tenor mismatch between the Capped Forward Contracts and the Underlying Loan, hedge accounting has not been adopted, resulting in an accumulated fair value loss of RMB60.6 million being recognized at the settlement of the Capped Forward Contracts. Depending on the final Underlying Loan repayment RMB exchange rate, the corresponding unrealized foreign exchange gains on the Underlying Loan arising from RMB appreciation for the Capped Forward Contracts period will be realized if the Underlying Loan is settled in any currency other than USD.

REPORT OF THE REIT MANAGER

To manage our interest rate risk, the Group had entered into interest rate swaps and interest rate caps with commercial banks, which effectively convert the borrowing interest rates from floating rates to fixed rates and keep the floating interest rates within the cap rates respectively. As at 31 December 2017, the notional principal amount of the outstanding interest rate swaps was USD230 million or equivalent to RMB1,503 million (as at 31 December 2016: USD290 million or equivalent to RMB2,012 million), and the fixed interest rate was 3.11% per annum (2016: 3.11% to 3.7% per annum). On the other hand, the notional principal amount of the outstanding interest rate cap was EUR13.1 million or equivalent to RMB102 million (2016: EUR13.1 million or equivalent to RMB96 million) and the 5-year cap rate was 4.4% (2016: 4.4%) which consists of 1.5% cap rate and 5-year lending spread of 2.9%. A higher cap rate was used to lower hedging cost. The remaining borrowings of approximately RMB394 million are at floating rates. Altogether, as at 31 December 2017, total borrowings of approximately RMB1,503 million (as at 31 December 2016: RMB2,012 million) were at fixed rates and RMB496 million (as at 31 December 2016: RMB695 million) are at floating rates.

ASSET ENHANCEMENT

In 2017, a number of major capex and asset enhancement works were completed in the Hotel Properties. At New Century Grand Hotel Hangzhou, sauna rooms were converted into meeting rooms, whereas the leisure area was converted into function rooms. At New Century Grand Hotel Ningbo, the carpet in the function room was replaced. At the Netherlands Hotel, a number of capex works were completed in 2017 including enhancement of heating system, refurbishment of parking area, replacement of plate heat exchanger and sleeping couches, and replacement of carpet in the main lobby. The proactive implementation of asset enhancement initiatives is expected to enhance New Century REIT's product offerings as well as the long-term revenue generating ability of its properties.



New Century
Grand Hotel Ningbo
Lobby Lounge

KEY HOTEL OPERATING HIGHLIGHTS

New Century Grand Hotel Hangzhou, New Century Hotel Xiaoshan Zhejiang and New Century Resort Qiandao Lake demonstrated significant YoY performance improvement in 2017 with RevPAR having increased by 15%, 20% and 11% respectively. Overall occupancy of New Century REIT's hotel portfolio increased by 5.0 percentage points to 69.6% while ADR (after converting € to RMB) increased by 0.6% to RMB529, resulting in an increase in RevPAR (after converting € to RMB) of 8.2% to RMB368.

It is important to emphasize that our high base rent long-term lease structure helps to mitigate performance volatility arising from the typical hotel business cycle. For the hotels in the PRC, our rental bank guarantee or one-year security deposits also help reduce rental collectability risk.

The following tables set forth information on the average Occupancy, ADR and average RevPAR of the Hotel Properties for the years ended 31 December 2017 and 2016 respectively.

REPORT OF THE REIT MANAGER

For the year ended 31 December 2017	Occupancy %	ADR* RMB (excl. Value-Added Tax ("VAT"))	RevPAR* RMB (excl. VAT)
New Century Grand Hotel Hangzhou	71.0%	525	373
New Century Hotel Xiaoshan Zhejiang	75.3%	336	253
New Century Resort Qiandao Lake Hangzhou	65.9%	735	484
New Century Grand Hotel Ningbo	72.4%	539	390
New Century Grand Hotel Changchun	67.4%	483	326
Songjiang New Century Grand Hotel Shanghai**	67.1%	623	418
New Century Grand Hotel Kaifeng	59.0%	531	313
Weighted Average (7 hotels in the PRC)	69.0%	517	357
Holiday Inn Eindhoven***	77.5%	667	517
Weighted Average (Overall)	69.6%	529	368

Notes:

- * Except for Holiday Inn Eindhoven, the ADR and RevPAR included complimentary breakfast for hotel room guests.
- ** Figures for the Shanghai Hotel are for the five months ended 31 May 2017, before the effective disposal on 1 June 2017 ("**the Disposal Date**").
- *** Amounts denominated in Euros have been converted into RMB using the exchange rate of € 1 = RMB7.8024 as of 31 December 2017.



New Century Grand Hotel Changchun
Lobby

REPORT OF THE REIT MANAGER

For the year ended 31 December 2016	Occupancy %	ADR* RMB (excl. VAT)	RevPAR* RMB (excl. VAT)
New Century Grand Hotel Hangzhou	65.9%	492	324
New Century Hotel Xiaoshan Zhejiang	65.4%	321	210
New Century Resort Qiandao Lake Hangzhou	61.6%	706	435
New Century Grand Hotel Ningbo	70.6%	527	372
New Century Grand Hotel Changchun	62.5%	514	323
Songjiang New Century Grand Hotel Shanghai**	62.3%	639	398
New Century Grand Hotel Kaifeng	52.3%	543	284
Weighted Average (7 hotels in the PRC)	64.1%	510	324
Holiday Inn Eindhoven***	77.2%	620	479
Weighted Average (Overall)	64.6%	526	340

Notes:

- * Except for Holiday Inn Eindhoven, the ADR and RevPAR included complimentary breakfast for hotel room guests.
- ** Figures for the Shanghai Hotel are for the five months ended 31 May 2016 for comparison purposes.
- *** Holiday Inn Eindhoven was acquired by New Century REIT on 9 August 2016. The full year's figures are presented for reference only. Amounts denominated in Euros have been converted into RMB using the exchange rate of € 1 = RMB7.3068 as of 31 December 2016.

During the Reporting Period, overall F&B revenue decreased by 4.8% YoY resulting from the 5.1% YoY decrease recorded at our hotels in the PRC mainly due to the decline in banquet revenue offset by the 4.4% YoY increase (after converting to RMB) at the Netherlands Hotel. For the hotels in PRC, F&B revenue per head remained unchanged at RMB129 compared to last year. Seat utilization increased by 10 percentage points to 160% and banquet revenue dropped by 15% YoY to RMB34 per square meter per day. The decline in banquet revenue was mainly due to fewer wedding banquets given 2017 was not considered to be a good year for wedding.



New Century Grand Hotel Hangzhou
Grand Dynasty Hall

REPORT OF THE REIT MANAGER

The following tables set forth information on the average F&B spending per customer, average F&B outlet utilization rate and average revenue per sq. m. per day of banquet rooms at the hotels in PRC for the years ended 31 December 2017 and 2016 respectively:

For the year ended 31 December 2017	F&B Spending Per Customer RMB* (excl. VAT)	F&B Outlet Utilization Rate %	Revenue Per SQ.M. Per Day of Banquet Room RMB (excl. VAT)
New Century Grand Hotel Hangzhou	179	206%	49
New Century Hotel Xiaoshan Zhejiang	128	136%	57
New Century Resort Qiandao Lake Hangzhou	104	136%	12
New Century Grand Hotel Ningbo	157	195%	50
New Century Grand Hotel Changchun	117	115%	22
Songjiang New Century Grand Hotel Shanghai**	123	146%	28
New Century Grand Hotel Kaifeng	92	168%	13
Weighted Average (7 hotels in the PRC)	129	160%	34

Notes:

* F&B Spending Per Customer excludes breakfast customers.

** Figures for the Shanghai Hotel are for the five months ended 31 May 2017, before the Disposal Date.

For the year ended 31 December 2016	F&B Spending Per Customer RMB* (excl. VAT)	F&B Outlet Utilization Rate %	Revenue Per SQ.M. Per Day of Banquet Room RMB (excl. VAT)
New Century Grand Hotel Hangzhou	169	200%	64
New Century Hotel Xiaoshan Zhejiang	126	129%	82
New Century Resort Qiandao Lake Hangzhou	98	118%	12
New Century Grand Hotel Ningbo	150	200%	51
New Century Grand Hotel Changchun	124	116%	21
Songjiang New Century Grand Hotel Shanghai**	154	126%	37
New Century Grand Hotel Kaifeng	94	139%	11
Weighted Average (7 hotels in the PRC)	129	150%	40

Notes:

* F&B Spending Per Customer excludes breakfast customers.

** Figures for the Shanghai Hotel are for the five months ended 31 May 2016, for comparison purposes.

REPORT OF THE REIT MANAGER

KEY HOTEL OPERATION INITIATIVES

The hotels in our portfolio have taken initiatives to improve revenue, reduce operating expenses, and enhance operating efficiency. In addition, incentives were offered and various promotional and marketing events were held to promote banquet business. The PRC Hotels had also expanded its focus on tour business and online booking. On the other hand, cost-saving measures were implemented to reduce operating expenses. To enhance the sales distribution, our PRC Hotels have further strengthened the connection with Online Travel Agencies and other travel agents.

For the Netherlands Hotel, benefitting from Eindhoven's growing high-tech sector, focus has been placed on corporate clients. In addition, the Netherlands Hotel enjoys strong international brand recognition and marketing platform. To ensure overall quality in the long term, which in turn will improve the loyalty of hotel guests and hotel performance, the hotel has been dedicating resources towards staff training and coaching.

COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY

The REIT Manager believes that to act responsibly towards the environment, the community and our stakeholders is the key to long term success of our business. Thus, we / New Century REIT's PRC Hotel Lessees have implemented various initiatives to fulfill our environmental, social and governance responsibility during the Report Period, such as minimizing emissions or discharges of greenhouse gases, air-borne particulates, waste water, and solid wastes in our daily operations. A discussion on our environmental policies and compliance with relevant laws and regulations are provided in the sections of "Corporate Governance Report" and "Environmental, Social and Governance Report" of this annual report.

SHANGHAI HOTEL DISPOSAL

On 24 March 2017, New Century REIT, through its wholly-owned subsidiary Full Wise HK, entered into a share purchase agreement with Hangzhou Industrial & Commercial Trust Co., Ltd. (杭州工商信托股份有限公司) for the disposal of the entire registered capital of the Lishui Full Wise (the "**Target Company**"). On 1 June 2017 (the "**Disposal Date**"), New Century REIT

(through Full Wise HK) transferred the entire registered capital of the Target Company to Hangzhou Industrial & Commercial Trust Co., Ltd.. The disposal of the Target Company was completed on 12 July 2017. Immediately prior to the disposal of the Target Company, the Target Company held the entire registered capital of Shanghai Songjiang Hui Wei, which in turn holds the Shanghai Hotel (together with the Target Company, the "**Disposal Group**"). After the Disposal Date, New Century REIT ceased to hold any interest in the Disposal Group, including the Shanghai Hotel. The consideration of the disposal was in the aggregate sum of RMB877.3 million. For further details, please refer to the announcements of New Century REIT dated 24 March 2017, 28 April 2017, 2 June 2017 and 12 July 2017 respectively and the circular of New Century REIT dated 12 April 2017.

As a result of the disposal of the Disposal Group, (i) the gearing ratio of New Century REIT fell to 40.9% as at 30 June 2017 and further decreased to 36.5% as at 31 December 2017, which leaves room for future acquisitions by New Century REIT; and (ii) the total number of hotel rooms in New Century REIT's portfolio decreased from 3,030 to 2,584 and total GFA was reduced to 386,277 sq.m.

RENTAL STRUCTURE AND BANK GUARANTEE

For PRC Hotels

The PRC Hotels 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, and from 31 July 2015 for Kaifeng Hotel, all of which may be renewed for a period of another 10 years.

The lease agreements were 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 Rent (as defined below), being RMB216 million and RMB22 million for the Initial Hotel Properties and Kaifeng Hotel respectively, for the first five years of the leases, while providing New Century REIT, by way of variable individual rents, with the ability to share a portion of any potential

upside in revenue and gross operating profit based on the performance of the hotels.

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’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 (the “**Subsequent Period**”), the Base Rents for each year will be the market base rents (the “**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 Rent 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 relevant hotel property for the first four years of the Initial Hotel Properties or for the first four full financial years of the Kaifeng Hotel (i.e. the “**Reference Average Rent for the First Four Years**”), the Base Rents with respect to the PRC Hotels 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 and RMB22 million, being the Base Rents for the first four years of the Initial Hotel Properties and the Kaifeng Hotel respectively, the corresponding Base Rents from the Subsequent Period would be no less than RMB183.6 million and RMB18.7 million respectively (being 85% of the Base Rents for the first four years).

New Century Tourism guarantees the performance of obligations by the Lessees of the PRC Hotels. For the Initial Hotel Properties, the Bank of China, Zhejiang



New Century Resort Qiandao Lake Hangzhou
Chinese Restaurant

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 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 and the Kaifeng Hotel are required to provide a security deposit in the amount of RMB20 million and RMB22 million respectively under the lease agreements.

On 8 November 2017, Savills Real Estate Valuation (Guangzhou) Limited Shanghai Branch (the “**Valuer**”) was appointed as an independent professional property valuer to conduct a rent review to determine the market rental package for Initial Hotel Properties in respect of the period from 10 July 2018 to 9 July 2019 (the “**Lease Year of 2018**”) (the “**2018 Market Rental Package Determination**”). Given that the Market Base Rent for the Lease Year of 2018 with respect to the Initial Hotel Properties as determined by the Valuer is RMB200 million, which is higher than the 85% of Reference Average Rent for the First Four Years with respect to the Initial Hotel Properties, the aggregate amount payable by the Lessee as Base Rent is RMB200 million for the Lease Year of 2018.

A summary of the 2018 Market Rental Package Determination, together with their corresponding components in respect of the Lease Year of 2017, is disclosed in the section headed “Connected Party Transactions” this annual report.

REPORT OF THE REIT MANAGER

For the Netherlands Hotel

The Netherlands Hotel is held on a 25-year lease with a remaining term of 19 years as at 31 December 2017 with an option to renew for another two five-year terms at the lessee's discretion. The definitive rent is the higher of a CPI-indexed base rent (capped at 3.0% per annum) or 24% of annual turnover (the "**Netherlands Hotel Lease Agreement**"). The rental income generated from the Netherlands Hotel for the year ended 31 December 2017 was approximately €1,965,000 (equivalent to approximately RMB14.8 million).

HOTEL INDUSTRY CONDITIONS

Solid economic fundamentals coupled with promising hotel performance has helped strengthen investor confidence in the international hotel market. However, the lack of properties available for sale in key markets has contributed to a decline in global hotel transactions volume, which totaled US\$38.1 billion over the first nine months of 2017, down 17% from the same period last year, according to Jones Lang LaSalle. The investment landscape is being driven by an increasingly diverse group, with institutional investors and Asian capital growing their footprints in the hotel market.

Despite geo-political issues and economic volatility, the tourism industry has shown resilience and travel numbers remain on the rise. According to the World Travel and Tourism Council, the global travel and tourism industry is expected to grow at above global GDP rates for the next decade. The hospitality industry should continue to benefit from the continuous growth in number and spending of international travelers.

Over the Reporting Period, benefitting from the increasing number of domestic travelers, the supportive government policies relating to the tourism industry and more balanced demand and supply dynamics, our hotels in the PRC demonstrated satisfactory performance with occupancy and RevPAR having increased YoY by 5.0 percentage points and 8.2% respectively. For the Netherlands Hotel, with growing of business from corporate clients, both occupancy and RevPAR increased YoY by 0.3 percentage points and

7.9% respectively over the Reporting Period. Besides, the strong performance was also the result of our effective cost management, resilient hotel operations, and New Century Tourism Group's well-established hotel platform.

OUTLOOK

Despite the policy uncertainties in relation to the global economy, the performance of our portfolio has demonstrated satisfactory improvement as a result of our strong initiatives on marketing and cost savings, gradual improvement in overall supply/demand dynamics and supportive administrative policies, which we believe are positive structural attributes that will help support New Century REIT's performance in the medium term.

Looking ahead, geopolitical tension in Korea, potential trade disputes among key trading nations, the prospect of rising interest rates as well as the ongoing political and economic uncertainty relating to the outcome of the negotiations between the United Kingdom and the European Union on BREXIT. Against this backdrop, the overall global economy and financial markets are generally expected to be volatile in 2018. Leveraging on the high-base rent long-term operating lease structure, our hotel portfolio should continue to be resilient to the increased volatility and uncertainties globally.

Following the disposal of the Shanghai Hotel, we will continue to look for growth opportunities through acquisitions from the New Century Tourism Group or third-party sources from around the world. Pipeline of overseas investment opportunities remain plentiful for high-quality and upscale hotels and commercial buildings with long-term stable income streams. Potential acquisitions will be funded by internal resources, debt facilities, and/or proceeds from equity issuances. We believe that 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 2017, the Hotel Properties of New Century REIT with an aggregate carrying value of RMB4,891 million (as at 31 December 2016: RMB4,776 million), bank deposits and trade receivables (including trade receivables due from related parties) with aggregate value of RMB181 million (as at 31 December 2016: RMB295 million), certain corporate guarantees and equity interests of certain subsidiaries were pledged to secure bank loan borrowings at an aggregate principal amount of RMB1,999 million (as at 31 December 2016: RMB2,601 million). For details, please refer to Notes 13, 16, 17, 21 and 29(c) of the Notes to the Consolidated Financial Statements.

CHANGE IN SHAREHOLDING OF THE REIT MANAGER

Clear Sky Holdings Limited transferred 5,992,500 shares (representing 39.95% shareholding interest) in the REIT Manager to Full Wise Investments Limited with effect from 22 August 2017 (the “**Share Transfer**”). Before the Share Transfer, Full Wise Investments Limited held 60.05% shareholding interest of the REIT Manager. After the Share Transfer and as at the date of this report, Full Wise Investments Limited held 100% shareholding interests of the REIT Manager.

EMPLOYEES

New Century REIT is managed by the REIT Manager and the Trustee. By contracting out such services, New Century REIT, through its subsidiaries, had three employees in its own right as at 31 December 2017 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, no commission was paid to any real estate agents.

BUY-BACK, SALE OR REDEMPTION OF UNITS

During the year ended 31 December 2017, no buy-back of any Units was recorded.

LIST OF DIRECTORS

Please refer to the section headed “Board of Directors of the REIT Manager” in the 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.

REPORT OF THE REIT MANAGER

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2017, both the REIT Manager and New Century REIT have been in compliance with the relevant laws, applicable regulations of the PRC 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 the Group and the respective value of services rendered by them and percentages of total value for the Reporting Period were as follows:

Contractors	Nature of Services	Value of Services RMB'000	% to total value
杭州幫事空調設備安裝有限公司 Hangzhou Bang Shi Air-conditioning Equipment Installation Co., Ltd.	垃圾房重建、風管更換 Reconstruction of garbage room, replacement of air duct	440	32.6%
河南乾豐物質有限公司 Henan Gan Feng Trade Co., Ltd.	管道維修鋼材 Steel pipeline maintenance	395	29.3%
浙江利高消防科技有限公司 Zhejiang Li Gao Fire Technology Co., Ltd.	自動滅火系統 Automatic fire extinguishing system	197	14.5%
開發區安順裝飾材料商行 Development Zone Anshun Decorative Materials Firm	溫泉管道更換 Hot spring pipe replacement	116	8.6%
開封市宏利裝飾工程有限公司 Kaifeng Hongli Decoration Engineering Co., Ltd.	管道裝飾拆除 Pipe Decoration removal	61	4.5%
Total		1,209	89.5%

On behalf of the Board

New Century Asset Management Limited

(as the manager of New Century REIT)

CHEUNG Yat Ming

Executive Director and Chief Executive Officer

Hong Kong, 22 March 2018

GROUP STRUCTURE

Since its inception in Hangzhou, Zhejiang Province in 1988, New Century Tourism 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 Tourism 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 TOURISM GROUP'S HOTEL BRANDS

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



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



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



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



New Century Grand Hotel Hangzhou
Function Room



New Century Grand Hotel Hangzhou
Grand Dynasty Hall

GROUP STRUCTURE



New Century Grand Hotel Ningbo
Chinese Restaurant

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.

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 (the “**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 have 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 2017, 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. As at the date of this report, Mr. Cheung Yat Ming (the Chief Executive Officer and executive Director 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 (the “**Responsible Officers**”) pursuant to the requirements under section 125 of the SFO and Rule 5.4 of the REIT Code. Mr. Cheung Yat Ming is 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 interest of the Unitholders.

CORPORATE GOVERNANCE REPORT

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 of the REIT Manager, 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 the Unitholders, to whom it owes a fiduciary duty. The Board has delegated the performance and management of the daily operations of the REIT Manager and New Century REIT to the management of the REIT Manager.

BOARD COMPOSITION

As at the date of this report, the Board comprises seven members, including one executive Director, three 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**



Jin Wenjie
(appointed with effect from 23 May 2017)

**EXECUTIVE DIRECTOR AND
CHIEF EXECUTIVE OFFICER**



Cheung Yat Ming

NON-EXECUTIVE DIRECTORS



Zhang Guanming



Tong JinQuan

INDEPENDENT NON-EXECUTIVE DIRECTORS



Angelini Giovanni



Yu Hon To David



He Jianmin

CORPORATE GOVERNANCE REPORT

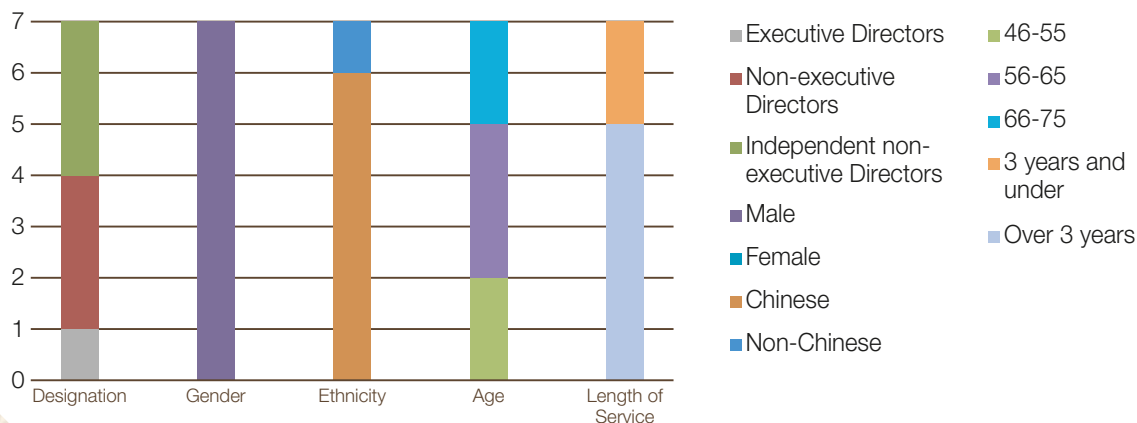
The biographical details of the Directors, together with any relationships among them, are disclosed in the section headed “Directors’ Biographical Information” contained in this annual report.

Mr. Chen Miaolin resigned as the chairman, a non-executive Director and the chairman of the nomination committee of the REIT Manager with effect from 23 May 2017. Mr. Jin Wenjie was appointed as the chairman, a non-executive Director and the chairman of the nomination committee of the REIT Manager with effect from 23 May 2017. Please refer to the announcement dated 23 May 2017 issued by New Century REIT for more details.

Mr. Wan Hui Yeung has resigned as an Investment and Investor Relations Manager of the REIT Manager with effect from 26 March 2018 and on that date, he also ceased to be a Responsible Officer and a member of the Finance and Investment Committee. Mr. Chow Wing Sing (“**Mr. Chow**”) was appointed by the REIT Manager as the new Investment and Investor Relations Manager and a member of the Finance and Investment Committee of the REIT Manager with effect from 9 April 2018. Upon Mr. Chow’s satisfaction of the requirements for and obtaining the approval of the SFC, Mr. Chow will be appointed as a Responsible Officer of the REIT Manager with immediate effect. Please refer to the announcements dated 26 March 2018 and 9 April 2018 issued by New Century REIT for more details. Further announcement will be made by the REIT Manager when Mr. Chow is appointed as a Responsible Officer of the REIT Manager.

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 is 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 is 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.

Board Diversity as at the date of this report



CORPORATE GOVERNANCE REPORT

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. Selection of candidates will be based on a range of diversity perspectives, 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 contribution that the selected candidates will bring to 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, four formal Board meetings of the REIT Manager were held during the year ended 31 December 2017 and the attendance rates of the individual Board members were as follows:

Name of Director	Role	Attendance/No. of Meetings
Chen Miaolin ^{Note 1}	Chairman and non-executive Director	1/4
Jin Wenjie ^{Note 2}	Chairman and non-executive Director	3/4
Cheung Yat Ming	Executive Director and Chief Executive Officer	4/4
Zhang Guanming	Non-executive Director	4/4
Tong JinQuan	Non-executive Director	4/4
Angelini Giovanni	Independent non-executive Director	4/4
Yu Hon To David	Independent non-executive Director	4/4
He Jianmin	Independent non-executive Director	4/4

Note 1: In the year under review, Mr. Chen Miaolin resigned as the chairman, a non-executive Director and the chairman of the Nomination Committee of the REIT Manager with effect from 23 May 2017.

Note 2: In the year under review, Mr. Jin Wenjie was appointed as the chairman, a non-executive Director and the chairman of the Nomination Committee of the REIT Manager with effect from 23 May 2017.

APPOINTMENT AND REMOVAL OF DIRECTORS

The appointment and removal of Directors (including responsible officers) is a matter for the Board and/or the shareholders of the REIT Manager to determine in accordance with the Compliance Manual, the articles of association of the REIT Manager and any applicable laws. 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.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness.

Such systems are designed to manage rather than eliminate the risk of failure to achieve New Century REIT's business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The REIT Manager has put in place a risk management and internal controls system, together with relevant procedures and processes, to safeguard New Century REIT's assets, the Unitholders' interests as well as to manage risks.

The risk management and internal controls procedures have been integrated into the daily operations. Key risks, control measures and management actions are identified, reviewed and monitored on an on-going basis by respective management task forces as part of New Century REIT's risk management framework. The compliance manager oversees New Century REIT's compliance with relative codes, laws and regulations and provides legal and regulatory compliance reports to the Board regularly. The internal audit manager assists and guides the management in the formulation of risk policies and processes to effectively identify, evaluate and manage significant risks. The risk profiles are reported to the Audit Committee and the Board on a semi-annual basis to highlight changes in the risk assessment, quantitative and qualitative factors affecting the inherent risks and effectiveness of mitigatory controls supporting the residual risks. The ownership of these risks lies with the respective business functions with stewardship residing with the Board. Action plans to manage the risks are continually being monitored and refined by the management and the Board.

On a semi-annual basis, the internal audit manager conducts independent assessment of the REIT Manager's risk management and internal control systems, and performs risk-based reviews 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. Any material non-compliance or lapses in internal controls together with corrective measures are reported to the Audit Committee and are further reported to the Board where required.

The Board acknowledges that it is responsible for ensuring that the REIT Manager maintains sound and effective risk management and internal control systems to safeguard the assets of New Century REIT and the interest of the Unitholders. The Board, through the Audit Committee, conducts an semi-annual review on the effectiveness of risk management and 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 2017, the Board considers that the risk management and internal control system is effective and adequate. No significant irregularity or deficiency in risk management and internal controls has come to the attention of the Audit Committee during the year ended 31 December 2017.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors participated in training courses and other continuous professional development arrangements during the year under review to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2017, the Directors undertook the activities set out below as part of their ongoing training and professional development:

Name of Director	Training Courses	Updates in meetings and reading materials
Chen Miaolin ^{Note 1}	No	Yes
Jin Wenjie ^{Note 2}	Yes	Yes
Cheung Yat Ming	Yes	Yes
Zhang Guanming	Yes	Yes
Tong JinQuan	Yes	Yes
Angelini Giovanni	Yes	Yes
Yu Hon To David	Yes	Yes
He Jianmin	Yes	Yes

Note 1: In the year under review, Mr. Chen Miaolin resigned as the chairman, a non-executive Director and the chairman of the Nomination Committee of the REIT Manager with effect from 23 May 2017.

Note 2: In the year under review, Mr. Jin Wenjie was appointed as the chairman, a non-executive Director and the chairman of the Nomination Committee of the REIT Manager with effect from 23 May 2017.

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 (including independent non-executive Directors). The members of the Audit Committee are all 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, Mr. Angelini Giovanni and Professor He Jianmin, who are independent non-executive Directors. 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.

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2017, the Audit Committee's main responsibilities also included:

- 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) overseeing 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 Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

CORPORATE GOVERNANCE REPORT

In addition to informal or ad hoc meetings and discussions, the Audit Committee held three formal meetings during the year ended 31 December 2017 to (among others) consider and review the following: the annual results for the year ended 31 December 2016, the interim results for the six months ended 30 June 2017, 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 of the Audit Committee during the year ended 31 December 2017 were as follows:

Name of Audit Committee Members	Role	Attendance/No. of Meetings
Yu Hon To David	Chairman of the Audit Committee	3/3
Angelini Giovanni	Member of the Audit Committee	3/3
He Jianmin	Member of the Audit Committee	3/3

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), Ms. Ho Wai Chu (Chief Operating Officer) and Mr. Chow Wing Sing (Investment and Investor Relations Manager). 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, two formal Finance and Investment Committee meetings of the REIT Manager were held during the year ended 31 December 2017 for reviewing performance, budgets and investment opportunities of New Century REIT. The attendance rates of the individual members of the Finance and Investment Committee during the year ended 31 December 2017 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	2/2
Wan Hui Yeung ^{Note 1}	Member of the Finance and Investment Committee	2/2
Ho Wai Chu	Member of the Finance and Investment Committee	2/2

Note 1: Mr. Wan Hui Yeung resigned as an Investment and Investor Relations Manager, Responsible Officer and a member of the Finance and Investment Committee of the REIT Manager with effect from 26 March 2018. Mr. Chow Wing Sing was appointed as an Investment and Investor Relations Manager and a member of the Finance and Investment Committee of the REIT Manager with effect from 9 April 2018.

CORPORATE GOVERNANCE REPORT

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. Jin Wenjie (Chairman and non-executive Director), Mr. Angelini Giovanni (independent non-executive Director) and Professor He Jianmin (independent non-executive Director). Mr. Jin Wenjie 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) reviewing and approving the board diversity policy of the REIT Manager;
- d) 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;
- e) assessing the independence of independent non-executive Directors to determine their eligibility; and
- f) 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, one Nomination Committee meeting of the REIT Manager was held during the year ended 31 December 2017 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 of the Nomination Committee during the year 31 December 2017 were as follows:

Name of Nomination Committee Members	Role	Attendance/No. of Meetings
Chen Miaolin ^{Note 1}	Chairman of the Nomination Committee	0/1
Jin Wenjie ^{Note 2}	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

Note 1: In the year under review, Mr. Chen Miaolin resigned as the chairman, a non-executive Director and the chairman of the nomination committee of the REIT Manager with effect from 23 May 2017. The meeting of the Nomination Committee was held on 31 May 2017.

Note 2: In the year under review, Mr. Jin Wenjie was appointed as the chairman, a non-executive Director and the chairman of the Nomination Committee of the REIT Manager with effect from 23 May 2017.

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 (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, two Disclosures Committee meetings of the REIT Manager were held during the year ended 31 December 2017 to review the annual results and report for the year ended 31 December 2016, the interim results and report for the six months ended 30 June 2017, announcements and circulars related to the disposal of Shanghai Hotel and other corporate disclosure issues of New Century REIT. The attendance rates of the individual members of the Disclosure Committee during the year ended 31 December 2017 were as follows:

Name of Disclosures Committee Members	Role	Attendance/No. of Meetings
Cheung Yat Ming	Chairman of the Disclosures Committee	2/2
Zhang Guanming	Member of the Disclosures Committee	2/2
Yu Hon To David	Member of the Disclosures Committee	2/2

CORPORATE GOVERNANCE REPORT

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 mainly 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 2017, New Century Tourism Group has about 284 star-rated hotels in operations or under development (including the seven hotels owned by New Century REIT). New Century REIT may compete with hotels operated by New Century Hotel Management and other subsidiaries and members 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

CORPORATE GOVERNANCE REPORT

- 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 (before the disposal thereof with effect from 1 June 2017) 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.

CORPORATE GOVERNANCE REPORT

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 the 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 put forward proposals at general meetings by contacting the REIT Manager. Please refer to the paragraph headed “Unitholders’ Communication Policy” below on the contact details 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.

CORPORATE GOVERNANCE REPORT

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

One annual general meeting was held during the year ended 31 December 2017. 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 <i>Note 1</i>	Chairman and non-executive Director	0/1
Jin Wenjie <i>Note 2</i>	Chairman and non-executive Director	1/1
Cheung Yat Ming	Executive Director and Chief Executive Officer	1/1
Zhang Guanming	Non-executive Director	1/1*
Tong JinQuan	Non-executive Director	1/1*
Angelini Giovanni	Independent non-executive Director	1/1
Yu Hon To David	Independent non-executive Director	1/1
He Jianmin	Independent non-executive Director	1/1*

Note 1: In the year under review, Mr. Chen Miaolin resigned as the chairman, a non-executive Director and the chairman of the Nomination Committee of the REIT Manager with effect from 23 May 2017. The annual general meeting in 2017 was held on 31 May 2017.

Note 2: In the year under review, Mr. Jin Wenjie was appointed as the chairman, a non-executive Director and the chairman of the Nomination Committee of the REIT Manager with effect from 23 May 2017.

* Mr. Zhang Guanming, Mr. Tong JinQuan and Professor He Jianmin attended the annual 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.

CORPORATE GOVERNANCE REPORT

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 2017. 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 (which were in relation to the disposal of Shanghai Hotel) rendered for the year ended 31 December 2017 were RMB1,799,000 and RMB325,000 respectively.

ISSUE 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 (the "**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 of all the Directors and the Management Persons, and all of them have confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2017.

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.

CORPORATE GOVERNANCE REPORT



New Century Hotel Xiaoshan Zhejiang
Function Room

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.

INSIDE INFORMATION

The Compliance Manual has set out procedures and internal controls for the REIT Manager on handling and dissemination of inside information. When information is determined by management to be inside information, the Chief Executive Officer and the Compliance Manager will ensure that such inside information will be handled and disseminated to the public in an equal and timely manner in accordance with the SFO and the Listing Rules.

NEW UNITS ISSUED

Reference is made to the announcement dated 8 June 2017 issued by the REIT Manager. During the year ended 31 December 2017, an aggregate of 7,199,487 new Units were issued to the REIT Manager as payment of the REIT Manager's base fee and variable fee for the period from 1 July 2016 to 31 December 2016.

The total number of Units in issue as at 31 December 2017 was 958,500,829 Units.

BUY-BACK, SALE OR REDEMPTION OF UNITS

During the year ended 31 December 2017, there was no buy-back, sale or redemption of the Units by the REIT Manager on behalf of New Century REIT or any of the Special Purpose Vehicles that are owned and controlled by New Century REIT.

PUBLIC FLOAT OF THE UNITS

Based on 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 2017.

CLOSURE OF THE REGISTER OF UNITHOLDERS

The record date for the final distribution will be 4 May 2018, Friday (“**Record Date**”). The Register of Unitholders will be closed on 4 May 2018, Friday, during which period no transfer of Units will be effected. The final distribution is expected to be paid on or about 25 May 2018, 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 3 May 2018, Thursday.

COMPLIANCE WITH THE COMPLIANCE MANUAL

During the year ended 31 December 2017, 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, the Audit Committee and the Board 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 are 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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ABOUT THIS REPORT

This Environmental, Social and Governance report (the “**ESG Report**”) covers New Century REIT and its subsidiaries, the REIT Manager and the operation of major hotels of New Century REIT in China for the year ended 31 December 2017.

Unless otherwise defined herein, capitalised terms noted in this ESG Report shall have the meanings as those defined in the previous sections or in the section headed “Definitions and Glossary of Technical Terms” of this annual report.

After the sale of the Shanghai Hotel in June 2017, as at 31 December 2017, New Century REIT owned five 5-star hotels (including New Century Grand Hotel Hangzhou, New Century Resort Qiandao Lake, New Century Grand Hotel Ningbo, New Century Grand Hotel Changchun and Kaifeng Hotel) and two 4-star hotels (including New Century Hotel Xiaoshan Zhejiang and Netherlands Hotel).

New Century REIT leased all the hotels to the Lessees, collecting rental income, while the Lessees engaged hotel managers to operate the hotels. In this ESG Report, we will focus on the Lessees of New Century REIT’s hotels in China, i.e. the Initial Hotel Properties and Kaifeng Hotel (together hereinafter referred to as the “**Hotels**” and each as a “**Hotel**”).

Due to the business structure of New Century REIT, the product responsibility in relation to the operation of the Hotels is limited to the hotel managers who are engaged by Lessees, therefore, product responsibility will not be discussed in this ESG Report and any activities related to product responsibility in the revised “Environmental, Social and Governance (ESG) Reporting Guide” published by the Hong Kong Stock Exchange in December 2015 (the “**ESG Guide**”) are not applicable in New Century REIT. However, New Century REIT encourages hotel managers to use

environmentally friendly and socially responsible products in their hotel operations.

The contents of this ESG Report is prepared in accordance with the ESG Guide and is published once a year. New Century REIT plays an active role in advocating sustainability in its supply chain, protecting the environment and contributing back to society together with its business partners.

CORPORATE SOCIAL RESPONSIBILITY VALUES OF NEW CENTURY REIT

Corporate social responsibility (“**CSR**”) is one of the core values of the REIT Manager, who believes that CSR can bring long-term values to Unitholders, hotel guests, business partners, employees and other stakeholders of New Century REIT. Therefore, the REIT Manager takes into account the needs and expectations of various stakeholders and its responsibility to the environment and community when determining business strategies, making decisions and setting operational practice standards for New Century REIT. This ESG Report enables the general public and relevant stakeholders to understand New Century REIT’s commitment and actions with respect to important topics and issues set out below, which allows New Century REIT to achieve its sustainable development goals.

This year’s ESG Report continues to focus on the business operations of hotel managers of New Century REIT’s hotels in the PRC. This report also discusses the CSR performances of hotel properties of the New Century REIT in China, namely the Hotels.

B. COMMUNICATIONS WITH STAKEHOLDERS

New Century REIT holds annual general meetings annually, and extraordinary general meetings as required, which provides an effective platform for the Board to communicate and exchange views with Unitholders. In addition, the REIT Manager

publishes information on the Hong Kong Stock Exchange's website and New Century REIT's website regularly so that stakeholders can keep abreast of any updates on New Century REIT. Stakeholders can also communicate with the REIT Manager via email and telephone, as listed in the section headed "Corporate Information" in this annual report.

New Century REIT's business performance is also reported to investors through the interim and annual reports of New Century REIT.

C. ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

ENVIRONMENTAL PROTECTION

As a responsible enterprise, the REIT Manager itself, and it also encourages the Lessees, to actively respond to the global trend of emission reduction by minimizing emissions or discharges such as greenhouse gases, air-borne particulates, waste water, and solid wastes in its daily operations.

The Lessees take into account in their operations and decision making innovative technology and new products to improve their environmental protection performance and management, as well as emissions reduction, which includes reducing greenhouse gas emissions, enhancing energy efficiency, minimizing sewage discharges, promoting recycling, and decreasing waste disposal.

REDUCTION OF GREENHOUSE GAS EMISSION

CONTROL OF INDOOR TEMPERATURE

Some Hotels adopted automatic thermostat devices in their air-conditioning systems, which detects temperature changes to maintain a constant temperature environment for the Hotels. This helps reduce greenhouse gas emissions, heat emissions and cooling discharge. Overall greenhouse gas emissions of the Hotels reduced by approximately 2% from 2016 to 2017.



New Century Grand Hotel Changchun
Cleaning up the city

REDUCTION OF THE NUMBER OF BUSINESS TRIPS

The REIT Manager tries to reduce the number of business trips and number of staff travelling for business as much as it can, and makes use of alternatives such as telephone conferences to prevent unnecessary energy consumption and greenhouse gas emissions from both long and short haul flights.

CONTROL OF INDOOR AIR QUALITY

To improve indoor air quality, designated smoking rooms are set up in all the Hotels, whilst all other floors and public areas remain as non-smoking areas.

PROCUREMENT FROM LOCAL SUPPLIERS

On the basis that business is conducted on the same terms, the REIT Manager encourages the Lessees to prioritise and engage in local suppliers whenever possible, so as to minimise transportation distances to reduce the emission of air pollutants and greenhouse gas.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the year ended 31 December 2017, The REIT Manager did not identify any violations of or receive any complaints on relevant environmental laws and regulations. The REIT Manager's greenhouse gas emissions during the year ended 31 December 2017 were as follows:

Source of greenhouse gas emissions		Total consumption for the year ended 31 December 2017
Power consumption	(KWh)	11,450
Use of paper	(Kg)	235
Total travel distance by employees	(Km)	87,530
Number of employees	(persons)	9
Total greenhouse gas emissions	(Tonnes of carbon dioxide)	25.84
Intensity of greenhouse gas emissions	(Tonnes of carbon dioxide per person)	2.87

REDUCTION OF WASTE

REDUCTION OF WASTEWATER

The Hotels have all adopted an advanced wastewater treatment system which collects wastewater from a range of facilities and the swimming pool which is then returned to the water cycle with minimal impact on the environment, or is directly reused. Such wastewater will be reused in heating machines, watering plants, grease interceptors, and for cleaning swimming pools.

REDUCTION OF SOLID WASTES

The Lessees take different measures on the handling of different types of waste, and they try to (i) use non-hazardous and/or natural materials as alternatives whenever possible, and (ii) reduce the amount of hazardous waste. When collecting non-hazardous waste to minimize the environmental impact caused by waste disposal, the Lessees have implemented regular waste collection procedures, for example, recycling used paper and aluminium cans regularly and passing them to qualified contractors for further treatment. Other non-recyclable wastes are transferred to designated garbage processing centres. There is no significant amount of hazardous or non-hazardous waste produced in the current operations of the Hotels. In addition, the REIT Manager and the Lessees encourage their office staff to print on both sides of paper and recycle any paper used on one side only.

USE OF RESOURCES

ENERGY CONSERVATION

The Lessees are committed to energy conservation and reducing their carbon footprints. For instance, in certain Hotels, traditional energy-inefficient lighting in hotel rooms and other public areas were replaced by energy-efficient LED lighting, which has reduced energy consumption by about 50%.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

WATER CONSERVATION

The Lessees actively encourages water conservation by putting up slogans in its Hotel's guest rooms to remind Hotel occupants to save water. In addition, adjustable water-saving devices have been installed on sprinklers and taps in staff bathrooms to ensure efficient use of water and to prevent wastage, which has helped reduce water usage. For example, the water usage at New Century Grand Hotel Ningbo was reduced by 2% from 2016 to 2017.

The REIT Manager's amount of energy and water consumption in its office operations during the year ended 31 December 2017 were as follows:

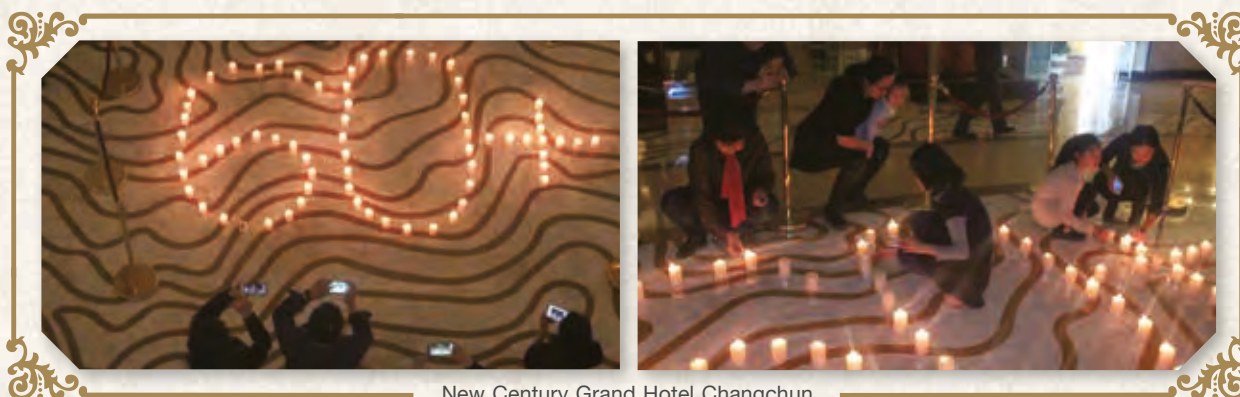
AMOUNT AND INTENSITY OF DIRECT AND/OR INDIRECT ENERGY CONSUMPTION

Energy consumption		Amount of energy consumption for the year ended 31 December 2017
Electricity consumption	(KWh)	11,450
Number of employees	(persons)	9
Average use of energy per person	(KWh/person)	1,272.22

TOTAL WATER CONSUMPTION AND INTENSITY

Water consumption		Total water consumption for the year ended 31 December 2017
Water consumption	(cubic metres)	1,927.6
Number of employees	(person)	9
Average amount of water consumption per person	(Cubic metre/person)	214.17

Due to the scope of business of the REIT Manager, no packaging material was used for any finished products in the year ended 31 December 2017.



New Century Grand Hotel Changchun
Earth Hour Campaign

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



“ECO Active” Products

THE ENVIRONMENT AND NATURAL RESOURCES

Given increasing public awareness on environmental issues, the REIT Manager and the Lessees have taken the initiative to meet the needs of its customers and the public. They have also adopted green measures when purchasing supplies and in their office operations.

GREEN PROCUREMENT

The Lessees prioritise procurement from suppliers that use green facilities and materials and, at the same time, adopt procurement control procedures that require its suppliers to utilise environmentally-friendly materials whenever possible, whilst considering the degree of energy efficiency and conservation an important criterion in their decision-making process.

GREEN MANUFACTURING

“New Century Wood Conservation” is an environmental protection campaign launched by the hotel managers of the Hotels in 2011, which covers areas such as environmental-friendly design, energy conservation, waste reduction and water conservation. The name

“Wood Conservation” has the connotation of “Giving Back” to nature. The “New Century Wood Conservation” campaign includes a range of environmental-friendly guest room consumables. The manufacturing of such products involves completely environmentally-friendly materials in order to reduce pollution and enable recycling afterwards.

GREEN OFFICE MANAGEMENT

The Lessees are concerned about environmental impacts arising from office operations, i.e. consumption of resources and generation of wastes. Management of resources consumption comprises three aspects: increasing employee awareness, adopting administrative measures and implementing facility management.

Paper is an important resource in the office and the Lessees have put up slogans in the office to remind employees to use fewer hand towels, to print on both sides of paper, and to try to receive fax messages on computers and communicate through email instead of physical mail etc. to save resources.

The REIT Manager and the Lessees are committed to advocating environmental conservation through



New Century Grand Hotel Hangzhou
Cooperation with
Zhejiang University of Technology
on an environmental friendly event.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

various channels and promoting low-carbon lifestyles, working together with their customers and suppliers on environmental protection, and increasing the influence of their CSR initiatives.

SOCIAL AND CORPORATE GOVERNANCE

EMPLOYMENT

The REIT Manager ensures compliance with relevant employment and labour laws and regulations where its business operations are located. This includes, without limitation, encouraging its employees to work and rest in accordance with the working hours and rest periods stipulated in their respective employment contracts. The REIT Manager also has anti-discrimination policies in place to ensure that every employee is treated fairly and equally. The REIT Manager also actively promotes diversity in its working environment.

EQUAL RECRUITMENT POLICY

The REIT Manager and the Lessees recruit through recruitment websites, the open market, campuses, human resources agencies and/or internal referrals. The REIT Manager and the Lessee will not discriminate against any candidates based on their gender, age, race or religion. When there is a vacancy in management of the Lessees, a hiring notice will be put up on the staff notice board to invite employees to submit applications for himself/herself to the human resources department. After interviewing with the human resources director and the general manager, other employees may also evaluate the candidate while the relevant employee goes through relevant hiring tests. In order to be promoted to management level, the candidate must pass various tests and staff evaluations in accordance with internal policies.

EQUAL PROMOTION POLICY

The REIT Manager and Lessees offer equal promotion opportunities to all applicants and would not reject any applicants because of their age, gender, race or nationality. In addition, the REIT Manager and the Lessees have an equal promotion mechanism, whereby an employee's performance, experience and competence are the only factors taken into account;

other irrelevant factors such as ethnicity, gender, and marital status are not considered.

COMPENSATION AND RETIREMENT POLICY

Regarding compensation and retirement policies, the REIT Manager and the Lessees follow relevant local regulations on compensation, remuneration and retirement under the Labour Law and Labour Contract Law of the PRC and the Employment Ordinance and Mandatory Provident Fund Schemes Ordinance in Hong Kong as relevant.

There were no violations of compensation and dismissal related regulations or related complaints associated with the REIT Manager and the Lessees during the year ended 31 December 2017.

New Century REIT, through its subsidiaries, has three employees in its own right as at 31 December 2017 and such costs are reimbursed by the REIT Manager. The REIT Manager has nine employees as at 31 December 2017.



New Century Grand Hotel Hangzhou
Anti-terrorism Training

WORKPLACE HEALTH AND SAFETY

The REIT Manager and the Lessees believe that employees who enjoy good work-life balance are more productive. The Lessees organise a range of training programmes for their respective employees to equip

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

them with useful knowledge and skills to ensure a safe working environment. These training courses cover various topics such as fire safety, emergency drills, safety education, protection gear usage, and safety precautions management.

At the same time, the Lessees also have operational manuals on the use of protective equipment when engaging in dangerous operations and have provided personal protective equipment (“PPE”) to employees free of charge. Furthermore, employees were educated on the correct use of PPE to minimize employee’s exposure to occupational hazards.

To maintain work life balance of their employees, the Lessees organise various cultural and sport competitions for their employees, such as basketball, table tennis, snooker and singing contests, as well as mid-autumn festival parties to help their employees enrich their leisure time and reduce stress.

Furthermore, the Lessees pay high attention to their employees’ self-development and have set up a communication channel to understand any challenges they are facing in their work and daily lives. Employees can also file any complaints or apply for counselling through the telephone or in writing on issues relating to their current work load, management, rewards mechanisms and other issues which could impact their mental welfare.

There were no violations of health and safety laws and regulations, nor were there any work-related injuries or fatalities, associated with the REIT Manager and/or the Lessees during the year ended 31 December 2017.

DEVELOPMENT AND TRAINING

The Lessees have a career development scheme in place for its employees who enable employees to enhance their skills and improve job performance. In terms of career development, the Lessees have adopted the model of “learning from a good mentor” where new employees will pair up with senior counterparts. This enables sharing of ideas and knowledge between employees. At the same time, daily training programmes, including the “Three-level Talent Training Scheme”, “Advanced Banquet Service Officer Training Scheme” and “Concierge Representative Training System”, have been created for the Lessees’ employees to develop a solid training foundation.

On top of the daily training programmes, the Lessees also have special training programmes for employees who have just been promoted to enhance their management skills.

The REIT Manager provides annual training for all its employees and directors and encourages them to take external trainings relevant to their roles and responsibilities.



New Century Grand Hotel Kaifeng
Children Community Service



New Century Grand Hotel Kaifeng
Charity Walk



New Century Grand Hotel Kaifeng
“New Century Cycling day”

During the reporting period, the total number of employees of The REIT Manager trained was nine, and the total number of training hours completed by all employees was 40 hours. Therefore, the average number of training hours completed by each employee was around 4.44 hours.

LABOUR STANDARDS

The REIT Manager strictly prohibits child labour, and implements precautionary measures to prevent this.

The REIT Manager requires all staff of the REIT Manager and New Century REIT to be 18 years old or above. Before any job offer is made, the REIT Manager will verify the age and review relevant supporting documents of each candidate. The REIT Manager also recruits on the principle of fair and voluntary employment, and strictly forbids any forced or fraudulent hiring. It also ensures that staffs provide labour at their free-will, and any form of forced labour is not allowed. In the event where overtime working is needed, the REIT Manager will discuss with its staff and ensure that the number of working hours do not exceed the maximum working hours allowed under the relevant laws and regulations. Members of management would not force their teams to perform any work that imposes significant health and/or safety risks or violates any laws and regulations.

The Lessees also adhere to relevant laws and regulations on prevention of child and forced labour. There were no violations of relevant regulations noted during the year ended 31 December 2017.

SUPPLY CHAIN MANAGEMENT

The Lessees understand the importance of having an ethically righteous supply chain when it comes to CSR. Therefore, the Lessees expect its contractors to implement sound environmental and social management measures and to treat their employees equally and reasonably. All contractors are expected to adhere to relevant laws and regulations. When selecting contractors, those with experience in CSR will be prioritised, also taking into account their operational capabilities and prices, and to ensure that the contractor is legitimate and has a good track record. The Lessees will decline to work with contractors with poor track records. In addition, the Lessees evaluate the performances of suppliers and contractors every year. This is effective in helping suppliers and contractors improve their products and services.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PRODUCT RESPONSIBILITY

The REIT Manager and the Lessees understand that providing quality service is an important foundation for their long-term future development and therefore implement strict controls on quality management.

The Lessees are committed to providing quality service to their customers with sincerity and respectful hospitality. To better communicate and interact with guests from all over the world, the Lessees utilise social media platforms in the Hotels to collect comments from its customers. The Lessees will respond to customers' comments promptly. Whenever a Hotel has received a customer complaint, the complaint will be systematically directed to senior management for action. The Lessees did not receive any material complaints during the year ended 31 December 2017.

Customer data is protected and documented confidentially under strict controls by specific departments of the Lessees. Employees are not allowed to photocopy or save any documents privately without permission. When using customers' data, the Hotels must first obtain customers' approval through signed consents.

Relevant product liability laws are strictly complied with. There were no breaches of relevant laws or violations on product description regulations by the Lessees during the year ended 31 December 2017. The REIT Manager and the Lessees respect intellectual property rights and ensure that all commercial softwares used in their operations are legal, properly licensed and authorised.

ANTI-CORRUPTION

All employees of the REIT Manager must have high professional ethics in their course of work. The REIT Manager has implemented an anti-corruption policy to govern the behaviour of all of its employees. Employees must not take advantage of their roles to use any company property or money personally, not accept nor perform bribery, not accept or request gifts or valuables from suppliers or contractors, not take advantage of

their roles or performing any work in favour of their personal interests, and not use the rights of their roles to benefit their personal businesses etc.

In addition, the employees of the REIT Manager involved in purchasing must avoid any situations with conflict of interests, including inappropriate intervention supplier or contractors selection, pricing and tendering. Where possible, quotations from three suppliers or contractors for comparing product quality, price and other criteria are obtained prior to selection.

The REIT Manager regularly evaluates its corporate governance and risk management policies, as well as risks arising from its business operations. New Century REIT's annual consolidated financial statements are audited by an independent auditor to ensure compliance with internationally acceptable accounting standards, which helps protect the rights and benefits of its Unitholders.

The REIT Manager was not aware of any violations with its anti-corruption policy or relevant anti-corruption regulations for the year ended 31 December 2017.

COMMUNITY INVESTMENT

The Lessees actively participate in community and social events, and pay attention to the needs of various local communities where they operate their business through various channels, including collecting and handling comments through investor relations, and arranging meetings and establishing good relationships with various social organisations.

During the year ended 31 December 2017, New Century Tourism Group, as New Century REIT's sponsor, has donated over RMB40 million to charities and/or for community initiatives.

Since 2011, New Century Tourism Group has held a "New Century Cycling Day" on 1 September every year. This large-scale event aims to promote green concepts and healthy lifestyles amongst local communities.

CONNECTED PARTY TRANSACTIONS

Set out below is summary information in respect of connected party transactions for the year ended 31 December 2017 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 (the "**Waivers**"). The waivers were 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 (the "**Waiver Conditions**").

With the approval of the Unitholders, on 16 July 2014, the SFC granted a waiver for (i) certain connected party transactions between New Century REIT and Huge Harvest Group (the "**Modified and Extended Waiver**"). With the approval of the Unitholders, on 1 June 2017, the SFC granted an extension of the Modified and Extended Waiver, which covers the period from 1 January 2017 to 31 December 2019 (the "**2017 Extended Waiver**"). For further details of the 2017 Extended Waiver, please see the circular of New Century REIT dated 17 May 2017 and the poll results announcement of New Century REIT dated 1 June 2017.

With the approval of the Unitholders, on 17 July 2015, the SFC also granted a waiver for certain connected party transactions between New Century REIT and Huge Harvest Group (the "**Kaifeng Hotel Waiver**"), subject to the terms and conditions as disclosed in the announcement of New Century REIT dated 17 July 2015. For further details of the Kaifeng Hotel Waiver, please see the circular of New Century REIT dated 30 June 2015 and the poll results announcement of New Century REIT dated 17 July 2015.

The annual cap under the 2017 Extended Waiver granted by SFC on 1 June 2016 for the year ended 31 December 2017 was RMB17.7 million. New Century REIT had relevant lease transactions within the 2017 Extended Waiver of approximately RMB10.7 million for the year ended 31 December 2017, therefore New Century REIT is well within and has fully complied with the annual cap. For the year ended 31 December 2017, New Century REIT has complied with the relevant terms and conditions of the 2017 Extended Waiver and the Kaifeng Hotel 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 2017:

Name of the Connected Person	Relationship with New Century REIT	Nature of the connected party transaction	Income received/receivable during the year ended 31 December 2017 (RMB'000)
浙江開元酒店管理股份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	219,241
開封開元名都商務酒店有限公司 (New Century Grand Hotel Kaifeng Business Company Limited*)	Associate of significant holder and Director ²	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	18,992
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	2,706
開元旅業集團有限公司 (New Century Tourism Group Limited*)	Associate of significant holder and Director ³	Leasing transaction	1,999
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	1,861
杭州開元森泊旅遊投資有限公司 (Hangzhou New Century Senbo Tourism Investment Limited*)	Associate of significant holder and Director ⁴	Leasing transaction	361
杭州開元國際旅遊有限公司 (Hangzhou New Century International Tourism Limited*)	Associate of significant holder and Director ²	Leasing transaction	210
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 ²	Leasing transaction	133
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	122
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 ⁴	Leasing transaction	55

CONNECTED PARTY TRANSACTIONS

RENTAL DEPOSITS

New Century REIT has received the following rental deposits from its connected persons for the year ended 31 December 2017:

Name of the Connected Person	Relationship with New Century REIT	Nature of the connected party transaction	Rental deposits received during the year ended 31 December 2017 (RMB'000)
浙江開元酒店管理股份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	469
杭州開元森泊旅遊投資有限公司 (Hangzhou New Century Senbo Tourism Investment Limited*)	Associate of significant holder and Director ⁴	Leasing transaction	67

Notes:

1. The connected person concerned is an associate of Mr. Chen Miaolin (a significant Unitholder of New Century REIT) and Mr. Jin Wenjie (chairman and a non-executive Director of the REIT Manager).
2. The connected person concerned is an associate of Mr. Chen Miaolin (a significant Unitholder of New Century REIT).
3. The connected person concerned is an associate of Mr. Chen Miaolin (a significant Unitholder of New Century REIT), Mr. Jin Wenjie (chairman and a non-executive Director of the REIT Manager) and Mr. Zhang Guanming (a non-executive Director of the REIT Manager).
4. The connected person concerned is an associate of Mr. Chen Miaolin (a significant Unitholder of New Century REIT) and Mr. Zhang Guanming (a non-executive Director of the REIT Manager).

* The English name is shown for identification purpose only.

CONNECTED PARTY TRANSACTIONS

LOAN

For the year ended 31 December 2017, New Century REIT incurred an interest expense of RMB3,235,000 paid/payable to Celestial Gate Limited in relation to a drawdown of RMB106,044,000 provided by Celestial Gate Limited to New Century Europe in August 2016, with an average interest rate of 5.39% per annum, under a facility agreement dated 9 August 2016 for a commitment amount of RMB135,000,000. The loan is unsecured and is for a term of five and a half years from the date of the initial utilization date. This loan was repaid early in July 2017. Celestial Gate Limited is an indirectly non-wholly owned subsidiary of New Century Tourism, with 85.21%, 8.53% and 6.26% of its issued share capital ultimately held by Mr. Chen Miaolin, Mr. Chen Canrong and Mr. Zhang Guanming respectively, being a connected party of New Century REIT. For more details, please refer to the announcements of New Century REIT dated 29 July 2016 and 9 August 2016.

EXPENSES

Save as disclosed above and in the subsection headed “Terms and Remuneration of Services Provided by the REIT Manager, the Trustee and the Principal Valuer” 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 2017.

RECEIVABLES AND PAYABLES

There are trade and other receivable and payable balances, as well as advances, with connected persons brought forward from prior years and from leasing transactions occurred during the year ended 31 December 2017, which are set out in notes 29(b) and 29(c), respectively, of the notes to the condensed consolidated interim financial information on pages 209 to 214 of this report.

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 2017 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 or better; and
- c) according to the agreement governing them 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 (Revised) “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 auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by New Century REIT as set out in Note 29 of the Notes to the Consolidated Financial Statements on pages 208 to 214 of this report in accordance with the Waivers, the Modified and Extended Waiver, the 2017 Extended Waiver and the Kaifeng Hotel Waiver. A copy of the auditor’s letter has been provided by New Century REIT to the SFC.

CONNECTED PARTY TRANSACTIONS

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 2017, 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 RMB1,229,000 and RMB31,903,000 respectively. Particulars of services provided by the REIT Manager for the year ended 31 December 2017 is set out in Note 8 of the notes to the consolidated financial statement on pages 173 to 174 of this report. The fees paid/payable to Savills Valuation and Professional Services Limited, the Principal Valuer of New Century REIT, for the year ended 31 December 2017 was RMB569,000.

RELATED PARTY TRANSACTIONS

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 29 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.

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.

SUMMARY OF MARKET RENTAL PACKAGE OF THE INITIAL HOTEL PROPERTIES AND REDUCTION IN BASE RENT RECEIVABLE IN RESPECT OF THE LEASE YEAR OF 2018

Reference is made to the announcement issued by the REIT Manager on 18 January 2018 ("**Rental Announcement**"). Unless otherwise defined herein, capitalised terms used in this sub-section shall have the same meanings as those defined in the Rental Announcement.

In accordance with the Master Hotel Lease and Management Agreement, the Valuer was jointly appointed by Zhejiang New Century Hotel and New Century Hotel Management on 8 November 2017 and instructed to conduct a rent review to determine the Market Rental Package for the Lease Year of 2018, including the market rental value of the underlying Initial Hotel Properties, the amount or calculation of the Individual Rents, the amount of security deposit required, and the amount to be covered by irrevocable guarantee(s) to be issued by licensed bank(s) in the PRC.

CONNECTED PARTY TRANSACTIONS

According to the 2018 Market Rental Package Determination, the aggregate amount payable by the Lessee as Base Rent is RMB200 million for the Lease Year of 2018, which represents a decrease of about RMB16 million (or approximately 7.4%) as compared with the Base Rent of RMB216 million for the Lease Year of 2017. The calculation of the variable Individual Rents remains the same as compared with that for the First Lease Period. In addition, the security deposit comprised within the 2018 Market Rental Package Determination is RMB20 million (which is the same as the amount of security deposit for the First Lease Period). A summary of the 2018 Market Rental Package Determination, together with a comparison of the corresponding amounts in respect of the Lease Year of 2017, is as follows:

Market Rental Package	Market Rental Package for Lease Year of 2017	Market Rental Package for Lease Year of 2018
Aggregate amount payable by Lessee as Base Rent	RMB216 million	RMB200 million
Variable Individual Rent for the Initial Hotel Properties (receivable by the relevant Lessors)	20% of Revenue plus 34% of Gross Operating Profit	20% of Revenue plus 34% of Gross Operating Profit
Amount of security deposit	RMB20 million	RMB20 million
Amount to be covered by irrevocable bank guarantee(s)	RMB216 million	RMB216 million

Apart from the elements of the Market Rental Package for the Lease Year of 2018 as set out above, all other terms of the Hotel Lease and Management Agreements, including but not limited to the guarantee provided by New Century Tourism in relation to the obligations of the Lessee under the Hotel Lease and Management Agreements and also New Century Tourism's undertaking to maintain a minimum net asset of RMB2 billion, remain the same as those during the First Lease Period.

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.

UNITHOLDINGS OF SIGNIFICANT UNITHOLDERS

As at 31 December 2017, the interests and short positions in Units of the significant Unitholders (as defined in paragraph 8.1 of the REIT Code (other than the REIT Manager, its Directors or the chief executive of the REIT Manager)), as recorded in the register required to be kept by the REIT Manager pursuant to Schedule 3 of the Trust Deed and section 336 of the SFO, or so far as the REIT Manager is aware, were as follows:

Name of the Significant Unitholders	Total Number of Issued Units Held (long positions)	Approximate Percentage of the Issued Units as at 31 December 2017
Standard Chartered Trust (Singapore) Limited ¹	576,546,493	60.15%
SCTS Capital Pte Ltd. ²	576,546,493	60.15%
Poppytown Group Limited ³	576,546,493	60.15%
Huge Harvest International Limited ⁴	576,546,493	60.15%
Chen Miaolin ⁵	576,546,493	60.15%
Wealthy Fountain Holdings Inc. ⁶	139,450,000	14.55%
Shanghai Summit Pte. Ltd. ⁷	139,450,000	14.55%
Ding An Investments Limited	60,411,839	6.30%
Liu YongJuan ⁸	60,411,839	6.30%
Success Conquer Global Limited	49,222,000	5.14%

DISCLOSURE OF INTERESTS

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 Standard Chartered Trust (Singapore) Limited (as trustee of the irrevocable trusts), holds 100% of the Interests of Poppytown Group Limited (Note 3), Capitilla Worldwide Limited and Litewait Worldwide Limited, which 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.

Standard Chartered Trust (Singapore) Limited is accustomed to act on the investment directions of Mr. Chen Miaolin (Note 5), Mr. Zhang Guanming (non-executive Director of the REIT Manager) and Mr. Chen Canrong (director of Xiaoshan Hotel Company).

As at 31 December 2017, Mr. Chen Miaolin was the settlor and a beneficiary of an irrevocable trust. 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 for Standard Chartered Trust (Singapore) Limited (as trustee of a irrevocable trust), holds 100% of the interests of Poppytown Group Limited (Note 3). Hence, SCTS Capital Pte. Ltd. has deemed interest in the Units held by Huge Harvest 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 576,546,493 Units, Huge Harvest International Limited held 26,295,329 Units via New Century Asset Management Limited, representing 2.74% of the Units issued by New Century REIT, as at 31 December 2017.
5. As at 31 December 2017, Mr. Chen Miaolin was the settlor and a beneficiary of an irrevocable trust. 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.
6. Wealthy Fountain Holdings Inc. is a significant Unitholder (within the meaning of the REIT Code) of New Century REIT. Wealthy Fountain Holdings Inc. is 100% controlled by Shanghai Summit Pte. Ltd. (Note 7).
7. Shanghai Summit Pte. Ltd. holds 100% of the interests of Wealthy Fountain Holdings Inc. (Note 6). Hence, Shanghai Summit Pte. Ltd. has deemed interest in the Units held by Wealthy Fountain Holdings Inc. Mr. Tong JinQuan (Note 9), non-executive Director of the REIT Manager, holds 100% of the interests of Shanghai Summit Pte. Ltd. Hence, Mr. Tong JinQuan has deemed interest in the Units held by Wealthy Fountain Holdings Inc.
8. Ms. Liu YongJuan holds 100% of the interests of Ding An Investments Limited. Hence, Ms. Liu YongJuan has deemed interest in the Units held by Ding An Investments Limited.

DISCLOSURE OF INTERESTS

UNITHOLDINGS OF THE REIT MANAGER, ITS DIRECTORS OR CHIEF EXECUTIVE

As at 31 December 2017, the interests and short positions 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 2017
Tong JinQuan ⁹	139,450,000	14.55%
New Century Asset Management Limited ¹⁰	26,295,329	2.74%
Jin Wenjie ¹¹	1,679,000	0.18%
Cheung Yat Ming ¹²	212,000	0.02%

Notes (continued):

- Mr. Tong JinQuan, non-executive Director of the REIT Manager, holds 100% of the interests in Shanghai Summit Pte. Ltd. (Note 7). Shanghai Summit Pte. Ltd. holds 100% of Wealthy Fountain Holdings Inc. Hence, Mr. Tong JinQuan has deemed interest in the Units held by Wealthy Fountain Holdings Inc.
- New Century Asset Management Limited is the REIT Manager of New Century REIT. In 2017, 7,199,487 new Units were issued to the REIT Manager as payment of the REIT Manager's base fee and variable fee for the period from 1 July 2016 to 31 December 2016. As at 31 December 2017, the REIT Manager beneficially held 26,295,329 Units.
- As at 31 December 2017, Mr. Jin Wenjie was the chairman, non-executive Director and the chairman of the Nomination Committee of the REIT Manager.
- As at 31 December 2017, Mr. Cheung Yat Ming was the chief executive officer, executive Director and a Responsible Officer of the REIT Manager.

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 2017.

DIRECTORS' BIOGRAPHICAL INFORMATION

JIN WENJIE

Chairman and non-executive Director

Mr. Jin Wenjie (金文傑), aged 48, was appointed as the Chairman and a non-executive Director of the REIT Manager with effect from 23 May 2017.

Mr. Jin has 28 years of experience in finance and real estate investment and management. Mr. Jin began his career as a research director at Zhenhai Refining & Chemical Company Limited (鎮海煉油化工股份有限公司) (previously listed on the Hong Kong Stock Exchange but now delisted) from July 1990 to January 1997. In February 1997, Mr. Jin joined Seapower Financial Services Group Limited (海裕金融有限公司) as a senior director until June 1998. Afterwards, he joined Dresdner Kleinwort Benson (China) Limited (德利佳信中國有限公司) as senior manager from July 1998 to March 2001, GC Capital (Asia) Limited (漢宇資本亞洲公司) as a director from May 2001 to September 2003, Goldbond Capital Asia Limited (金榜融資亞洲公司) as managing director from October 2003 to October 2007, and Piper Jaffray Asia Holdings Limited (美國派杰亞洲公司) as director and head of corporate finance in China from November 2007 to June 2008. After leaving Piper Jaffray Asia Holdings Limited, Mr. Jin joined Zhejiang New Century Hotel Management Limited (浙江開元酒店管理股份有限公司) (“**New Century Hotel Management**”) from August 2008 to January 2016 as deputy general manager. Mr. Jin has been the chief financial officer of New Century Cayman, director and vice president of New Century Tourism and chairman of New Century Hotel Management since August 2011, February 2016 and January 2017 respectively.

Mr. Jin received a bachelor of engineering degree from the Shanghai Jiaotong University (上海交通大學) in 1990 and a masters in law degree from the Tongji University (同濟大學) in 2003. Mr. Jin received a lawyer's qualification certificate issued by the Ministry of Justice of the People's Republic of China.

CHEUNG YAT MING

Executive Director, Chief Executive Officer and Responsible Officer

Mr. Cheung Yat Ming (張一鳴), aged 49, has been an executive Director, the Chief Executive Officer and a 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, Kaifeng New Century Grand, New Century REIT Hong Kong I, New Century Europe and New Century Netherlands I.

Mr. Cheung has extensive experience in the fields of investment, merger & acquisition, real estate and property market research, corporate finance, fund management, securitization 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 has 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)

DIRECTORS' BIOGRAPHICAL INFORMATION

ZHANG GUANMING

Non-executive Director

Mr. Zhang Guanming (張冠明), aged 52, 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, Kaifeng New Century Grand, New Century REIT Hong Kong I and New Century Europe.

Mr. Zhang has over 22 years of experience in hotel operation and management and over 17 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 postgraduate Bildung an der Technischen Universität Dresden e.V. in October 2003.

TONG JINQUAN

Non-executive Director

Mr. Tong JinQuan (童錦泉), aged 63, has been a non-executive Director of the REIT Manager since 19 January 2015.

Mr. Tong has more than 23 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 (上海長峰(集團)有限公司). Summit Group currently has businesses in industrial, commercial, residential 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 960,000 sq.m. in Shanghai and 3.15 million sq.m. of properties outside Shanghai.

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

DIRECTORS' BIOGRAPHICAL INFORMATION

YU HON TO DAVID

Independent non-executive Director

Mr. Yu Hon To David (俞漢度), aged 70, 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);
- 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); and
- Playmates Holdings Limited (stock code: 635).

Mr. Yu previously also held the position of independent non-executive director of Great China Holdings Limited (stock code: 141) and resigned with effect from 13 July 2016; Bracell Limited (formerly known as Sateri Holdings Limited)(now delisted from the Hong Kong Stock Exchange) and resigned with effect from 1 November 2016; and Synergis Holdings Limited (stock code: 2340) and resigned with effect from 1 January 2018.

ANGELINI GIOVANNI

Independent non-executive Director

Mr. Angelini Giovanni, aged 72, 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 over 52 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 ("**Shangri-La**"), a company listed on the Hong Kong Stock Exchange, for over 9 years. Prior to working at Shangri-La, Mr. Angelini spent 15 years with Westin Hotels and Resorts ("**Westin**") 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 working at 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 achievements, 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.

DIRECTORS' BIOGRAPHICAL INFORMATION

HE JIANMIN

Independent non-executive Director

Professor He Jianmin (何建民), aged 61, has been an independent non-executive Director of the REIT Manager since 30 January 2014.

Professor He has more than 27 years of experience in the fields of hospitality and tourism. Professor He has been 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 the Shanghai International Studies University (上海外國語大學), including 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 a 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.

Professor He currently serves as an independent non-executive director of Shanghai Jin Jiang International Hotels (Group) Company Limited (Stock Code: 2006), a company listed on the Hong Kong Stock Exchange.

KEY PERSONNEL'S BIOGRAPHICAL INFORMATION

CHOW WING SING

Investment and Investor Relations Manager
(appointed with effect from 9 April 2018)

Mr. Chow Wing Sing (周永勝), has been appointed as the Investment and Investor Relations Manager of the REIT Manager with effect from 9 April 2018.

Prior to his appointment as the Investment and Investor Relations Manager of the REIT Manager, Mr. Chow, was a senior asset manager at Shun Tak Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 242), from 2015 to 2016. Before that, he worked at Headland Developments Ltd. as a senior investment manager from 2012 to 2014, and at Pearl River Asset Management Ltd. from 2008 to 2012, first as an associate director and was subsequently promoted to a director. From 2007 to 2008, Mr. Chow worked as a property manager at Chen Hsong Holdings Limited, a company listed on the Stock Exchange (stock code: 0057). He also worked at CB Richard Ellis Limited, Colliers International (Hong Kong) Limited, FPD Savills (Hong Kong) Limited, Unitop Property Consultants and Vigers Hong Kong Limited previously.

Mr. Chow obtained a Bachelor of Arts (Hons) in Arts and Social Sciences from the Hong Kong Baptist University, a Diploma in Surveying (General Practice) from The College of Estate Management in Reading, United Kingdom, and a Master of Science in Finance from The Chinese University of Hong Kong.

WAN HUI YEUNG

Investment and Investor Relations Manager
(resigned with effect from 26 March 2018)

Mr. Wan Hui Yeung (溫煦陽), was the Investment and Investor Relations Manager and a responsible officer of the REIT Manager from 16 September 2015 to 26 March 2018.

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 listed in Singapore, as an 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.

KEY PERSONNEL'S BIOGRAPHICAL INFORMATION

HO WAI CHU

Chief Operating Officer

Ms. Ho Wai Chu (何慧珠), has been the Chief Operating Officer and a responsible officer of the REIT Manager since November 2013. 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, Kaifeng New Century Grand, New Century REIT Hong Kong I, and New Century Netherlands I.

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 Hong Kong Stock Exchange (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 at 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 the 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) has been the Property and Technical Manager of the REIT Manager since June 2013. Mr. Ding has extensive experience in the hotel industry, and has worked with the 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 to 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.

KEY PERSONNEL'S BIOGRAPHICAL INFORMATION

YU HOI ZIN

Compliance Manager and Company Secretary

Ms. Yu Hoi Zin (庾愷善) has been the Compliance Manager and Company Secretary of the REIT Manager since July 2013. 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 the 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) has been the Internal Audit Manager of the REIT Manager since September 2014. 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 at Deloitte Touche Tohmatsu for 6 years, where 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 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 2017 to 31 December 2017.

DB Trustees (Hong Kong) Limited

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

Hong Kong, 15 March 2018

VALUATION REPORT

New Century Asset Management Limited

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

Suite 4706, 47/F

The Center

No. 99 Queen's Road Central

Hong Kong

DB Trustees (Hong Kong) Limited

(as Trustee of New Century REIT)

Level 52, International Commerce Centre

No. 1 Austin Road West

Kowloon

Hong Kong



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www.savills.nl

Amsterdam, 4 January 2018

Dear Sirs,

PROPERTY: HOLIDAY INN EINDHOVEN, VELDMAARSCHALK MONTGOMERYLAAN 1, EINDHOVEN, THE NETHERLANDS (THE "PROPERTY")

Instructions

In accordance with our proposal of 26 January 2017 with reference number IS/FP/16190, we have prepared a revaluation of the freehold interest in the property situated at Veldmaarschalk, Montgomerylaan 1 in Eindhoven, the Netherlands for the purpose of providing you with our opinion of the market value of the property as at 31 December 2017 (the "valuation date") for financial reporting purposes.

In undertaking our valuation, we have also relied on our full valuation report issued on 17 June 2016, with the valuation date of 10 May 2016, reference number 04313-01. We have re-inspected the property on 20 December 2017 for this current exercise. The property was inspected by Fernando Peralta RT. We were able to inspect the whole of the property, both externally and internally, but limited to those areas that were easily accessible or visible. We expressly assume for the purposes of this valuation that there have been no material changes to the property between the inspection date and the valuation date or between the valuation date and the time of reporting.

Savills Valuation and Professional Services Limited, the principal valuer of the New Century REIT, recommend to appoint Savills Consultancy B.V. and Savills (UK) Limited, professional valuation firms within the Savills group operating in the Netherlands and United Kingdom, to prepare the required valuation.

Qualifications

The subject valuation exercise is handled by Giles Furze MRICS of Savills (UK) Limited and Dave Hendriks FRICS of Savills Consultancy B.V., both are qualified valuers and members of the Royal Institution of Chartered Surveyors and are RICS Registered Valuers. They both have over 10 years of experience in valuing similar types of properties.

The valuers with MRICS or FRICS qualifications are RICS Registered Valuers. Furthermore, we confirm that the valuers have sufficient current local and national knowledge of the particular market and the skills and understanding to undertake the valuation.

The valuers are in a position to provide an objective and unbiased valuation and have no connection or involvement with the subject of the valuation instruction or the party giving the instruction beyond that which has been outlined above.

The valuation has been prepared in accordance with International Valuation Standards issued by the International Valuation Standards Council, Royal Institution of Chartered Surveyors' ("RICS") Valuation – Global Standards 2017 (the "RICS Red Book") effective from 1 July 2017, and the standards of the Dutch Register for Real Estate Valuers (Nederlands Register Vastgoed Taxateurs – NRVT).

The valuation is prepared in compliance with the requirements set out in paragraph 6.8 and in compliance with the requirements set out in Practice Note 25 on Overseas Investments of the Code on Real Estate Investment Trusts (the "REIT Code") issued by the Securities and Futures Commission in Hong Kong ("SFC").

VALUATION REPORT

Valuation methodology

We have valued the property on an income capitalisation (Core & Top Slice) model, having regard to comparable evidence and current investment market sentiment.

We have considered the actual trading information supplied, together with current budget/forecast information. Our underlying trading forecasts are based on a hypothetical efficient operator's likely trading performance at the Property. We have balanced actual operating costs with benchmark performance ratios derived from comparable trading assets that we have reviewed in the course of our professional work.

Title investigation

The local land registry has informed us that the freehold interest in the property is held by New Century Netherlands I B.V., with registered offices in Amsterdam, the Netherlands. It was officially registered as follows: cadastral Municipality Woensel, section K, numbers 1278 and 1280. A cadastral plan showing the subject parcels and providing an indication of the foot print of the property, is attached as Appendix II.

We have also read the statement of title change dated 9 August 2016, prepared by M.J.A. Laenen LL.M. notary in Amsterdam, the Netherlands. According to the statement, the title of ownership has changed from Invesco HF 2 Eindhoven Hotel Investment B.V. to New Century Netherlands I B.V., by way of amendment of articles of association.

Pursuant to the legal due diligence report dated 16 June 2016 prepared by DLA Piper Netherlands N.V., the owner of the property is Invesco HF 2 Eindhoven Hotel Investment B.V., the entire issued capital of which was acquired by New Century Europe I S.à.r.l., a directly wholly-owned subsidiary of New Century REIT, pursuant to the sale and purchase agreement dated 28 July 2016 and entered into between New Century Europe I S.à.r.l. and IRE Hotel II Holdco 1 S.à.r.l.. Subsequently, Invesco HF 2 Eindhoven Hotel Investment B.V. changed its name to New Century Netherlands I B.V.

Potential tax liabilities

The potential tax liabilities which would arise on the disposal of the property mainly comprise transfer tax and value added tax (VAT). Transfer tax is payable on the transfer of real estate if no VAT is levied by operation of law. Transfer tax is also payable on the transfer of shares in a company which mainly holds real estate. VAT is only payable in respect of newly constructed real estate and building sites.

Special assumptions

For this valuation we have made no special assumptions.

Comments

For this valuation no comments are applicable other than the general assumptions and valuation considerations mentioned in this report.

Current Market Value

As at the valuation date, but the condition of the property as at 20 December 2017, we have arrived at a rounded net value of €27,120,000. Based on the year-end figures our opinion of the value is marginally ahead by 0.59% compared to the last update with the valuation date of 30 June 2017. The Minimum Guaranteed Rent is greater than the NOI (after Management Fees). The hotel is considered over-rented by reference to the trading fundamentals, however appetite for fixed income hotel investments across Europe has seen yield compression in core markets.

Our Valuation is stated net of purchaser's costs of 7.0% (6.0% transfer tax plus notary and agent fees of 1.0%). It reflects a market value of €131,014 per bedroom overall.

Attached to this letter is a document entitled "Assumptions" and the appendices of this valuation letter.

Market value

The valuation is to be of the market value. Valuation Performance Standard (VPS) 4 – 4 of the Red Book defines Market Value (MV) as:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

With regard to the above and to any additional observations made in the body of our report we are of the opinion that the market value of the freehold interest in the property, as at 31 December 2017, is as follows:

€27,120,000 net

(twenty-seven million one hundred and twenty thousand euros net)

Yours sincerely,

G. Furze MRICS

*RICS Registered Valuer
Director – Hotel Valuation*

D. Hendriks MSc MBA FRICS RT

*RICS Registered Valuer
Managing Director – Savills Valuations*

VALUATION REPORT

ASSUMPTIONS

Our work is on the basis set out below, unless specifically varied by our report.

1. Constructional and technical condition

During our inspection we have formed an opinion of the condition of the building based upon the visible parts. We have assumed that there are no constructional or technical defects.

Should you require further information concerning the constructional and technical condition of the property we advise you to carry out a structural survey.

2. Contamination

In our valuation we have assumed that the property is not contaminated, that there are no oil tanks or other objects and fuels which can influence the value and that the property does not contain asbestos or any other material which have a negative effect on the value. If subsequently it were discovered that contamination exists, our valuation would need to be revised.

Should you require further information concerning any possible contamination we advise you to carry out an environmental survey.

3. Tenure and restrictions

We have limited examined the title documents for any clauses, rights of third parties, easements or ground lease conditions. Savills did not make a Report on Title. We advise you to have your legal advisor carry out a title deed investigation.

We are aware that the property is subject to a facility agreement in favour of Deutsche Pfandbriefbank AG. Our reported market value assumes that the property is free of mortgages, real rights and attachments.

4. Owners' association

If the valued property concerns an apartment right we did not take into account any consequences which arise from the owners' association regulations and agreements. Furthermore we have ignored any debts or benefits of the association.

5. Information

For the purpose of the valuation we have been provided with the following information.

- Actual trading information, November 2017.
- Capital expenditure overview, November 2017.
- STR trend report, 6 December 2017.

We do not accept responsibility for any errors or omissions in the information and documentation provided to us, nor for any consequences that may flow from such errors and omissions. We have assumed that all information received is correct and complete.

6. Regulations

We have assumed that the property is in compliance with all governmental regulations as per valuation date.

7. Local regulations

We did not examine local regulations such as ordinances or governmental policies. We have assumed that no negative consequences arise from this or will influence the value. We have examined the zoning plan.

Should you require further information concerning local regulations we advise you to discuss this with your legal advisor.

8. VAT

If a tenant is exempted from VAT payment over the rent we have taken into account the VAT loss over the operating costs. Any VAT loss over the construction costs or purchase price is excluded from our valuation. If we received information concerning VAT compensations, we have included it in our valuation.

Should you require further information concerning any tax regulations we advise you to discuss this with your tax advisor.

9. Measurements

We have assumed that the provided areas are correct and in accordance with NEN 2580.

RICS requires the use of area measurements that comply with the International Property Measurement Standard. However, in the Netherlands the NEN-2580 measurement standards are the accepted standard for area measurement. Therefore we base our valuations on areas in compliance with the NEN-2580 measurement standards.

10. Plant and machinery

We have included in our valuations those items of plant and machinery normally considered to be building related. We did not take into account any plan or machinery that is not building related.

11. Adjustments by tenant

We have assumed that at termination of a lease agreement no costs or benefits will follow for the owner of the property due to adjustments from the tenant that were left behind in the leased space.

VALUATION REPORT

12. Development properties

For properties in course of development we assume that the properties or parts of the properties will be delivered free of constructional or technical defects.

For recently completed developments we take no account of any retentions, nor do we make allowances for any outstanding development costs, fees, or other expenditure for which there may be a liability.

13. Valuation date

Property values may change substantially over a relatively short period. If you wish to dispose of this property or part thereof, or to accept a charge over it as security for a loan after the valuation date, we strongly advise a further consultation with us.

We did not take into account any possible material changes to the property between the date of inspection and the valuation date or between the valuation date and the reporting date.

14. Service charges vacancy

We did not take into account any service charges for the owner that may arise at vacancy.

15. Special purchaser

We have excluded from our consideration any special purchaser who, due to special interest or circumstances, may wish to purchase the property or the business.

16. Confidentiality

The valuation and the report are for the stated purposes and for the sole and exclusive use of our client. The valuation may not be relied upon by any third party without the expressed and written authorization of Savills Valuations and no responsibility shall be accepted to any such third party whatsoever.

Principal Valuation Considerations

The principal matters that impact on the value of the property are as follows:

LOCATION AND SITUATION

The hotel is located on the fringe of the city centre, offering very good transport links throughout Eindhoven and the wider region beyond. The hotel is well located for corporate occupiers as well as leisure guests (within a short walk of the Philips stadium and city centre). Eindhoven is a hotbed of technological innovation and hardware manufacturing.

ACCOMMODATION

The property comprises a city centre hotel which trades with 207 bedrooms and full meeting, leisure and F&B facilities under the Holiday Inn brand. The hotel is well established in its market and benefits from excellent visibility from the main arterial ring road in Eindhoven, as well as being situated opposite the main rail station.

Floor	Use
Basement	Mini gym, management offices, back of house areas.
Ground	Reception, lounge, restaurant, bar, management offices, swimming pool.
First – Seventh	Standard guest rooms, storage, maintenance (second and third floors).
Eighth – Tenth	Executive guest rooms, storage.
Roof	Plant, air handling, phone masts.
Approximate Floor Area	11,675 sq m GLA

In addition, there are approximately 145 surface level car parking spaces situated at the rear (north) of the hotel.

BUILDING QUALITY AND CONDITION

Constructed in 1973, the property is dated in its external appearance, however it provides a good and contemporary standard of accommodation internally and has benefitted from recent and ongoing investment from the Tenant.

FLOOR AREAS

We have not measured the property, but based on the information from Dutch Land Registry, the floor area is approximately 11,675 sq m GLA.

VALUATION REPORT

TOWN PLANNING

We have made informal oral enquiries of the local planning authority who inform us that the property falls within the zoning plan “Emmasingelkwadrant – Fellenoord 2013”. The Municipal Council adopted the plan on 19 November 2013. According to this zoning plan, the property is designated for “hotel and catering industry” purposes. The plan restricts development on the site, among other things, to a maximum height of 30 m.

The property is stated neither to be Listed/Protected or to be within a Conservation Area, and we are informed that it is not directly affected by any highway, town planning or other schemes or proposals.

TITLE INVESTIGATION

The local land registry has informed us that the freehold interest in the property is held by New Century Netherlands I B.V., with registered offices in Amsterdam, the Netherlands. It was officially registered as follows: cadastral Municipality Woensel, section K, numbers 1278 and 1280.

We have also read the statement of title change dated 9 August 2016, prepared by M.J.A. Laenen LLM, notary in Amsterdam, the Netherlands. According to the statement, the title of ownership has changed from Invesco HF 2 Eindhoven Hotel Investment B.V. to New Century Netherlands I B.V., by way of amendment of articles of association.

Pursuant to the legal due diligence report dated 16 June 2016 prepared by DLA Piper Netherlands N.V., the owner of the property is Invesco HF 2 Eindhoven Hotel Investment B.V., the entire issued capital of which was acquired by New Century Europe I S.à.r.l., a directly wholly-owned subsidiary of New Century REIT, pursuant to the sale and purchase agreement dated 28 July 2016 and entered into between New Century Europe I S.à.r.l. and IRE Hotel II Holdco 1 S.à.r.l.. Subsequently, Invesco HF 2 Eindhoven Hotel Investment B.V. changed its name to New Century Netherlands I B.V.

We emphasize that Savills did not make a report on title. We advise you to have your legal advisor carry out a title deed investigation.

OCCUPATIONAL AGREEMENTS

The Property is held on a 25 year lease to Eden Eindhoven Hotel Exploitatie II B.V. The lease provides for extensions at the Tenant’s request, as well as performance tests (with reference to RevPAR and Competitor Set). Under the terms of the lease the Tenant also maintains franchise agreements to trade under the Holiday Inn and Flo brands.

We would summarise the principal provisions as follows:

Landlord	NEW CENTURY NETHERLANDS I B.V.
Tenant	EDEN EINDHOVEN HOTEL EXPLOITATIE II B.V.
Guarantor	EDEN HOTEL GROUP I B.V.
Lease Date	4 February 2012
Term	25 years from Closing Date (3 February 2012).

Extension Options	The Lessee has 2 five year options to extend the Lease.
Base Rent	€1,846,054 per annum, subject to indexation, capped at 3.0%. (2017 rent is €1,964,878.22).
Sales Turnover Percentage	24.0%
Brand	Holiday Inn Hotels. The Lessee is not entitled to terminate this Franchise Agreement without the Lessor's prior written consent, at the Lessor's sole discretion.
RevPAR Performance Test	If in any 3 consecutive full financial years during the Term the RevPAR of the hotel in each of the 3 years is less than the RevPAR Performance Test Percentage (90%) of the average RevPAR of guest rooms of the hotels in the Peer Group, provided that such shortage is not directly caused by any significant maintenance carried out in these years, then the Lessor shall have the right to terminate this agreement immediately by way of notice to the Lessee. The RevPAR test (set out in Clause 6.9.1) shall not be applicable during the first three financial years, such term to include the financial year in which this agreement commences. This means that the Lessor shall be entitled to invoke the termination right for the first time after the sixth financial year has lapsed on the condition that the Lessee has failed the RevPAR Test as set out in Clause 6.9.1.
Rent Cover Performance Test	If in (i) any 3 consecutive full financial years or (ii) any 3 out of 5 years during the Term the Rental Coverage of the Hotel is less than the Rental Coverage Percentage, then the Lessor shall have the right to terminate this Agreement immediately.
Repairs	The Lessee shall keep the hotel furnished at all times in accordance with Brand Standards, maintain the hotel in good and substantial repair in a condition in accordance with Brand Standards, and procure that all works are carried out in accordance with best practice using appropriate materials and approved specifications by the Lessor.
Lessor's Maintenance/ Repair obligations	The Lessor is responsible for the structural parts of the Leased Space, being the roof, walls, window frames and the foundation of the Leased Space. The Lessor shall keep the structural parts in good condition.
Insurance	Lessee to procure and maintain insurance at its own expense, to include buildings, business interruption and anti-terrorism.
RevPAR Performance Test	90%

VALUATION REPORT

FF&E	<p>FF&E is owned by the Lessee, who shall install, maintain, renew, repair and replace so as to maintain a good operating condition.</p> <p>The Lessee shall pay into the FF&E Reserve Account an amount equal to 3.0% of Sales Turnover, to be accumulated if not expended in a financial year.</p> <p>At the Lessor's request, and in the event the Agreement terminates, the Lessee agrees to sell and transfer the FF&E in the Leased Premises to the Lessor for a consideration amounting to the book value set out in the annual financial statements of the Lessee at the time of the termination.</p>
Alterations	<p>Any request for the Lessor's consent for alterations must include plans, descriptions and specifications, contractor details and a financial impact appraisal. These may be denied if they relate to Structural Alterations, a reduction in bedrooms or potentially limit the future use of the property.</p>
Structural Alterations	<p>Alterations including to the roof, the walls, the window frames and foundations of the Leased Space and any alterations that require structural calculations or require an official permit.</p>

We have been provided with the Tenant's Franchise Agreement to operate the hotel under the Holiday Inn brand which we summarise as follows:

Parties	<p>EDEN EINDHOVEN HOTEL EXPLOITATIE II B.V. SIX CONTINENTS HOTELS, INC</p>				
Property	<p>Holiday Inn Eindhoven, to comprise 199 guest rooms. Licensor allows the restaurant and bar concept to be changed to a "Flo" concept.</p>				
Hotel Construction & Renovation	<p>Licensee agreed to perform relevant works, including purchase of furniture, fixtures and equipment. Anticipated date of renovation is October 2007 and complete in July 2008.</p>				
Base Royalty Fee	<table border="0"> <tr> <td>Years 1 and 2</td> <td>2.0% of Gross Rooms Revenue</td> </tr> <tr> <td>Years 3, 4 and 5</td> <td>3.0% of Gross Rooms Revenue</td> </tr> </table>	Years 1 and 2	2.0% of Gross Rooms Revenue	Years 3, 4 and 5	3.0% of Gross Rooms Revenue
Years 1 and 2	2.0% of Gross Rooms Revenue				
Years 3, 4 and 5	3.0% of Gross Rooms Revenue				
Bonus Royalty Fee	<p>From Year 5 and onwards:</p> <p>(i) If in Years 3 and 4 the cumulative GRR exceeds the cumulative GRR Target of €12.11M, then Base Royalty Fee for Year 5 onwards will increase as follows:</p> <ul style="list-style-type: none"> • If GRR target is exceeded by up to 10% then 4.0% of GRR • If GRR target is exceeded by more than 10%, then 10.0% of GRR <p>(ii) If in Years 3 and 4 the cumulative GRR does not exceed the GRR target, then Base Royalty Fee will remain at 3.0% for the rest of the Term.</p>				
Fixed Royalty Fee	<p>Or €50,000 per annum payable, if greater than the Base or Bonus Royalty Fees</p>				

Marketing and Reservation Contribution	3.0% of Gross Rooms Revenue
Priority Club Rewards Marketing Contribution	4.75% of Gross Rooms Revenue on qualifying room rates and other eligible hotel charges for each night of a hotel stay on which Priority Club Rewards points are required to be awarded.
Holidex Plus Fee	Under the Holidex Access ad Systems Agreement executed by Licensee with Licensor, currently at €12.50 per room per month.
License Term	15 Years, from 1 June 2007 until 31 May 2022.

We have also been provided with the Brasserie Flo Franchise Agreement which we summarise as follows:

Parties	GROUPE FLO EDEN CITY HOTEL
Fit Out	Franchisee, at its own expense, to comply with Franchisor's instructions regarding the exterior and interior fit-out of the Restaurant.
Franchise Fee	€50,000 payable on the signature date of the Agreement.
Periodic Fees	3.25% of Net Sales excluding breakfast, excluding taxes. Guaranteed Minimum Fee set to an annual amount of €45,000.
License Term	Five Years from the signature date of the Franchise Agreement (Document date: 04/05/2009)

TENANT'S COVENANT STRENGTH

The Tenant has no record of delinquency, has a D&B credit rating of N3 and is supported by an unlimited Corporate guarantee from its parent company. The parent company has a D&B credit rating of 5A1.

HOTEL TRADING PERFORMANCE

The hotel has historically performed at the top end of the Eindhoven market, and above its competitor set. Following the temporary loss of Philips' contracted business in 2014, hotel revenues suffered and the hotel experienced an operating loss of -€459,658 after rental payment. Philips' business has since returned to the hotel, albeit at a reduced negotiated rate, and revenue has subsequently improved. The hotel returned to a profitable position in 2016 and is forecast to remain at a break-even position in 2017.

MARKET RENT

With reference to Turnover and current trading performance, the rent passing at the hotel appears to be at the high end of expectation. The initial rent was agreed as part of a sale and leaseback transaction.

VALUATION REPORT

INVESTMENT QUALITY

The principal advantages and disadvantages of the quality of the investment are as follows:

Investment income is calculated as the higher of a CPI – indexed Base Rent (capped at 3.0% per annum) or 24% of Turnover. The Landlord is responsible for Property Tax (which stood at € 36,601 in 2017). The Minimum Guaranteed Rent in 2017 stood at €2,011,992.

The Tenant offers a good covenant and is supported by an unlimited corporate guarantee. There is no reported history of late payments or default.

The valuation is supported by a buoyant investment market (good level of under-bidders), as well as a high vacant possession value that could be realised in the event of Tenant default or the performance tests outlined in the lease.

FUTURE PERFORMANCE PROSPECT

The hotel is expected to improve its trading performance in the short to medium term as both local market conditions improve and the enhanced quality of the Holiday Inn Eindhoven are recognised within the market.

Rental performance is likely to remain geared to CPI indexation in the medium term, although the margin between Base Rent and the Sales Turnover Percentage is likely to narrow, and may overtake the Base position.

LIQUIDITY

The hotel investment market remains strong for well located, well let and secure income. Interest in this property is likely from European funds, private investors and owner-operators seeking vacant possession.

For an extensive description of the topics mentioned above we also refer to our full valuation report issued on 17 June 2016, with the valuation date of 10 May 2016, reference number 04313-01.

Current Market Value

APPROACH TO VALUATION

We have valued the property on an income capitalisation (Core & Top Slice) model, having regard to comparable evidence and current investment market sentiment.

We have considered the actual trading information supplied, together with current budget/forecast information. Our underlying trading forecasts are based on a hypothetical efficient operator's likely trading performance at the Property. We have balanced actual operating costs with benchmark performance ratios derived from comparable trading assets that we have reviewed in the course of our professional work.

VALUATION REPORT

We summarise the headline trading performance of the hotel, together with Rent and Property Tax costs, in the table below:

	2013 A	2014 A	2015 A	2016 A	2017 F
Turnover	€7,368,117	€7,434,634	€6,459,017	€7,265,315	€7,340,349
NOI	€1,927,390	€2,079,099	€1,491,548	€2,015,508	€1,921,713
Fixed Rent	€1,888,790	€1,934,122	€1,951,206	€1,962,915	€2,011,992
T/O Rent (24%)	€1,768,348	€1,784,312	€1,550,164	€1,743,676	€1,761,684
Property Tax (Owner's expense)	€28,595	€30,014	€25,786	€34,326	€36,601
Net Rent	€1,860,195	€1,904,108	€1,925,420	€1,928,589	€1,975,391

We have explored what an affordable rent may represent in the context of the lease terms and consider a sum representing approximately €6,300 per bedroom, per annum (or 60% of NOI, after Property Tax) would be reasonable for this asset and afford the Tenant enough profit/rent cover to be favourably viewed by the investment community.

We have valued this “core rent” at a market yield to reflect the characteristics of the investment (location, lease terms, covenant, etc) and valued the “top slice” (the difference between “core rent” and rent passing) at a softer yield for the unexpired term of the lease, to reflect the perception of less secure income.

We have applied a Capitalisation Rate of 5.00% to the “core rent” and a 22.50% to the “top slice” component of the rent passing (for the unexpired term of the lease). Our valuation reflects the tenure of the asset, location, trading potential and prevailing appetite for this profile of investment in the market as at the date of valuation.

As a cross check to the above, we have also considered the value of the hotel on a Vacant Possession basis i.e. without the Tenant in occupation, offering the flexibility for a purchaser to introduce their own management and/or brand. We believe the vacant possession value provides a good level of support for the investment value in the event of Tenant default or failure to satisfy either of the performance tests outlined in the lease.

Current Market Value

- As at the valuation date, but the condition of the Property as at 20 December 2017.
- Subject to the information available to us as described within this report.
- Freehold interest subject to a Lease to Hampshire Hospitality B.V. & Franchise under Holiday Inn.
- 207 Bedroom 4 star Hotel with restaurant, bar, meeting facilities, wet leisure and car parking facilities.

VALUATION REPORT

- Assuming a fully equipped operational trading entity, having regard to the historic and future trading potential of the Hotel in its current condition with all fixtures and fittings available for trading.
- **€27,120,000 (TWENTY-SEVEN MILLION ONE HUNDRED AND TWENTY THOUSAND EUROS)**

We consider a period of up to 6 months is a reasonable period within which to negotiate completion of a sale by private treaty of the property at the level of our valuation, taking into account the nature of the property and the state of the market. Our Valuation is stated net of purchaser's costs of 7.0% (6.0% transfer tax plus notary and agent fees of 1.0%). In addition, it reflects €131,014 per bedroom overall.

SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Freehold hotel with international branding. • Good location on fringe of city centre and opposite railway terminals. • Hotel management now focussing on a broader and diverse guest and client mix. • Tenant offers a 5A1 covenant with Parent Co guarantee. • Long term investment with 19.1 years unexpired. • Eindhoven is the centre of the "Brainport" region and a hotbed for technology, innovation and entrepreneurship. 	<ul style="list-style-type: none"> • Over rented hotel with reference to Turnover and NOI performance. • Demand for hotels in Eindhoven is heavily weighted towards the corporate market, with limited Leisure demand generators (translating to low occupancy). • External appearance of the hotel is dated. • Eindhoven is a small market with relatively strong competition and a low RevPAR environment.
Opportunities	Threats
<ul style="list-style-type: none"> • The investment is well placed to benefit from the new Rabobank development opposite the hotel. • Potential to gain market share from the 4 star competitor set and increase rent cover. • Refurbish the wet leisure facilities and create external membership. • Re-gear the lease for a longer operating term. • Terminate the lease to obtain vacant possession and introduce new management and/or brand. 	<ul style="list-style-type: none"> • Potential to increase hotel supply in Eindhoven. • Loss of Holiday Inn branding. • Ongoing terrorism in Europe damages international perception of/investment in the region.

Market analysis

Hotels in the major cities have witnessed a year-on-year increase in the overnight stays in the past two years: Amsterdam witnessed an increase of 2.9% in 2015 and 8.4% in 2016, Rotterdam witnessed an increase of 6.1% in 2015 and 8.0% in 2016, Maastricht witnessed an increase of 5.5% in 2015 and -5.2% in 2016. The Hague witnessed an increase of 7.7% in 2015 and 7.0% in 2016 and Utrecht witnessed an increase of 14.3% in 2015 and -1.7% in 2016. As such, the largest relative growth in number of overnight stays took place in Utrecht and The Hague in 2015, whereas the largest relative growth in number of overnight stays in 2016 took place in Amsterdam and Rotterdam.

Occupancies in 2016 in the Netherlands increased by 2.5 percentage points, which resulted in the highest occupancies since 2000. Amsterdam and Schiphol witnessed a low increase by 1.4 percentage points, while the Provinces witnessed higher increase at 3.3 percentage points. Average room rates in the Netherlands increased by 4.9%. This all together resulted in a RevPAR increase of 8.2%. All city regions showed an increase in occupancies. The highest occupancies in the Netherlands are achieved in Amsterdam, although Rotterdam also showed a strong return after a decrease last year. In 2016, Eindhoven also showed an increase in occupancies. Furthermore, occupancies increased or remained stable in most provincial regions with the exception of Leiden and Gouda and the Eastern region. City regions Eindhoven and Utrecht have a strong business oriented market, while Amsterdam, Maastricht, and Zeeland have strong tourism orientations.

Source: Horwath HLT, Hosta 2017 and Statistics Netherlands (CBS).

Over the period of 2007 to 2016 Eindhoven's market performance, as measured by RevPAR showed the strongest performance over 2011 (8.0% year on year growth), however this was followed by 3 consecutive years of decline, until 2015. Against the backdrop of the national average of €79, Eindhoven's RevPAR is relatively low. The occupancy rate in 2016 stood at 70.1% (2.0% year on year growth) while the ARR in 2016 stood at €87 (3.6% year on year growth).

VALUATION REPORT

Across Eindhoven's market there has been a positive trend across all KPI's, signalling an improvement in trading fundamentals and, given the business-dominant segmentation, improved economic and corporate sentiment. The next table illustrates the monthly comparisons of KPI between subject property and the Comp Set over the last 11 months:

Period	Occupancy (%)		ADR (€)		RevPAR (€)	
	Subject Property	Comp Set	Subject Property	Comp Set	Subject Property	Comp Set
Jan 2017	68.2%	72.5%	86.1	93.3	58.7	67.7
Feb 2017	76.1%	76.1%	85.5	93.0	65.0	70.8
Mar 2017	86.9%	80.0%	84.8	95.7	73.7	76.5
Apr 2017	79.9%	76.6%	78.1	94.7	62.4	72.5
May 2017	81.9%	74.3%	83.0	95.0	67.9	70.6
Jun 2017	86.1%	83.1%	95.9	102.9	82.5	85.5
Jul 2017	66.6%	71.2%	82.4	85.8	54.8	61.1
Aug 2017	70.0%	70.4%	76.8	84.8	53.8	59.7
Sep 2017	85.7%	75.9%	86.2	97.5	73.9	73.9
Oct 2017	86.0%	79.7%	90.6	98.3	77.9	78.4
Nov 2017	81.8%	80.5%	90.7	96.3	74.3	77.5
Average	79.0%	76.3%	85.2	94.2	67.3	71.9

Source: STR Comp Set – November 2017 – Park Plaza Eindhoven, Pullman Eindhoven Cocagne, Van der Valk Eindhoven, Intel Hotels Art Eindhoven and NH Collection Eindhoven Centre.

New developments

Recently NH Hotels opened a luxury accommodation in the “Groene Toren” (132 rooms), which was a transformation of an old office building. This year, the new development “The Student Hotel” opened encompassing 390 rooms which are used for student housing as well as a hotel.

The municipality has decided to restrict the development of new hotels. In 2018, the Holiday Inn will open at Flight Forum (120 rooms) and Hotel de Bergen (70 rooms) and Mariënhage (60 rooms) will open their doors. Close to the border of Eindhoven, there are a few developments in pipeline. In the municipality of Waalre, Bastion Hotels expects to open an accommodation in 2018 (160 rooms) and in the municipality of Best, Van der Valk expects to open an accommodation in 2018/2019 (200 rooms).

Sources: CBS, Expedia, Municipality of Haarlemmermeer, Invest, HOSTA, Vastgoedmarkt, PropertyNL, Savills Research.

Comparable transactions

We have undertaken research and investigations into recent comparable transactions of hotels with a similar market positioning to that of the subject Hotel.

The hotel market, unlike other commercial property sectors, is more secretive about providing detailed information on transactions, as analysis is required of trading information, which is extremely sensitive between operators.

For the purpose of our Valuation, we have had regard to other hotels that we have valued or sold and analysed Turnover, Net Operating Profit (before tax and interest) and achieved prices, albeit on a confidential basis.

Transactions we are aware of are listed below and whilst these provide a useful guide, we would again point out that some of this information has been obtained from third parties and we cannot validate its accuracy. Furthermore, many of the transactions that we have considered during our valuation are subject to confidentiality clauses and as such we are unable to refer to them directly. The transactions which follow are nevertheless of assistance in providing a broad “cross-check”.

We provide below a summary table of transactions relevant to the property:

Date	City	Hotel	Guest Rooms	Price (per key)	Year	*	Purchaser/Vendor
Q3 2017	Hoofddorp	Hyatt Place Airport Amsterdam Hotel	330	€53,800,000 (€163,030)	2014	4	Avignon Capital
Q2 2017	Amsterdam	Nh hotel Amsterdam Zuid	213	€45,000,000 (€211,268)	2002/2008	4	Avignon Capital
Q4 2016	Amsterdam	Park Hotel	186	€30,000,000 (€161,290)	1930	4	Padox AB/Invesco Real Estate
Q3 2016	Amsterdam	IBIS Hotel Amsterdam Centre	363	€67,000,000 (€184,573)/ GIY 5.4%	1991	3	MPA Newday/Basisfonds Stationslocaties
Q2 2016	Eindhoven	Hotel Pullman Eindhoven Cocagne	320	€47,300,000 (€147,813)	1962	4	Cocagne Investments/SWF091 Verwaltungsgesellschaft
Q2 2016	Milan	NHow, Via Totona	246	€51,000,000 (€207,317)	2010	4	Purchased by Cattolica Assicurazioni Group. Lease to NH. Reflecting a gross yield of 5.65%
Q1 2016	Amsterdam	Hotel Jaz in the City	258	€33,000,000 (€127,907)	2016	4	Axa Investment Managers for European Selectiv' Immo NL/ G&S Vastgoed
Q1 2016	Turin	Santo Stefano	125	€23,500,000 (€188,000)	–	4	NH investment purchased in a secondary tier city, reflecting a yield of 6.2%

VALUATION REPORT

Date	City	Hotel	Guest Rooms	Price (per key)	Year	*	Purchaser/Vendor
Q1 2016	Stuttgart	Wyndham Stuttgart Airport	229	€29,635,000 (€129,410)	1987	4	Purchase price reported as €33.8M. Wyndham have a 20 year lease. Sale and leaseback transaction.
Q4 2015	Oslo	Radisson Blu Oslo Airport	500	€119,700,000 (€239,400)	–		Double net lease with 11.5 years unexpired. Highest performing hotel in Oslo. Yield of 4.6%.
Q3 2015	Hoofddorp	Novotel Schiphol	314	€45,800,000 (€145,860)/ GIY 7.08%	2015	4	Corum Asset Management/EFD
Q2 2015	Amsterdam	Amsteltower	186	€24,300,000 (€130,645)	2017		Bouwinvest Hotel Fund/Provast
Q2 2015	Amsterdam	Holiday Inn Arena Towers	443	€55,000,000 (€124,153)	1989	3/4	FS NL Property 2 B.V. on behalf of First Sponsor Group/IVG Institutional Funds.

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2 March 2018

Dear Sirs,

RE: VALUATION OF VARIOUS HOTELS LOCATED IN HANGZHOU, NINGBO, CHANGCHUN AND KAIFENG OF THE PEOPLE'S REPUBLIC OF CHINA (THE "PROPERTIES")**Instructions**

In accordance with the instructions from the Manager of New Century REIT (the "REIT Manager") for us to value the Properties situated in the People's Republic of China ("PRC"), 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 you with our opinion of market values of the Properties as at 31 December 2017 (the "valuation date") for accounting purpose.

Basis of Valuation

Our valuation is our opinion of the market value of the property concerned which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Moreover, market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

VALUATION REPORT

Our valuation has been undertaken in accordance with the HKIS Valuation Standards of The Hong Kong Institute of Surveyors (“HKIS”), which incorporates the International Valuation Standards (“IVS”). We have also complied with the requirements set out in Chapter 6.8 of the Code on Real Estate Investment Trusts (the “REIT Code”). The valuation is prepared on a fair and unbiased basis.

Identification and Status of the Valuer

The subject valuation exercise is handled by Mr Anthony C.K. Lau, who is the Director of Savills Valuation and Professional Services Limited (“SVPSL”) and a corporate member of HKIS with over 24 years’ experience in valuation of properties in the PRC and has sufficient knowledge of the relevant market, the skills and understanding to handle the subject valuation exercise competently.

Prior to your instructions for us to provide this valuation services in respect of the Properties, SVPSL and Mr Lau had been involved in valuation of the Properties for accounting and circular purposes in the past two years.

We confirm that we are independent of the scheme, the trustee, the management company and each of the significant holders of the scheme in accordance with the Code on Real Estate Investment Trust issued by the Securities and Futures Commission in Hong Kong (the “SFC”). We are not aware of any instance which would give rise to potential conflict of interest from SVPSL or Mr Lau in the subject exercise. We confirm SVPSL and Mr Lau are in the position to provide objective and unbiased valuation for the Properties.

We also confirm that the proportion of the total fees payable by the REIT Manager during the past two years relative to the fee income of SVPSL during the past two years are minimal.

Valuation Methodology

In undertaking our valuation, we have adopted the Discounted Cash Flow (“DCF”) Approach to value the Properties. DCF involves discounting the future net cash flow of each property until the expiry dates of the respective land use rights to their present values by using an appropriate discount rate that reflect the rate of return required by a typical investor for an investment of this type. We have undertaken a discounted cash flow on yearly basis over a 10-year investment horizon for each property and have taken into account the respective Hotel Lease and Management Agreements of the Properties. In preparing the DCF analysis, we have also made reference to the projected cash flow and budget of the Properties prepared by the REIT Manager.

Details of the key assumptions of our DCF valuation are set out in the valuation report of the Properties.

Title Investigation

We have been provided with copies of title documents relating to the Properties. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies provided to us. We are not in a position to advise you on the titles to the Properties, which should be more properly the sphere of the REIT Manager's PRC legal advisers. For the purpose of this valuation, we have assumed that the Properties are freely transferable in the market at no additional land grant premium or other onerous charges payable to the government.

Sources of Information

In the course of our valuation, we have relied to a considerable extent on the information given by the REIT Manager and accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, operation accounts, completion and operation dates, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on the information provided to us and are therefore only approximations. No on-site measurements have been taken. We have had no reason to doubt the truth and accuracy of the information provided to us by the REIT Manager, which is material to our valuation. We have also sought confirmation from the REIT Manager that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view.

Valuation Assumptions

In the course of our valuation, we have assumed that, unless otherwise stated, 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 land grant premium payable has already been fully paid. We have also assumed that, unless otherwise stated, the owners of the Properties have good legal titles to the Properties and have free and uninterrupted rights to use, occupy, lease or assign the Properties for the whole of the respective unexpired terms as granted.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any property nor for any expenses which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

VALUATION REPORT

Site Inspection

We have inspected the exterior and where possible, the interior of the Properties. Site inspections of the Properties were carried out in November 2017 by our Mr. James Woo, Ms. Josephine Yue and Ms. Karin Chan. During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the Properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

Non-publication and disclaimer

Neither the whole or any part of the valuation report nor 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 report in which the Properties are included.

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

Currency

Unless otherwise stated, all monetary amounts stated are in Renminbi ("RMB").

We enclose herewith our summary of values and valuation report.

Yours faithfully,

For and on behalf of

Savills Valuation and Professional Services Limited

Anthony C.K. Lau

MRICS MHKIS RPS(GP)

Director

Note: Mr. Anthony C.K. Lau is a professional surveyor who has over 24 years' experience in valuation of properties in the PRC.

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VALUATION REPORT

SUMMARY OF VALUES

No.	Property	Market value in existing state as at 31 December 2017 (RMB)	Interest Attributable to New Century REIT	Market value attributable to New Century REIT as at 31 December 2017 (RMB)
1.	New Century Grand Hotel Hangzhou, No. 818 Middle Shixin Road, Xiaoshan District, Hangzhou, Zhejiang Province, PRC	1,990,000,000	100%	1,990,000,000
2.	New Century Hotel Xiaoshan Zhejiang, No. 77 Renmin Road, Xiaoshan District, Hangzhou, Zhejiang Province, PRC	639,000,000	95.46%	609,989,400
3.	New Century Resort Qiandao Lake Hangzhou, Qilin Peninsula, Qiandao Lake, Chun'an County, Hangzhou, Zhejiang Province, PRC	350,000,000	100%	350,000,000
4.	New Century Grand Hotel Ningbo, No. 666 Shounan Middle Road, Yinzhou District, Ningbo, Zhejiang Province, PRC	810,000,000	100%	810,000,000
5.	New Century Grand Hotel Changchun, No. 2299 Jinyangda Road, Lvyuan District, Changchun, Jilin Province, PRC	460,000,000	100%	460,000,000
6.	New Century Grand Hotel Kaifeng, South of Daliang Road, Development Zone, Kaifeng, Henan Province, PRC	430,000,000	100%	430,000,000
Grand Total:		4,679,000,000		4,649,989,400

VALUATION REPORT

VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2017										
1.	New Century Grand Hotel Hangzhou, No. 818 Middle Shixin Road, Xiaoshan District, Hangzhou, Zhejiang Province, PRC	<p>New Century Grand Hotel Hangzhou is a 45-storey hotel building plus a 2-level basement erected on a parcel of land with a site area of approximately 11,169.80 sq.m. It was completed in 2005 and started operation in January 2005.</p> <p>The property accommodates 699 guest rooms with provision of facilities including 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 and 712 car parking spaces.</p> <p>Pursuant to the Certificate for Completion and Acceptance of Construction Works, the property has a total gross floor area of approximately 130,104.94 sq.m. Details of the uses and approximate gross floor areas of the property are as follows:</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Approximate Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Hotel</td> <td>98,060.50</td> </tr> <tr> <td>Office</td> <td>4,347.78</td> </tr> <tr> <td>Basement</td> <td>27,696.58</td> </tr> <tr> <td>Total:</td> <td>130,104.94</td> </tr> </tbody> </table> <p>As advised by the REIT Manager, the property has a total operating area of approximately 101,961.00 sq.m.</p> <p>The land use rights of the property have been granted for a term due to expire on 22 December 2043 for commercial use.</p>	Use	Approximate Gross Floor Area (sq.m.)	Hotel	98,060.50	Office	4,347.78	Basement	27,696.58	Total:	130,104.94	<p>As at the valuation date, the property was operated as a 5-star hotel and subject to a Hotel Lease and Management Agreement 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>Apart from the general hotel operation, a total leasable area of approximately 14,411.75 sq.m. was subject to various tenancies with the latest one due to expire in November 2026 at a total monthly rent of approximately RMB1,300,000.</p> <p>The occupancy rate of the property for 2017 was 71.0%.</p> <p>Based on the net rental income of 2017, the estimated net yield of the property is 4.6%.</p>	RMB1,990,000,000 (Renminbi One Billion Nine Hundred and Ninety Million)
Use	Approximate Gross Floor Area (sq.m.)													
Hotel	98,060.50													
Office	4,347.78													
Basement	27,696.58													
Total:	130,104.94													

VALUATION REPORT

Notes:

- Pursuant to 38 State-owned Land Use Rights Certificates – Hang Quan Guo Yong (2013) Di Nos. 007093 to 007097, 007099 to 007109 and 007113 to 007133 dated 6 December 2013 issued by Zhejiang Provincial Department of Land Resources, the land use rights of the property with a total site area of 11,169.80 sq.m. have been granted to Zhejiang New Century Hotel Investment & Management Group Ltd. (浙江開元酒店投資管理集團有限公司) (“Zhejiang New Century Hotel Investment & Management Group”), an indirect wholly-owned subsidiary of New Century REIT, for terms of 40 years due to expire on 22 December 2043 for commercial use.
- Pursuant to 38 Building Ownership Certificates – Hang Fang Quan Zheng Xiao Zi Di Nos. 00067242, 00067244, 00067250, 00067251, 00067257, 00067265, 00067267, 00067270 to 00067276, 00008212, 00008212-1, 1397932, 1397941, 1397942, 1397943, 1397943-1, 1397943-2, 1397943-3, 1397946, 1397946-1, 1397947, 1397947-1, 1397952, 1397952-1, 1397955, 1397955-1, 1397956, 1397956-1, 1397957, 1397957-1, 1397957-2, 1397959 and 1397959-1 dated 2 February 2009, the building ownership of the property with a total gross floor area of 102,408.36 sq.m. is vested in Zhejiang New Century Hotel Investment & Management Group for commercial use.

As advised by the REIT Manager, the buildings as stated in the Building Ownership Certificates mentioned above only comprise portion of the property.

- Pursuant to the 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. were in compliance with the requirements of urban planning and were examined and accepted.
- Pursuant to the information provided by the REIT Manager, the property is currently subject to mortgages in favour of Wing Lung Bank Limited, Shanghai Sub-branch (永隆銀行有限公司上海支行).
- Pursuant to Business Licence No. 913300007338122847 dated 10 May 2016, Zhejiang New Century Hotel Investment & Management Group was established as a limited company with a registered capital of RMB811,000,000 for an operation period commencing on 30 November 2001 and due to expire on 19 November 2027.
- Details of the guest rooms are shown in the following table:

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
Presidential Suite	280	–	1
Total:		601	98

VALUATION REPORT

7. Details of the facilities and amenities are shown in the following table:

Food and Beverage Outlet	Style	Total Seating Area (sq.m.)	Maximum Seating Capacity
Long Bar	Bar	198	90
Yigar Bar	Bar	275	70
Rose Garden Lounge	Bar	210	36
Prestige Club Lounge	Bar	343	48
Café Mediterranean	Western	884	220
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 ceiling height of New Century Hall and Grand Dynasty Hall is 7 meters.

Other Amenities	Total Seating Area (sq.m.)
Chess/Poker Room	1,070
Beauty Salon	120
Karaoke Club	5,643.88
Indoor Swimming Pool	608
Table Tennis Room	136
Fitness Room	168
Billiards Room	79
Rhythmic Gymnastics Room	157
Foot Spa	580
Tennis Court	261

8. The key assumptions adopted in our DCF valuation are summarised as follows:

- | | | | |
|------|--|---|--|
| i. | Average daily room rate (“ADR”) | : | RMB611 for year 1 |
| ii. | Annual growth in ADR | : | Stabilised at 4% |
| iii. | Occupancy rate on available room basis | : | Year 1-63%; Stabilised at 71% |
| iv. | F & B revenue | : | Year 1-62% of gross revenue;
Stabilised at 65% of gross revenue |
| v. | FF & E provision | : | 2% of gross revenue |
| vi. | Discount rate | : | 8.75% |
| vii. | Terminal growth rate | : | 4% |

9. We have prepared our valuation based on the following assumptions:

- i. Zhejiang New Century Hotel Investment & Management Group is in possession of good legal title to the property and is entitled to occupy, use, lease, transfer or mortgage the property freely in the market within the residual term of its land use rights at no additional land grant premium and any other associated charges payable to the government;
- ii. all land grant premium, costs of resettlement and public utilities services have been fully paid;
- iii. the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
- iv. the property may be freely disposed of to local and overseas purchasers.

10. Market Overview:

Hangzhou is the capital of Zhejiang Province and a major national tourist city with a total resident population of approximately 9.19 million by the end of 2016. Located at the southern wing of the Yangtze River Delta (YRD), at the west end of Hangzhou Bay, Hangzhou is one of the most important cities in the YRD Region and a hub of transportation and logistics in southeast China. Hangzhou administers 9 districts, 2 county-level cities and 2 counties covering a total area of 16,596 sq. km.

Economic development in Hangzhou remained steady in 2016, and a strong performance in the service sector has brought Hangzhou as the fourth mainland city having a service-based economy with the sector contributing to approximately 61.25% of total GDP. In the tourism and hospitality sector, Hangzhou is one of the top tourist destinations in China renowned by its natural beauty and historical and cultural heritages, and has been awarded the title of “Oriental Capital of Leisure by the World Leisure Organization, and “The Best Tourist City of China” by the National Tourism Administration. The city is also selected by the New York Times as one of the 52 places to go in 2016. In recent years Hangzhou has been geared up to become an international meetings hub. According to the International Congress and Convention Association (ICCA) ranking, Hangzhou was the 8th Convention City among all mainland cities behind Beijing, Shanghai, Chengdu, Xian, Nanjing, Guangzhou and Wuhan, and 54th in all Asia Pacific & Middle East cities, and 216th across world cities by number of meetings organized per destination in 2016.

VALUATION REPORT

Tourism Statistics, Hangzhou, 2007 – 3Q 2017

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	CAGR	1-3Q 2017	1-3Q 2016
Domestic Visitors													
Arrivals ('000s)	41,119	45,517	50,937	63,049	71,810	82,368	94,090	106,060	120,400	137,000	14.3%	106,158	123,309
Domestic Tourism													
Receipts (RMB mil)	54,860	61,720	70,890	91,090	106,380	125,320	146,990	174,388	201,974	236,264	17.6%	165,447	196,404
International Visitor													
Arrivals ('000s)	2,086	2,213	2,304	2,757	3,063	3,311	3,160	3,270	3,420	3,632	6.4%	2,683	2,903
Tourism Foreign													
Exchange Revenue (US\$ mil)	1,119	1,296	1,380	1,690	1,960	2,202	2,160	2,318	2,931	3,149	12.2%	2,602	2,800

Source: Statistical Yearbook of Hangzhou, various years. 2017 figures from web page of Hangzhou Statistics Bureau

According to data from China National Tourism Administration, during 2Q 2017, occupancy rate of five-star rated hotels in Hangzhou was approximately 66.64%. Average daily room rate was approximately RMB647.16. RevPAR of star-rated hotels in Hangzhou was approximately RMB297.82 during 2Q 2017.

A host of new 5-star rated hotels has opened in 2016. This includes, among others, Midtown Shangri-La Hotel, Hangzhou (杭州城中香格里拉大酒店) in March, Hangzhou Ruli Jianghehui Hotel (杭州瑞立江河匯酒店) in May, Sheraton Grand Hangzhou Binjiang Hotel (濱江銀泰喜來登大酒店) and Hangzhou Marriott Hotel Qianjiang (錢江新城萬豪酒店) in June, Diaoyutai MGM Hotel (杭州泛海釣魚臺酒店) in August, and Park Hyatt Hotel Hangzhou (柏悅酒店) in September. In the next few years, a number of luxury or upscale hotels are scheduled to open in Hangzhou. These include MGM Grand and Skylofts, Jameirah Hotel, Hilton, Sheraton, Four Seasons among others. The top-tier hotel market of Xiaoshan appeared to be relatively stable in the past 3 years. Only a few competitors entered the market, amongst which include the Grand Parkray Hangzhou (杭州雷迪森鉑麗大酒店). In the next three years, new upscale hotel supply in Xiaoshan will include The Fairmont Hotel, with scheduled opening to be deferred to 2018 or after, and Radisson Hangzhou Qianjiang (杭州錢江世紀城麗筠酒店), which is scheduled to open in 3Q 2019.

New Century Grand Hotel Hangzhou is located in the core area of CBD of Xiaoshan District. Xiaoshan District is the industrial base of Hangzhou, facilitated by the Xiaoshan International Airport, the only commercial airport in Hangzhou, and Xiaoshan Economic and Technological Development Zone. 2 km drive to Xiaoshan International Airport and in close proximity to the expressway. The hotel is within 30-minute drive to the West Lake, 44 km to the historic city of 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.

VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2017
2.	New Century Hotel Xiaoshan Zhejiang, No. 77 Renmin Road, Xiaoshan District, Hangzhou, Zhejiang Province, PRC	<p>New Century Hotel Xiaoshan Zhenjiang comprises several buildings of 1 to 18 storeys erected on two parcels of land with a total site area of approximately 9,721.30 sq.m. It was completed in 1988 and started operation in January 1988.</p> <p>The property accommodates 375 guest rooms with provisions of facilities including food and beverage outlets, a wine bar, a fitness centre, banquet and function rooms and a business centre and 34 above-ground car parking spaces and 66 mechanical parking spaces.</p> <p>Pursuant to the Building Ownership Certificates, the property has a total gross floor area of approximately 39,835.47 sq.m.</p> <p>As advised by the REIT Manager, the property has a total operating area of approximately 32,486.00 sq.m.</p> <p>The land use rights of the property have been granted for two concurrent terms due to expire on 30 December 2035 for tourism use and 13 August 2037 for entertainment use respectively.</p>	<p>As at the valuation date, the property was operated as a 5-star hotel and subject to a Hotel Lease and Management Agreement 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>Apart from the general hotel operation, a total leasable floor area of approximately 4,825.78 sq.m. was subject to various tenancies with the latest one due to expire in April 2025 at a total monthly rent of approximately RMB670,000.</p> <p>The occupancy rate of the property for 2017 was 75.3%.</p> <p>Based on the net rental income of 2017, the estimated net yield of the property is 6.2%.</p>	<p>RMB639,000,000 (Renminbi Six Hundred and Thirty Nine Million)</p> <p>(95.46% attributable to New Century REIT: RMB609,989,400 (Renminbi Six Hundred Nine Million Nine Hundred Eighty Nine Thousand and Four Hundred))</p>

VALUATION REPORT

Notes:

- Pursuant to two State-owned Land Use Rights Certificates – Hang Xiao Guo Yong (2016) Di Nos. 0100018 and 0100019 issued by Land Rights Bureau of Hangzhou Land Resources Administration Bureau dated 27 June 2016, the land use rights of the property with a total site area of 9,721.30 sq.m. have been granted to Zhejiang Spearhead Investment Ltd. (浙江銳至投資股份有限公司) (“Zhejiang Spearhead Investment”), a 95.46%-owned subsidiary of New Century REIT, for terms of 40 years due to expire on 30 December 2035 for tourism use and 13 August 2037 for entertainment use respectively.
- Pursuant to eight Building Ownership Certificates – Hang Fang Quan Zheng Xiao Geng Zi Di Nos. 16475031, 16475084, 16475085, 16475354, 16475355, 16475356, 16475358 and 16475360 issued by Hangzhou Housing Security and Real Estate Administration Bureau dated 13 June 2016 and 14 June 2016, the building ownership of the property with a total gross floor area of 39,835.47 sq.m. is vested in Zhejiang Spearhead Investment for commercial use and others use respectively.
- Pursuant to the information provided by the REIT Manager, the property is currently subject to mortgages in favour of Wing Lung Bank Limited, Shanghai Sub-branch (永隆銀行有限公司上海支行).
- Pursuant to Business Licence No. 9133010025393029XR dated 1 November 2016, Zhejiang Spearhead Investment was established as a limited company with a registered capital of RMB102,571,739 for an operation period commencing on 8 September 1994.
- Details of the guest rooms are shown in the following table:

Room Type	Size (sq.m.)	Number of Rooms
Single Room	20	80
Standard Room/Deluxe Room	21 – 24	272
Business Deluxe Room	37 – 46	7
Deluxe Suite	46	15
New Century Suite	86	1
Total:		375

- Details of the facilities and amenities are shown in the following table:

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	443.5 (12 boxes)	36
Jingdu Banquet Room	Chinese Boxes	766.3 (27 boxes)	262

VALUATION REPORT

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 ceiling height of New Century Hall is 4.3 meters.

The property also has a foot spa, a fitness room, a beauty salon and a chess/poker room.

7. The key assumptions adopted in our DCF valuation are summarised as follows:

- i. Average daily room rate ("ADR") : RMB371 for year 1
- ii. Annual growth in ADR : Stabilised at 4%
- iii. Occupancy rate on available room basis : Year 1-65%; Stabilised at 72%
- iv. F & B revenue : Year 1-72% of gross revenue;
Stabilised at 74% of gross revenue
- v. FF & E provision : 2% of gross revenue
- vi. Discount rate : 8.75%
- vii. Terminal growth rate : 4%

8. We have prepared our valuation based on the following assumptions:

- i. Zhejiang Spearhead Investment is in possession of good legal title to the property and is entitled to occupy, use, lease, transfer or mortgage the property freely in the market within the residual term of its land use rights at no additional land grant premium and any other associated charges payable to the government;
- ii. all land grant premium, costs of resettlement and public utilities services have been fully paid;
- iii. the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
- iv. the property may be freely disposed of to local and overseas purchasers.

9. Market Overview:

Hangzhou is the capital of Zhejiang Province and a major national tourist city with a total resident population of approximately 9.02 million by the end of 2015. Located at the southern wing of the Yangtze River Delta (YRD), at the west end of Hangzhou Bay, Hangzhou is one of the most important cities in the YRD Region and a hub of transportation and logistics in southeast China. Hangzhou administers 9 districts, 2 county-level cities and 2 counties covering a total area of 16,596 sq. km.

VALUATION REPORT

Economic development in Hangzhou remained steady in 2016, and a strong performance in the service sector has brought Hangzhou as the fourth mainland city having a service-based economy with the sector contributing to approximately 61.25% of total GDP. In the tourism and hospitality sector, Hangzhou is one of the top tourist destinations in China renowned by its natural beauty and historical and cultural heritages, and has been awarded the title of “Oriental Capital of Leisure by the World Leisure Organization, and “The Best Tourist City of China” by the National Tourism Administration. The city is also selected by the New York Times as one of the 52 places to go in 2016. In recent years Hangzhou has been geared up to become an international meetings hub. According to the International Congress and Convention Association (ICCA) ranking, Hangzhou was the 8th Convention City among all mainland cities behind Beijing, Shanghai, Chengdu, Xian, Nanjing, Guangzhou and Wuhan, and 54th in all Asia Pacific & Middle East cities, and 216th across world cities by number of meetings organized per destination in 2016.

Tourism Statistics, Hangzhou, 2007 – 3Q 2017

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	CAGR	1-3Q 2017	1-3Q 2016
Domestic Visitors													
Arrivals ('000s)	41,119	45,517	50,937	63,049	71,810	82,368	94,090	106,060	120,400	137,000	14.3%	106,158	123,309
Domestic Tourism													
Receipts (RMB mil)	54,860	61,720	70,890	91,090	106,380	125,320	146,990	174,388	201,974	236,264	17.6%	165,447	196,404
International Visitor													
Arrivals ('000s)	2,086	2,213	2,304	2,757	3,063	3,311	3,160	3,270	3,420	3,632	6.4%	2,683	2,903
Tourism Foreign													
Exchange Revenue (US\$ mil)	1,119	1,296	1,380	1,690	1,960	2,202	2,160	2,318	2,931	3,149	12.2%	2,602	2,800

Source: Statistical Yearbook of Hangzhou, various years. 2017 figures from web page of Hangzhou Statistics Bureau

According to data from China National Tourism Administration, during 2Q 2017, occupancy rate of five-star rated hotels in Hangzhou was approximately 66.64%. Average daily room rate was approximately RMB647.16. RevPAR of star-rated hotels in Hangzhou was approximately RMB297.82 during 2Q 2017.

A host of new 5-star rated hotels has opened in 2016. This includes, among others, Midtown Shangri-La Hotel, Hangzhou (杭州城中香格里拉大酒店) in March, Hangzhou Ruili Jianghehui Hotel (杭州瑞立江河匯酒店) in May, Sheraton Grand Hangzhou Binjiang Hotel (濱江銀泰喜來登大酒店) and Hangzhou Marriott Hotel Qianjiang (錢江新城萬豪酒店) in June, Diaoyutai MGM Hotel (杭州泛海釣魚臺酒店) in August, and Park Hyatt Hotel Hangzhou (柏悅酒店) in September. In the next few years, a number of luxury or upscale hotels are scheduled to open in Hangzhou. These include MGM Grand and Skylofts, Jameirah Hotel, Hilton, Sheraton, Four Seasons among others. The top-tier hotel market of Xiaoshan appeared to be relatively stable in the past 3 years. Only a few competitors entered the market, amongst which include the Grand Parkray Hangzhou (杭州雷迪森鉑麗大酒店). In the next three years, new upscale hotel supply in Xiaoshan will include The Fairmont Hotel, with scheduled opening to be deferred to 2018 or after, and Radisson Hangzhou Qianjiang (杭州錢江世紀城麗筠酒店), which is scheduled to open in 3Q 2019.

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 and occupancy rate of four-star rated hotels in Hangzhou in 4Q 2016 was approximately RMB433.44 and 66.26% respectively. Average daily rate of other four-star rated hotels near New Century Hotel Xiaoshan Zhejiang such as Holiday Inn Hangzhou Xiaoshan was approximately RMB307.14, and the occupancy rate was approximately 58% in 2016.

VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2017										
3.	New Century Resort Qiandao Lake Hangzhou, Qilin Peninsula, Qiandao Lake, Chun'an County, Hangzhou, Zhejiang Province, PRC	<p>New Century Resort Qiandao Lake Hangzhou comprise a 6-storey hotel building, two 3-storey villas and a 3-storey staff dormitory erected on a parcel of land with a site area of approximately 36,052.75 sq.m. It was completed in February 2004 and started operation in April 2004.</p> <p>The property accommodates 227 guest rooms with provision of facilities including food and beverage outlets, a fitness centre with swimming pool, a show bar, a spa, banquet and function rooms and a business centre and 108 car parking spaces.</p> <p>Pursuant to the Building Ownership Certificates, the property has a total gross floor area of approximately 39,402.37 sq.m. Details of the uses and approximate gross floor areas of the property are as follows:</p> <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>Use</th> <th>Approximate Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Hotel</td> <td>35,744.90</td> </tr> <tr> <td>Villas</td> <td>967.94</td> </tr> <tr> <td>Staff dormitory</td> <td>2,689.53</td> </tr> <tr> <td>Total:</td> <td>39,402.37</td> </tr> </tbody> </table> <p>As advised by the REIT Manager, the property has a total operating area of approximately 30,000.00 sq.m.</p> <p>The land use rights of the property have been granted for two concurrent terms due to expire on 21 July 2041 for commercial use and 21 July 2071 for residential use respectively.</p>	Use	Approximate Gross Floor Area (sq.m.)	Hotel	35,744.90	Villas	967.94	Staff dormitory	2,689.53	Total:	39,402.37	<p>As at the valuation date, the property was operated as a 5-star hotel and subject to a Hotel Lease and Management Agreement 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>Apart from the general hotel operation, a total leasable area of approximately 400.00 sq.m. was subject to various tenancies with the latest one due to expire in December 2019 at a total monthly rent of approximately RMB13,000.</p> <p>The occupancy rate of the property for 2017 was 65.9%.</p> <p>Based on the net rental income of 2017, the estimated net yield of the property is 6.1%.</p>	<p>RMB350,000,000 (Renminbi Three Hundred and Fifty Million)</p>
Use	Approximate Gross Floor Area (sq.m.)													
Hotel	35,744.90													
Villas	967.94													
Staff dormitory	2,689.53													
Total:	39,402.37													

VALUATION REPORT

Notes:

- Pursuant to four State-owned Land Use Rights Certificates – Chun An Guo Yong (2016) Di Nos. 002371, 002373, 002374 and 002375 dated 21 June 2016, the land use rights of four parcels of land with a total site area of 36,052.75 sq.m. have been granted to Chun'an Qiandao Lake New Century Spearhead Investment Ltd. (淳安千島湖開元銳至投資有限公司) ("Chun'an Qiandao Lake New Century Spearhead Investment"), an indirectly wholly-owned subsidiary of New Century REIT, for two concurrent terms due to expire on 21 July 2041 for commercial use and 21 July 2071 for residential use respectively.
- Pursuant to seven Building Ownership Certificates – Chun An Quan Zheng Qian Dao Hu Zhen Zi Di Nos. 268126, 268128, 268129 and 268130 to 268133 dated 13 June 2016 issued by Chun'an County Real Estate Administration Office, the building ownership of the property with a total gross floor area of 39,402.37 sq.m. is vested in Chun'an Qiandao Lake New Century Spearhead Investment for commercial and residential uses respectively.
- Pursuant to the information provided by the REIT Manager, the property is currently subject to mortgages in favour of Wing Lung Bank Limited, Shanghai Sub-branch (永隆銀行有限公司上海支行).
- Pursuant to Business Licence No. 913301277289120026 dated 9 May 2016, Chun'an Qiandao Lake New Century Spearhead Investment was established on 9 May 2016 as a limited company with a registered capital of RMB30,000,000 for an operation period commencing on 15 January 2001 and due to expire on 15 January 2021.
- Details of the guest rooms are shown in the following table:

Room Type	Size (sq.m.)	Number of Rooms
Villa Standard Room/Villa Deluxe Room	35	9
Standard Room/Deluxe Room	35	196
Standard Suite	40	4
Deluxe Suite	68	6
Business Suite	69	7
New Century Suite	106	4
Presidential Suite	552	1
Total:		227

- Details of the facilities and amenities are shown in the following table:

Food and Beverage Outlets	Style	Total Seating Area (sq.m.)	Maximum Seating Capacity
Lobby Lounge	Bar	304.5	66
Hawaii	Western	597.9	220
Fragrant Court	Chinese	224	110
Hanbi Balcony	Chinese Boxes	430.5 (15 boxes)	142

VALUATION REPORT

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
Ling Long Hall	Level 2	45.75	16

* The ceiling height of New Century Hall is 6 meters.

Other Amenities	Level	Total Seating Area (sq.m.)
Chess/Poker room	2	260
Beauty Salon	1	12
Indoor and Outdoor Swimming Pool	1/Outdoor	1,050
Table Tennis Room	1	150
Fitness room	1	150
Foot SPA	1	580
Night Club	2	260
Karaoke Rooms	2	200
Snooker Room	1	90
Tennis Court	Outdoor	720
Outdoor Sand Volleyball Court	Outdoor	500
Outdoor Water Golf	Outdoor	150

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

7. The key assumptions adopted in our DCF valuation are summarised as follows:

- | | | | |
|------|--|---|---|
| i. | Average daily room rate ("ADR") | : | RMB869 for year 1 |
| ii. | Annual growth in ADR | : | Stabilised at 4% |
| iii. | Occupancy rate on available room basis | : | Year 1-56%; Stabilised at 65% |
| iv. | F & B revenue | : | 31% of gross revenue;
Stabilised at 32% of gross revenue |
| v. | FF & E provision | : | 2% of gross revenue |
| vi. | Discount rate | : | 8.75% |
| vii. | Terminal growth rate | : | 4% |

VALUATION REPORT

8. We have prepared our valuation based on the following assumptions:
- i. Chun'an Qiandao Lake New Century Spearhead Investment is in possession of good legal title to the property and is entitled to occupy, use, lease, transfer or mortgage the property freely in the market within the residual term of its land use rights at no additional land grant premium and any other associated charges payable to the government;
 - ii. all land grant premium, costs of resettlement and public utilities services have been fully paid;
 - iii. the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
 - iv. the property may be freely disposed of to local and overseas purchasers.

9. Market Overview:

Chun'an County is the biggest county at Zhejiang Province in terms of land area, covering a total land area of approximately 4,427 sq. km. The county lies in the west of Zhejiang province, with Hangzhou, Suzhou, Shanghai to the east and Anhui Province to the west. Within the boundary are scattered mountains and hills. The Xin'an River on the upper reach of Qiantang River crosses over the county through the national tourist zone. As of 2016, Chun'an has a registered population of 460,664, and a resident population of approximately 349,600. The famous scenic spot Qiandao Lake is located in Chun'an County and attracts a lot of tourists.

Tourism Arrivals and Gross Receipts, Chung'an County, 2007 – 2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	CAGR
Tourism Arrivals (million)	2.2	2.62	3.00	3.54	4.06	7.97	9.09	10.05	11.22	12.67	21.5%
Gross Receipts (RMB bn)	2.51	3.07	3.81	4.54	5.31	7.02	8.12	9.03	10.49	11.99	19.0%

Source: Qiandao Lake Scenic Tourism Bureau (淳安縣千島湖風景旅遊委員會)

The tourism sector of Chun'an County continued to be upbeat with decent growth. According to the Statistics Bureau of Chun'an County, total number of visitors arrival increased 12.9% y-o-y to approximately 12.67 million person in 2016, whereas gross receipts increased 14.3% y-o-y to RMB11.99 billion during the same period. Agritourism (鄉村旅遊) recorded another strong growth year in 2016, with visitors arrival increased 18.8% y-o-y to 4.87 million person, and gross receipts increased 17.9% y-o-y to RMB533 million respectively.

New Century Resort Qiandao Lake Hangzhou is located at the lakeside of Qiandao Lake in Qiandao Lake Town, the capital town of Chun'an County. The town has a total land area of approximately 356 sq. km. and a registered population of 82,089 as of the end of 2015. The natural lake and mountain resources attract tourists and contribute to the high rapid growth of hotel sector. The accessibility to the town is via the Highways G25 and G60. Construction works of high-speed railway from Hangzhou to Huangshan began in July 2014 and is expected to complete 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 tourists and enhance hotel room demand.

According to Qiandao Lake Scenic Tourism Bureau (千島湖風景旅遊委員會), Qiandao lake had 261 hotels, of which 8 were five-Star rated (including those up to five-star rate standard) hotels and 6 were four-star rated (including those up to four-star rate standard) hotels as of the end of 2016. In the past three years, several high-end hotels have opened and commenced operation, which translated into a high and rapid room supply and helped cause a drop in ADR. As the tourism sector of Qiandao Lake continued its rapid growth stage with booming room demand, the hotel and hospitality market is expected to maintain a strong growth upon the opening of high-speed railway.

VALUATION REPORT

VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2017								
4.	New Century Grand Hotel Ningbo, No. 666 Shounan Middle Road, Yinzhou District, Ningbo, Zhejiang Province, PRC	<p>New Century Grand Hotel Ningbo is a 22-storey hotel building plus a one-tier basement erected on a parcel of land with a site area of approximately 27,389.50 sq.m. It was completed in October 2007 and started operation in December 2007.</p> <p>The property accommodates 392 guest rooms with provision of facilities including food and beverage outlets, a 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 and 300 car parking spaces.</p> <p>Pursuant to the Certificate of Real Estate Ownership, the property has a total gross floor area of approximately 66,107.27 sq.m. Details of the uses and approximate gross floor areas of the property are as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Use</th> <th>Approximate Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Hotel</td> <td>54,226.18</td> </tr> <tr> <td>Basement</td> <td>11,881.09</td> </tr> <tr> <td>Total:</td> <td>66,107.27</td> </tr> </tbody> </table> <p>As advised by the REIT Manager, the property has a total operating area of approximately 57,311.00 sq.m.</p> <p>The land use rights of the property have been granted for a term due to expire on 9 March 2045 for commercial use.</p>	Use	Approximate Gross Floor Area (sq.m.)	Hotel	54,226.18	Basement	11,881.09	Total:	66,107.27	<p>As at the valuation date, the property was operated as a 5-star hotel and subject to a Hotel Lease and Management Agreement 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>Apart from the general hotel operation, a total leasable area of approximately 3,543.00 sq.m. was subject to various tenancies with the latest one due to expire in September 2024 at a total monthly rent of approximately RMB190,000.</p> <p>The occupancy rate of the property for 2017 was 72.4%.</p> <p>Based on the net rental income of 2017, the estimated net yield of the property is 5.1%.</p>	RMB810,000,000 (Renminbi Eight Hundred and Ten Million)
Use	Approximate Gross Floor Area (sq.m.)											
Hotel	54,226.18											
Basement	11,881.09											
Total:	66,107.27											

VALUATION REPORT

Notes:

- Pursuant to the Certificate of Real Estate Ownership – Zhe (2016) Yin Zhou Qu Bu Dong Chan Quan Di No. 0017613 dated 29 August 2016, the land use rights of a parcel of land with a total site area of 27,389.50 sq.m. and the building ownership of the property with a total gross floor area of 66,107.27 sq.m. have been granted to Ningbo New Century Spearhead Investment Ltd. (寧波開元銳至投資有限公司) (“Ningbo New Century Spearhead Investment”), an indirectly wholly-owned subsidiary of New Century REIT, for a term due to expire on 9 March 2045 for commercial use.
- Pursuant to the information provided by the REIT Manager, the property is currently subject to mortgages in favour of Wing Lung Bank Limited, Shanghai Sub-branch (永隆銀行有限公司上海支行).
- Pursuant to Business Licence No. 330212000001124 dated 1 July 2014, Ningbo New Century Spearhead Investment was established on 1 December 2004 as a limited company with a registered capital of RMB170,488,723 for an operation period commencing on 25 April 2007 and due to expire on 30 November 2024.
- Details of the guest rooms are shown in the following table:

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

- Details of the facilities and amenities are shown in the following table:

Food and Beverage Outlets	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

VALUATION REPORT

Function and Banquet Facilities	Level	Number of Rooms	Total Seating Area (sq.m.)	Maximum Seating Capacity
New Century Hall	Level 4	1 – 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 ceiling height of New Century Hall is 6 meters.

Other Amenities	Level	Total Seating 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

6. The key assumptions adopted in our DCF valuation are summarised as follows:

- i. Average daily room rate ("ADR") : RMB587 for year 1
- ii. Annual growth in ADR : Stabilised at 4%
- iii. Occupancy rate on available room basis : Year 1-64%; Stabilised at 68%
- iv. F & B revenue : Year 1-49% of gross revenue;
Stabilised at 51% of gross revenue
- v. FF & E provision : 2% of gross revenue
- vi. Discount rate : 8.75%
- vii. Terminal growth rate : 4%

7. We have prepared our valuation based on the following assumptions:
- i. Ningbo New Century Spearhead Investment is in possession of good legal title to the property and is entitled to occupy, use, lease, transfer or mortgage the property freely in the market within the residual term of its land use rights at no additional land grant premium and any other associated charges payable to the government;
 - ii. all land grant premium, costs of resettlement and public utilities services have been fully paid;
 - iii. the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
 - iv. the property may be freely disposed of to local and overseas purchasers.

8. Market Overview:

Ningbo is located in the northeast of Zhejiang Province and the southern part of the Yangtze River Delta, about 220 km south of Shanghai. Since the opening of the Hangzhou Bay Bridge in 2008, travel between Shanghai and Ningbo has been expedited and cutting the highway transit time to Shanghai in half. By the end of 2016, Ningbo has a registered population of 5.91 million, and a resident population of 7.88 million.

Ningbo is a seaport city and The Port of Ningbo is one of the largest in China. Its role as the major transportation and logistics centre is solidified further by investments of over RMB10 billion aiming at improving links with other cities in recent years. The strategic location has boosted Ningbo to become a major exporter of electrical products, textiles, food and industrial tools. The city is also a manufacturing base in garments, petrochemicals and energy, and is diversifying into other sectors such as cartoon and animation production. The city is distinct from most of the major cities in China with its large number of entrepreneurs running private manufacturing and trading related businesses.

Tourism Statistics, Ningbo, 2007 – 3Q 2017

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	CAGR	1-3Q 2017	1-3Q 2016
Domestic Visitor Arrivals (‘000s)	30,740	34,650	39,620	46,240	51,808	57,483	62,258	68,746	79,203	91,984	13.0%	77,460	67,243
Domestic Tourism Receipts (RMB mil)	34,832	41,590	49,730	61,070	70,870	81,640	90,420	102,030	118,390	138,550	16.6%	112,100	941,280
International Visitor Arrivals	689,000	787,000	801,000	952,000	1,074,000	1,162,000	1,273,000	1,396,802	1,575,224	1,735,000	10.8%	1,257,770	1,173,189
Tourism Foreign Exchange Revenue (US\$ mil)	430	490	490	590	650	730	796	778	800	917	8.8%	642.8	599.3
Total Tourism Revenue (RMB mil)	38,020	45,020	53,050	65,080	75,130	86,280	95,350	106,810	123,330	144,640	16.0%	116,370	97,980

Source: Statistical Yearbook of Ningbo, various years. 2017 figures from Ningbo Statistics Bureau

VALUATION REPORT

Domestic visitor arrivals increased 16.1% y-o-y to approximately 91.98 million in 2016, whereas domestic tourism receipts increased 17.0% y-o-y to approximately RMB138.55 billion during the same period. Inbound tourists rose 10.1% y-o-y to 1,735,200 in 2016, with tourism foreign exchange revenue increased 14.6% to US\$917 million. The continued improved tourism figures are attributable to the opening of scenic spots such as the Fantawild Oriental Heritage Theme Park (方特東方神畫主題樂園), Romon U-Park (羅蒙環球城) and China Port Museum (中國港口博物館), with districts of Hangzhou Bay Area, Yinzhou District, Beilun District and Jiangbei District registered the highest year-on year growth in terms of visitor arrivals and tourism receipts for the first three quarters of 2016.

According to data from China National Tourism Administration, during 2Q 2017, occupancy rate of five-star rated hotels in Ningbo was approximately 59.10%. Average daily room rate was approximately RMB517.48. RevPAR of star-rated hotels in Ningbo was approximately RMB210.34 during 2Q 2017.

The Yinzhou District is one of the Ningbo's major industrial and educational zones. The District was ranked China's 5th most economically prosperous district in 2014. The Southern Business District is a new growth area and under rapid development and expansion. The Wanda commercial district has been emerged as another commercial hub in Ningbo and a consumer sub-centre in the urban area. A number of private companies have located their headquarters in Southern Business District which boosts demand from corporate travellers.

VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2017										
5.	New Century Grand Hotel Changchun, No. 2299 Jinyangda Road, Lvyuan District, Changchun, Jilin Province, PRC	<p>New Century Grand Hotel Changchun is a 13-storey hotel building plus a one-tier basement erected on two parcels of land with a total site area of approximately 9,795.00 sq.m. It was completed in October 2008 and started operation in December 2008.</p> <p>The property accommodates 328 guest rooms with provision of facilities including food and beverage outlets, meeting rooms, a fitness centre with indoor swimming pool, banquet and function rooms and a business centre and 130 car parking spaces.</p> <p>Pursuant to the Building Ownership Certificates, the property has a total gross floor area of approximately 45,624.74 sq.m. Details of the uses and approximate gross floor areas of the property are as follows:</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Approximate Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Hotel</td> <td>38,753.40</td> </tr> <tr> <td>Dormitory</td> <td>3,764.34</td> </tr> <tr> <td>Basement</td> <td>3,107.00</td> </tr> <tr> <td>Total:</td> <td>45,624.74</td> </tr> </tbody> </table>	Use	Approximate Gross Floor Area (sq.m.)	Hotel	38,753.40	Dormitory	3,764.34	Basement	3,107.00	Total:	45,624.74	<p>As at the valuation date, the property was operated as a 5-star hotel and subject to a Hotel Lease and Management Agreement 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 property for 2017 was 67.4%.</p> <p>Based on the net rental income of 2017, the estimated net yield of the property is 4.5%.</p>	RMB460,000,000 (Renminbi Four Hundred and Sixty Million)
Use	Approximate Gross Floor Area (sq.m.)													
Hotel	38,753.40													
Dormitory	3,764.34													
Basement	3,107.00													
Total:	45,624.74													
		<p>As advised by the REIT Manager, the property has a total operating area of approximately 31,985.00 sq.m.</p> <p>The land use rights of the property have been granted for two concurrent terms due to expire on 14 October 2043 for hotel and catering uses and 28 December 2046 for other commercial use respectively.</p>												

VALUATION REPORT

Notes:

- Pursuant to two State-owned Land Use Rights Certificates – Chang Guo Yong (2016) Di Nos. 060017207 and 060017208 dated 19 August 2016, the land use rights of two parcels of land with a total site area of 9,795.00 sq.m. have been granted to Changchun New Century Spearhead Investment Management Ltd. (長春開元銳至投資管理有限公司) (“Changchun New Century Spearhead Investment”), an indirectly wholly-owned subsidiary of New Century REIT, for two concurrent terms due to expire on 14 October 2043 for hotel and catering uses and 28 December 2046 for other commercial use respectively.
- Pursuant to two Building Ownership Certificates – Fang Quan Zheng Chang Fang Quan Zi Di Nos. 201608100966 and 201608100967 dated 10 August 2016, the building ownership of the property with a total gross floor area of 45,624.74 sq.m. is vested in Changchun New Century Spearhead Investment.
- Pursuant to the information provided by the REIT Manager, the property is currently subject to mortgages in favour of Wing Lung Bank Limited, Shanghai Sub-branch (永隆銀行有限公司上海支行).
- Pursuant to Business Licence No. 912201016616466264 dated 29 April 2016, Changchun New Century Spearhead Investment was established on 13 November 2007 as a limited company with a registered capital of RMB120,000,000 for an operation period commencing on 13 November 2007 and due to expire on 31 October 2021.
- Details of the guest rooms are shown in the following table:

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	–
Presidential Suite	208	–	1
Total:		286	42

- Details of the facilities and amenities are shown in the following table:

Food and Beverage Outlets	Level	Style	Total Seating Area (sq.m.)	Maximum Seating Capacity
Ibiza	Level 1	Bar	383	67
Yue Bar	Level 8	Bar	300	38
German Bar	Mezz of Level 1	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 Café	Level 1	Western	700	160

VALUATION REPORT

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
Chuhe Hall	Level 2	Function	278	180
Chunyue Hall	Level 3	Function	278	180
He Hall	Level 2	Meeting Room	68	16
Gui Hall	Level 2	Meeting Room	68	25

* The ceiling height of New Century Hall is 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

7. The key assumptions adopted in our DCF valuation are summarised as follows:

- i. Average daily room rate ("ADR") : RMB604 for year 1
- ii. Annual growth in ADR : Stabilised at 4%
- iii. Occupancy rate on available room basis : Year 1-61%; Stabilised at 73%
- iv. F & B revenue : Year 1-45% of gross revenue;
Stabilised at 48% of gross revenue
- v. FF & E provision : 2% of gross revenue
- vi. Discount rate : 8.75%
- vii. Terminal growth rate : 4%

VALUATION REPORT

8. We have prepared our valuation based on the following assumptions:

- i. Changchun New Century Spearhead Investment is in possession of good legal title to the property and is entitled to occupy, use, lease, transfer or mortgage the property freely in the market within the residual term of its land use rights at no additional land grant premium and any other associated charges payable to the government;
- ii. all land grant premium, costs of resettlement and public utilities services have been fully paid;
- iii. the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
- iv. the property may be freely disposed of to local and overseas purchasers.

9. Market Overview:

Changchun is the provincial capital of Jilin and the second-most populous city in northeast China after Harbin. It is located at the centre of Jilin Province, lying on the centre of the Songliao Plain.

Changchun is one of the major industrial bases in northeast China, and is dubbed the “City of Automobiles” among locals, indicating the significance of automobile manufacturing for the city. The city is home to First Automobile Works (FAW), the second-largest auto manufacturer in China, which sets up joint ventures with Audi, Volkswagen and Toyota. To avoid its over-reliance on automobile manufacturing, the city has been putting efforts in the development of sectors in computer technology, pharmaceuticals and biotechnology given its advantages in higher education and having a pool of highly skilled labours.

Tourism Statistics, Changchun, 2007 – 2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	CAGR
Domestic Visitor Arrivals ('000s)	15,872	18,966	22,465	26,126	30,842	36,202	41,917	49,088	56,833	66,552	17.3%
International Visitor Arrivals	200,000	217,000	217,000	250,000	301,600	356,600	378,000	394,500	430,476	452,000	9.5%
Tourism Foreign Exchange Revenue (US\$ mil)	89.30	106.80	116.25	137.48	169.74	233.79	243.06	289.00	318.50	343.98	16.2%
Total Tourism Revenue (RMB mil)	18,200	22,830	28,450	35,040	43,165	54,830	68,580	85,120	107,288	134,110	24.8%

Source: Municipal Government of Changchun. 2015 and 2016 data from Changchun Economic and Social Development Statistics Bulletin 2016.

Tourism and hospitality is viewed as one of the potential new market sectors for development in Changchun. In February 2016, the State Council approved the establishment of the Changchun New District (長春新區) in the northeastern part of Changchun. Under the directives of this new plan, Changchun is positioned to be the centre of advanced technology, logistics and modern services industry, of which tourism and hospitality will be a major sector for promotion.

According to CNTA, during 2Q 2017, occupancy rate of 5-star rated hotels in Changchun was approximately 62.72%, whereas average daily room rate was approximately RMB521.60. RevPAR of star-rated hotels in Changchun was approximately RMB182.01 during 2Q 2017.

New Century Grand Hotel Changchun is located at the junction of Jingyangda Road and Chunchengda Street in Lvyuan District. The hotel is 45 minutes' away from Changchun Longjia International Airport and 15 minutes' away from Changchun Railway Station. It 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 rich source of hotel and event/convention customers.

VALUATION REPORT

VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2017								
6.	New Century Grand Hotel Kaifeng, South of Daliang Road, Development Zone, Kaifeng, Henan Province, PRC	<p>New Century Grand Hotel Kaifeng is a 7-storey hotel building erected on a parcel of land with a site area of approximately 44,289.38 sq.m. It was completed in 2007.</p> <p>The property accommodates 356 guest rooms with provision of facilities including food and beverage outlets, a 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 and 227 car parking spaces.</p> <p>Pursuant to the Real Estate Title Certificate, the property has a total gross floor area of approximately 53,511.80 sq.m. Details of the uses and approximate gross floor areas of the property are as follows:</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Approximate Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Hotel</td> <td>51,611.80</td> </tr> <tr> <td>Basement</td> <td>1,900.00</td> </tr> <tr> <td>Total:</td> <td><u>53,511.80</u></td> </tr> </tbody> </table> <p>The land use rights of the property have been granted for a term due to expire on 30 October 2044 for food & beverage and hotel uses.</p>	Use	Approximate Gross Floor Area (sq.m.)	Hotel	51,611.80	Basement	1,900.00	Total:	<u>53,511.80</u>	<p>As at the valuation date, the property was operated as a 5-star hotel and subject to a Hotel Lease and Management Agreement 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>Apart from the general hotel operation, a total leasable area of approximately 6,172.00 sq.m. was subject to various tenancies with the latest one due to expire in March 2022 at a total monthly rent of approximately RMB280,000.</p> <p>The occupancy rate of the property for 2017 was 59.0%.</p> <p>Based on the net rental income of 2017, the estimated net yield of the property is 4.8%.</p>	RMB430,000,000 (Renminbi Four Hundred and Thirty Million)
Use	Approximate Gross Floor Area (sq.m.)											
Hotel	51,611.80											
Basement	1,900.00											
Total:	<u>53,511.80</u>											

VALUATION REPORT

Notes:

- Pursuant to the Real Estate Title Certificate – Bian Fang Di Chan Quan Zheng Di No. 279060 dated 29 June 2015, the building ownership of the property with a total gross floor area of 53,511.80 sq.m. together with its relevant land use rights of a parcel of land with a total site area of 44,289.38 sq.m. have been granted to New Century Grand Hotel Kaifeng Ltd. (開封開元名都大酒店有限公司) (“New Century Grand Hotel Kaifeng”), an indirectly wholly-owned subsidiary of New Century REIT, for a term due to expire on 30 October 2044 for food & beverage and hotel uses.
- Pursuant to the information provided by the REIT Manager, the property is currently subject to mortgages in favour of Wing Lung Bank Limited, Shanghai Sub-branch (永隆銀行有限公司上海支行).
- Pursuant to the Business License – No. 914102000890404034 dated 29 March 2016, New Century Grand Hotel Kaifeng was established with a registered capital of RMB50,000,000 for an operation period commencing on 25 December 2013 and due to expire on 24 December 2033.
- Details of the guest rooms are shown in the following table:

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

- Details of the facilities and amenities are shown in the following table:

Food and Beverage Outlets	Level	Style	Total Seating Area (sq.m.)	Maximum Seating Capacity
Crystal Lounge Bar	Level 1	Lounge	220	52
Top Café	Level 8	Western	545	135
Regency Palace	Mezz of Level 1	Chinese	257	72
Spring Pavilion	Level 15	Chinese	905 (16 boxes)	180
I MA RI GA WA	Level 1	Japanese	152	56

VALUATION REPORT

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 Seating 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

6. The key assumptions adopted in our DCF valuation are summarised as follows:

- i. Average daily room rate ("ADR") : RMB602 for year 1
- ii. Annual growth in ADR : Stabilised at 4%
- iii. Occupancy rate on available room basis : Year 1-56%; Stabilised at 65%
- iv. F & B revenue : Year 1-34% of gross revenue; Stabilised at 37% of gross revenue
- v. FF & E provision : 2% of gross revenue
- vi. Discount rate : 9.25%
- vii. Terminal growth rate : 4%

7. We have prepared our valuation based on the following assumptions:
- i. New Century Grand Hotel Kaifeng is in possession of good legal title to the property and is entitled to occupy, use, lease, transfer or mortgage the property freely in the market within the residual term of its land use rights at no additional land grant premium and any other associated charges payable to the government;
 - ii. all land grant premium, costs of resettlement and public utilities services have been fully paid;
 - iii. the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
 - iv. the property may be freely disposed of to local and overseas purchasers.

8. Market Overview:

Kaifeng is a prefecture-level city with strong cultural and historical heritage. The city is located in the eastern part of Henan Province along the southern bank of the Yellow river, and is widely regarded as the “Capital of Seven Dynasties” in the history of China.

According to the Kaifeng Statistics Bureau, as at the end of 2016, Kaifeng has a registered population of approximately 5.20 million and a resident population of approximately 4.55 million.

Tourism Statistics, Kaifeng, 2007 – 2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	CAGR
Domestic and Inbound Visitor Arrivals (million)	22.55	25.29	30.95	34.69	39.02	44.16	49.90	39.70	44.92	51.07	9.0%
Total Gross Tourism Receipts (RMB bn)	7.22	8.34	10.81	12.84	15.52	18.05	20.78	19.26	24.51	39.86	20.9%

Source: Kaifeng Statistics Bureau

The tourism sector of Kaifeng performed reasonably well in 2016. According to the Kaifeng Statistics Bureau, total number of domestic and inbound visitor arrivals increased 15.9% y-o-y to approximately 51.07 million person in 2016, whereas gross receipts increased 38.6% y-o-y to RMB39.86 billion during the same period.

New Century Grand Hotel Kaifeng is located in the core area of Kaifeng New District, along Jinming Lake at the former site of a royal Song Dynasty water garden. The hotel is located within an hour’s drive from Zhengzhou Xinzheng International Airport, and is connected to Zhengzhou and other areas via expressways. The hotel is also within 15 minutes driving distance from several major tourist attractions. The hotel is the first five-star rated hotel in the area and draws its demand mostly from corporate guests. Future demand drivers for the hotel will be the advanced development of the Kaifeng Airport Economy Belt (開港經濟帶) and the Zhengzhou Airport Economy Zone (Zhengzhou Xinzheng Comprehensive Bonded Zone) (鄭州航空港經濟綜合實驗區(鄭州新鄭綜合保稅區)) which is expected to bring forward the deepened integration of Zhengzhou and Kaifeng (鄭汴一體化).

As of the end of 2016, there were 3 five-star rated hotels and 2 four-star rated hotels in operation. The fourth five-star rated hotel, Zhongzhou International Huayue Hotel (中州國際華悅飯店), located at the Seventh Avenue of Kaifeng New District with a total planned GFA of approximately 20,000 sq. m., is scheduled to open at the end of 2017. Performance of five-star rated hotels in Kaifeng performed reasonably well, with Pullman Kaifeng achieved an occupancy rate of 50% and a RevPAR of RMB307 in 2016.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

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 law of Hong Kong))

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

What we have audited

The consolidated financial statements of New Century Real Estate Investment Trust (the “New Century REIT”) and its subsidiaries (together, the “Group”) set out on pages 138 to 217, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the distribution statement for the year then ended;
- the consolidated statement of net assets attributable to unitholders and changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”).

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羅兵咸永道

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (the “IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

Key Audit Matters (continued)

The key audit matter identified in our audit is “valuation of investment properties” and is summarised as follows:

Key Audit Matter

How our audit addressed the Key Audit Matter

Valuation of investment properties

Refer to Note 13 “Investment properties” to the consolidated financial statements.

We understood, evaluated and validated management’s policies, processes and control in relation to the valuation of investment properties.

The valuation of the Group’s investment properties is a key component of the net asset value attributable to the unitholders and underpins the Group’s results for the year. The aggregate valuation in the consolidated balance sheet was RMB4,891 million as at 31 December 2017 and fair value gains of investment properties for the year was RMB101 million. As at 31 December 2017, the Group’s investment property portfolio includes 6 hotel properties in the People’s Republic of China (“China”) and 1 hotel property in the Netherlands.

We read the Independent Valuer’s valuation reports which confirmed that the valuation was prepared in accordance with the respective valuation standards and in compliance with the Code on Real Estate Investment Trusts issued by the Hong Kong Securities and Futures Commission (the “REIT Code”).

The valuation of the Group’s investment properties is inherently subjective to, among other factors, the individual nature of each property, its location and the expected future rentals for that particular property.

We read the terms of engagement between the Independent Valuer and the Group to assess whether there were any matters that might affect its objectivity or may impose scope limitations upon its work. And we assessed the Independent Valuer’s competence and capabilities.

The management used the valuation supported by the valuation report issued by independent valuers (the “Independent Valuer”). The Independent Valuer was engaged by the Group.

We involved our internal valuation specialists during the audit of this area. We discussed with the management of New Century Asset Management Limited (the “REIT Manager”) and the Independent Valuer to understand the valuation approaches and the key assumptions. We compared the estimates and assumptions used by the Independent Valuer against published industry benchmarks and comparable market transactions. We evaluated whether there was any inappropriate assumption in light of the evidence provided by the Independent Valuer.



Key Audit Matters (continued)

Key Audit Matter (continued)

Valuation of investment properties (continued)

In determining the property valuation, the following valuation approaches were applied and taken into account property-specific information such as the current lease agreements and rental income in the valuation process:

- discounted cash flow (“DCF”) approach was adopted for the 6 hotel properties in China. The key inputs and assumptions used in the valuation models included future rental cash inflows, discount rates, maintenance costs and terminal growth rate (as described in Note 13 to the consolidated financial statements);
- income capitalisation approach was adopted for the hotel in the Netherlands. The key inputs and assumptions used in the valuation model included capitalisation rate and rental income (as described in Note 13 to the consolidated financial statements).

Given the investment properties represent the majority of the total assets of the Group, the valuation of the investment properties is also a key component of the Group’s results for the year, and the valuation involved significant judgement and estimation uncertainty on the key assumptions, it warrants specific audit focus and attention in this area.

How our audit addressed the Key Audit Matter (continued)

We performed sample test on the data used by the Independent Valuer in valuations, including key terms of lease agreements, rental income schedules and etc., by agreeing to relative supporting documents.

We considered that the assumptions used in the valuation were supportable in light of available and comparable market evidences.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

Other Information

The REIT Manager is responsible for the other information set out in the New Century REIT's 2017 annual report. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the REIT Manager and Audit Committee for the Consolidated Financial Statements

The REIT Manager is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS, 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.

In preparing the consolidated financial statements, the REIT Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the REIT Manager either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

In addition, the REIT Manager is required to ensure 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 provisions of Appendix C of the REIT Code.

The audit committee is responsible for overseeing the Group's financial reporting process.



羅兵咸永道

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. In addition, we are required to assess whether the consolidated financial statements of the Group have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the REIT Manager.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- conclude on the appropriateness of the REIT Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with the audit committee all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



羅兵咸永道

Report on matters under the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code

In our opinion, the consolidated financial statements have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

The engagement partner on the audit resulting in this independent auditor's report is Lam Siu Wing, Benny.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2018

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Notes	Year ended 31 December	
		2017 RMB'000	2016 RMB'000
Revenue	6	293,407	316,750
Operating expenses	7	(62,772)	(90,563)
Other (losses)/gains – net	9	(20,643)	37,590
Change in fair values of investment properties	13	101,093	233,656
Operating profit		311,085	497,433
Finance income	10	115,415	3,599
Finance costs	10	(117,980)	(245,585)
Profit before taxation and transactions with unitholders		308,520	255,447
Income tax expense	11	(135,351)	(132,406)
Profit for the year, before transactions with unitholders		173,169	123,041
Profit attributable to unitholders		170,594	119,268
Profit attributable to non-controlling interests		2,575	3,773
		173,169	123,041

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Attributable to			Attributable to non-controlling interests RMB'000
	Unitholders before transactions with unitholders RMB'000	Transactions with unitholders (Note (i)) RMB'000	Unitholders after transactions with unitholders RMB'000	
Profit for the year ended 31 December 2016	119,268	(118,224)	1,044	3,773
Other comprehensive loss: <i>Item that may be reclassified subsequently to consolidated income statement:</i>				
Exchange losses on translation of financial statements	(1,044)	–	(1,044)	–
Total comprehensive income for the year ended 31 December 2016 (Note (ii))	<u>118,224</u>	<u>(118,224)</u>	<u>–</u>	<u>3,773</u>
Profit for the year ended 31 December 2017	170,594	(176,810)	(6,216)	2,575
Other comprehensive income: <i>Item that may be reclassified subsequently to consolidated income statement:</i>				
Exchange gains on translation of financial statements	<u>6,216</u>	<u>–</u>	<u>6,216</u>	<u>–</u>
Total comprehensive income for the year ended 31 December 2017 (Note (iii))	<u>176,810</u>	<u>(176,810)</u>	<u>–</u>	<u>2,575</u>

Notes:

- (i) Transactions with unitholders comprise total profit/(loss) and other comprehensive income/(loss) 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 Real Estate Investment Trust ("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, to share 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 the termination. The unitholders' fund is therefore classified as a financial liability rather than equity in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB"). Consistent with unitholders' fund 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 above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Notes	As at 31 December	
		2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	12	–	1
Investment properties	13	4,890,598	5,656,334
Goodwill	14	7,987	7,987
Other long-term assets	15	6,793	11,230
		4,905,378	5,675,552
Current assets			
Trade and other receivables and prepayments	16	6,000	4,751
Amounts due from related parties	29 (c)	22,060	40,755
Derivative financial instruments	19	22,478	21,788
Restricted cash	17	155,517	250,883
Cash and cash equivalents	17	360,826	202,592
		566,881	520,769
Total Assets		5,472,259	6,196,321
Current liabilities			
Trade and other payables	18	32,921	41,645
Amounts due to related parties	29 (c)	58,272	108,682
Current income tax liabilities		19,528	20,290
Derivative financial instruments	19	57,415	1,521
Deferred income	20	3,553	2,669
Borrowings	21	187,494	603,781
		359,183	778,588
Non-current liabilities, other than net assets attributable to unitholders			
Borrowings	21	1,777,177	1,933,327
Loan from a related party	29 (c)	–	106,044
Deferred income tax liabilities	22	899,059	977,023
		2,676,236	3,016,394

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

		As at 31 December	
	Notes	2017	2016
		RMB'000	RMB'000
Total liabilities, other than net assets attributable to unitholders		3,035,419	3,794,982
Net assets attributable to unitholders	23	<u>2,404,023</u>	<u>2,371,097</u>
Total liabilities		5,439,442	6,166,079
Net assets		32,817	30,242
Non-controlling interests		<u>32,817</u>	<u>30,242</u>
Total equity		32,817	30,242
Net current assets/(liabilities)		207,698	(257,819)
Total assets less current liabilities		5,113,076	5,417,733
Units in issue ('000)	23	958,501	951,301
Net assets attributable to unitholders per unit	23	RMB2.5081	RMB2.4925

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 138 to 217 were approved by the board of directors of the New Century Asset Management Limited (the "REIT Manager") on 22 March 2018 and were signed on its behalf.

Jin Wenjie
Chairman

Cheung Yat Ming
Executive Director

DISTRIBUTION STATEMENT

For the year ended 31 December 2017

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit attributable to unitholders	170,594	119,268
Adjustments for the total distributable income:		
– Fair value change on investment properties attributable to unitholders	(100,024)	(230,721)
– Deferred taxation in respect of investment properties and tax losses attributable to unitholders	44,547	80,495
– REIT Manager fee payable in units in lieu of cash	–	28,099
– Amortisation of transaction costs of the bank borrowings	33,489	26,149
– Unrealised net foreign exchange (gains)/losses on financing activities	(94,157)	128,097
– Accumulated realised foreign exchange losses on the bank borrowings which were repaid during the year	(53,420)	–
– Excess of fair value of net assets of a subsidiary assumed over acquisition cost	–	(1,887)
– Fair value losses/(gains) on derivative financial instruments	55,204	(26,746)
– Accumulated realised fair value gains and deferred taxation on investment property of the disposal group (<i>Note 25</i>)	52,500	–
Total distributable income for the year (i)	108,733	122,754
Interim distribution period		
Interim distributable income	51,768	77,757
Pay-out ratio (ii)	90%	100%
Distribution income for interim period	46,591	77,757
Add: Special Distribution for interim period (iii)	33,000	–
Total distribution for interim period	79,591	77,757
Final distribution period		
Total distributable income for the year	108,733	122,754
Less: Total distributable income for interim period	(51,768)	(77,757)
Final distributable income	56,965	44,997
Pay-out ratio (ii)	90%	90%
Distributable income declared and to be paid for second half year	51,269	40,497
Add: Special Distribution for second half year (iii)	–	39,000
Total distribution declared for second half year	51,269	79,497

DISTRIBUTION STATEMENT

For the year ended 31 December 2017

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Distribution per unit (RMB) (v)		
– Interim distribution per unit	RMB0.0830	RMB0.0823
– Final distribution per unit	RMB0.0535	RMB0.0836
	<u>RMB0.1365</u>	<u>RMB0.1659</u>

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.

- (ii) The REIT Manager has resolved to distribute 90% of New Century REIT's total distributable income for the year ended 31 December 2017 (For the six months ended 30 June 2016: 100% and six months ended 31 December 2016: 90%).
- (iii) A special distribution with total amount of RMB33,000,000 for interim period was declared and approved by board of directors of the REIT Manager on 23 August 2017 ("Special Distribution") (2016: RMB39,000,000 for 2nd half year).
- (iv) The distributions with the amount of RMB159,088,000 were paid during the year ended 31 December 2017 (2016: RMB157,564,000). Details of the payment were disclosed in Note 23.
- (v) The interim distribution per unit of RMB0.0830 for the period from 1 January 2017 to 30 June 2017 is calculated by dividing total interim distribution paid to unitholders of RMB79,591,000 by 958,500,829 units in issue as at 30 June 2017. The final distribution per unit of RMB0.0535 for the period from 1 July 2017 to 31 December 2017 is calculated by dividing total final distribution to be paid to unitholders of RMB51,269,000 by 958,500,829 units in issue as at 31 December 2017.

The interim distribution per unit of RMB0.0823 for the period from 1 January 2016 to 30 June 2016 is calculated by dividing total interim distribution paid to unitholders of RMB77,757,000 by 945,215,252 units in issue as at 30 June 2016. The final distribution per unit of RMB0.0836 for the period from 1 July 2016 to 31 December 2016 is calculated by dividing total final distribution paid to unitholders of RMB79,497,000 by 951,301,342 units in issue as at 31 December 2016.

The above distribution statement should be read in conjunction with the accompanying notes.

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

For the year ended 31 December 2017

	Notes	Net assets attributable to unitholders RMB'000	Equity	
			Non- controlling interests RMB'000	Total RMB'000
As at 1 January 2016		2,386,721	26,469	2,413,190
Profit for the year		119,268	3,773	123,041
Issuance of new units	23	26,879	-	26,879
Units bought back for cancellation	23	(3,163)	-	(3,163)
Distributions paid to unitholders	23	(157,564)	-	(157,564)
Exchange losses on translation of financial statements	23	(1,044)	-	(1,044)
As at 31 December 2016		<u>2,371,097</u>	<u>30,242</u>	<u>2,401,339</u>
As at 1 January 2017		2,371,097	30,242	2,401,339
Profit for the year		170,594	2,575	173,169
Issuance of new units	23	15,204	-	15,204
Distributions paid to unitholders	23	(159,088)	-	(159,088)
Exchange gains on translation of financial statements	23	6,216	-	6,216
As at 31 December 2017		<u>2,404,023</u>	<u>32,817</u>	<u>2,436,840</u>

The above consolidated statement of net assets attributable to unitholders and changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	Year ended 31 December	
		2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Cash generated from operations	27 (a)	255,277	217,550
Interest paid		(89,745)	(68,246)
Income tax paid		(49,301)	(46,144)
Net cash generated from operating activities		116,231	103,160
Cash flows from investing activities			
Purchase of investment properties		(1,826)	(6,590)
Proceeds from disposal of subsidiaries	25	781,759	–
Acquisition of a subsidiary, net of cash acquired	26	–	(25,783)
Net cash generated from/(used in) investing activities		779,933	(32,373)
Cash flows from financing activities			
Changes of restricted cash pledged for borrowings		95,366	(104,439)
Proceeds from borrowings, net of transaction costs	27 (b)	262,604	929,431
Repayment of borrowings	27 (b)	(838,277)	(622,762)
Repayment of loan payable to a related party	27 (b)	(106,044)	–
Issuance of units	23	15,204	26,879
Units bought back for cancellation	23	–	(3,163)
Distributions paid to unitholders	23	(159,088)	(157,564)
Distributions paid to non-controlling interests		(98)	–
Payment of other financing cost (including agency fee, commitment fee etc.)		(4,318)	(3,086)
Net cash (used in)/generated from financing activities		(734,651)	65,296
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year	17	202,592	63,151
Exchange (losses)/gains on cash and cash equivalents		(3,279)	3,358
Cash and cash equivalents at end of the year	17	360,826	202,592

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1 GENERAL INFORMATION

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

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 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 22 March 2018.

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 IFRS, the relevant provisions of the Trust Deed and Appendix C of the Code on Real Estate Investment Trusts issued by the Hong Kong Securities and Futures Commission (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 their 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 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

The following new and amended standards and interpretations are effective for the financial year beginning on 1 January 2017, none of them has a material impact on the Group.

		Effective date
Amendments to IAS 7 (a)	Statement of cash flows	1 January 2017
Amendments to IAS 12	Income taxes	1 January 2017
Amendments to IFRS 12	Disclosure of interest in other entities	1 January 2017

(a) Amendments to IAS 7 "Statement of Cash Flows" introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities (Note 27 (b)).

There are no other amended standards or interpretations that are effective for the first time for this annual period that could be expected to have a material effect on the Group's operating results, financial position or comprehensive income.

(ii) *New standards and interpretations not yet adopted by the Group*

The following new standards, new interpretations and amendments to standards and interpretations have been issued but not yet effective for the year ended 31 December 2017 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
IFRS 9 (a)	Financial instruments	1 January 2018
IFRS 15 (b)	Revenue from contracts with customers	1 January 2018
Amendments to IFRS 1	First time adoption of IFRS	1 January 2018
Amendments to IAS 28	Investments in associates and joint ventures	1 January 2018
Amendments to IAS 40	Transfers of investment property	1 January 2018
Amendments to IFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
Amendments to IFRS 4	Insurance contracts applying IFRS 9 financial instruments with IFRS 4 insurance contracts	1 January 2018 or when the entity first applies IFRS 9
IFRIC 22	Foreign currency transactions and advance consideration	1 January 2018
IFRS 16 (c)	Leases	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

(a) *IFRS 9 “Financial Instruments”*

IFRS 9 “Financial Instruments” addresses the classification, measurement and derecognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the whole of IAS 39.

IFRS 9 introduces a new impairment model for financial assets – the expected credit losses (ECL) model, which constitutes a change from the incurred losses model in IAS 39. IFRS 9 also applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity, and introduces a more principles-based approach, which provides relief from the more “rule-based” approach of IAS 39.

The Group does not expect the new guidance to have significant impact on the classification and measurement of its financial assets. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 and the Group had reviewed its financial assets and liabilities and will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparative figures for 2017 will not be restated.

(b) *IFRS 15 “Revenues from Contracts with Customers”*

IFRS 15 “Revenues from Contracts with Customers” was issued as a new standard for the recognition of revenue to replace the previous revenue standards, IAS 18 “Revenue” and IAS 11 “Construction Contracts” and the related interpretations on revenue recognition, IFRIC 13 “Customer Loyalty Programmes”, IFRIC 15 “Agreements for the Construction of Real Estate”, IFRIC 18 “Transfers of Assets from Customers” and SIC-31 “Revenue – barter transactions involving advertising services”. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018.

The Group does not expect the new guidance to have impact on the recognition of revenue as the nature of the Group’s business is the leasing of the hotel properties in China and the Netherlands as a lessor. IFRS 15 is not applicable and the recognition of revenue of the Group applies for IFRS 16 “Leases”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

(c) *IFRS 16 “Leases”*

IFRS 16 “Leases” provides updated guidance on the definition of leases, and the guidance on the combination and separation of contracts. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 requires lessees to recognise lease liability reflecting future lease payments and a “right-of-use-asset” for almost all lease contracts, with an exemption for certain short-term leases and leases of low value assets. The lessors accounting stays almost the same as under IAS 17 “Leases”, and lessors should provide additional disclosures and information which allows users of the financial statements to assess the effect that leases have on the lessors’ financial position, financial performance and cash flows:

- the nature of the entity’s leasing activities;
- the management of the risks associated with any rights retained in the underlying assets;
- lease income, separately disclosing income relating to variable lease payments that do not depend on an index or a rate;
- maturity analysis of lease payments for a minimum of each of the first five years plus a total amount for the remaining years;
- where applicable, the disclosure required by IAS 36, IAS 38, IAS 40 and IAS 41, etc.

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. Since the nature of the Group’s business is leasing hotel properties in China and the Netherlands as a lessor, in accordance with IFRS 16, the Group does not expect the new guidance to have significant impact on the accounting for the Group’s operation. And the Group will prepare the additional disclosures required and apply the new rules from 1 January 2018, with the practical expedients permitted under the standard. The Group does not intend to adopt the standard before its effective time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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 the consolidated income statement.

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 in the consolidated income statement. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

(a) **Business Combinations** (continued)

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 unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(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, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in consolidated income statement. 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 consolidated income statement or transferred to another category of equity as specified by applicable IFRS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the senior executive management that makes strategic decisions.

2.4 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 the Group's functional and 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 (losses)/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 the consolidated income statement 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 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.5 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (continued)

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 2.8).

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

2.6 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.

2.7 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 ("CGU"), or groups of CGU, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 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.

2.9 Financial assets

2.9.1 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 2017 and 2016, financial assets of the Group included financial assets at fair value through profit or loss and loans and receivables.

(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", "cash and cash equivalents" and "restricted cash" in the consolidated balance sheet (Notes 2.13, 2.14 and 2.15).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (continued)

2.9.2 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 (losses)/ 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.

2.10 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 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 2017 and 2016, the Group did not designate any derivatives as hedging instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 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.

2.14 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.

2.15 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.

2.16 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. Trade 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.

2.17 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Borrowings and borrowing cost (continued)

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.

General and specific borrowing costs directly attributable to the construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

2.18 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 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 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.

2.20 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, when 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:

- Minimum annual rent ("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;
- Actual annual rent ("Total Rent") from hotel properties is recognised in the period in which they are earned in accordance with the terms of respective agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 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.

2.22 Dividend income

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

2.23 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seek to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by the REIT Manager, who manages and monitors these risk 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 in 2016. In January 2017, the Group has entered into several capped forward foreign exchange contracts with a commercial bank in an aggregate notional amounts of USD120 million for a period of one year, to keep exchange rate of USD against RMB within the cap rate. Pursuant to terms of these contracts, the strike rates of RMB per 1 USD are ranged from 6.98 to 7.01 and the cap rate of RMB per 1 USD is 7.2 (Note 19).

Foreign exchange risk also arises from net investment in foreign operation. The Group has an investment in Europe, whose net assets are exposed to foreign currency translation risk for Euro ("EUR"). Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through the Netherlands subsidiary's borrowings denominated in EUR.

As at 31 December 2017, if RMB had weakened/strengthened by 1% against USD with all other variables held constant, post-tax profit for the year ended 31 December 2017 would have been approximately RMB15,265,000 lower/higher respectively (2016: post-tax profit would have been RMB20,842,000 lower/higher 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 2017, if RMB had weakened/strengthened by 1% against HKD with all other variables held constant, post-tax profit for the year ended 31 December 2017 would have been approximately RMB3,000 higher/lower respectively (2016: post-tax profit would have been RMB3,000 higher/lower respectively), mainly as a result of foreign exchange gains/losses on translation of HKD denominated cash and cash equivalents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow interest rate 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 and interest rate cap. Interest rate swaps 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. Interest rate cap has the economic effect of keeping floating interest rate of borrowing within the cap rate. Under the interest rate cap, the Group agrees with other party to limit floating interest rate within the cap rate by reference to the agreed notional amount.

As at 31 December 2017, if the interest rates on borrowings have been 25 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately RMB774,000 lower/higher respectively (2016: post-tax profit would have been RMB1,294,000 lower/higher respectively), mainly as result of higher/lower interest expense of borrowings with floating rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(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 2017 and 2016, all cash and cash equivalents and restricted cash were deposited in the major financial institutions in China, Hong Kong and the Netherlands, 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 China (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 Europe; and
- Group 3 – Regional banks in China and Hong Kong.

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3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

The bank deposits balances as at 31 December 2017 and 2016 which are placed with these institutions are shown as below:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Group 1	321,493	320,369
Group 2	15,990	10,133
Group 3	178,849	122,959
	516,332	453,461

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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.

	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 2017					
Bank borrowings	188,866	1,696,450	-	113,719	1,999,035
Interest payable on borrowings	60,579	42,609	3,353	2,501	109,042
Derivative financial instruments	57,415	-	-	-	57,415
Trade and other payables and amounts due to related parties	69,207	-	-	-	69,207
	<u>376,067</u>	<u>1,739,059</u>	<u>3,353</u>	<u>116,220</u>	<u>2,234,699</u>

	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 2016					
Bank Borrowings	609,427	5,908	1,879,094	106,497	2,600,926
Loan from a related party	-	-	-	106,044	106,044
Interest payable on borrowings	82,635	69,064	53,688	17,462	222,849
Derivative financial instruments	1,521	-	-	-	1,521
Trade and other payables and amounts due to related parties	121,252	-	-	-	121,252
	<u>814,835</u>	<u>74,972</u>	<u>1,932,782</u>	<u>230,003</u>	<u>3,052,592</u>

The interest payments on borrowings are calculated based on borrowings held as at 31 December 2017 and 2016 without taking into account future borrowings. Floating-rate interests are estimated using the relevant interest rates as at 31 December 2017 and 2016 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 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 (including loans from banks and related party) excluding transaction costs over total asset value as at 31 December 2017 and 2016 are as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Total gross borrowings excluding transaction costs (Note 21, Note 29 (c))	1,999,035	2,706,970
Total asset value	5,472,259	6,196,321
Gearing ratio	<u>36.53%</u>	<u>43.69%</u>

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value as at 31 December 2017 and 2016 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 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
As at 31 December 2017				
Assets				
Financial assets at fair value through profit or loss				
Derivative financial instruments	-	22,478	-	22,478
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	-	57,415	-	57,415
As at 31 December 2016				
Assets				
Financial assets at fair value through profit or loss				
Derivative financial instruments	-	21,788	-	21,788
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	-	1,521	-	1,521

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

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 and interest rate cap 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.

4 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.

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5 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 the senior executive management, in order to allocate resources to segments and to assess their performance.

The sole principal activity of the Group is the leasing of hotel properties. Geographically, the hotel properties are mainly located in China, and the Group has extended its business to Europe through the acquisition in the Netherlands in August 2016 (Note 26). As the subsidiaries in Europe do not meet the quantitative thresholds required by IFRS 8 for reportable segment, the senior executive management concludes that the Group has a single reportable segment and no further analysis for segment information is presented.

6 REVENUE

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Rental income from Initial Hotel Properties (a)	207,712	209,382
Rental income from Shanghai Hotel (a)	18,088	44,085
Rental income from Kaifeng Hotel (a)	21,156	21,284
Rental income from Netherlands Hotel (a)	14,844	5,659
Other rental income (b)	31,607	36,340
	293,407	316,750

- (a) For the year ended 31 December 2017, the Group received a pro-rated Base Rent for all of the hotel properties, including 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"), Songjiang New Century Grand Hotel Shanghai (上海松江開元名都大酒店, the "Shanghai Hotel"), New Century Grand Hotel Kaifeng (開封開元名都大酒店, the "Kaifeng Hotel") and Holiday Inn Eindhoven (the "Netherlands Hotel") in a sum of RMB271,836,000 (before value-added taxes of RMB10,036,000) (2016: The rental income of RMB280,410,000 was derived from the pro-rated Base Rent of RMB289,240,000 less value-added taxes of RMB8,830,000).

The rental income of Shanghai Hotel represented the rent for the period from 1 January 2017 to 1 June 2017, disposal date of Shanghai Hotel (Note 25).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

6 REVENUE (CONTINUED)

(a) (continued)

The table below is a summary of the major lease agreements of the Group for the year ended 31 December 2017:

	Effective periods of the lease agreements	Total Rent calculation method	Base Rent for 2017 (including value-added taxes)	Base Rent adjustment
Initial Hotel Properties	From 10 July 2013 to 9 July 2023	20% of the total revenue, plus 34% of the gross operating profit	RMB216,000,000	The Base Rent of each hotel property for the first five years remains unchanged. After the first five year, the Base Rent of the subsequent periods will be the market Base Rent (the "Market Base Rent") determined by an independent professional property valuer.
Kaifeng Hotel	From 1 August 2015 to 31 July 2025		RMB22,000,000	
Shanghai Hotel	From 31 July 2014 to 30 July 2024 (terminated on 12 July 2017)	25% of the total revenue, plus 34% of the gross operating profit	RMB45,580,540	If the Market Base Rent of each hotel property as determined is lower than 85% of the average annual rent received from the lessee for the first four years (the "Reference Average Rent"), the Base Rent of each hotel property for each year during the subsequent periods should be 85% of the Reference Average Rent of each hotel property, instead of the Market Base Rent.
Netherlands Hotel	From 22 March 2012 to 21 March 2037	24% of the total revenue	EUR1,964,878	The Base Rent will be adjusted annually based on the consumer price index published by the Central Bureau of Statistics of the Netherlands which is capped at 3% per annum.

(b) Other rental income represents the rental income from the lease of commercial space, primarily office, shopping and recreational areas in hotel properties and was recognised on a straight-line basis over the periods of the respective leases.

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For the year ended 31 December 2017

7 OPERATING EXPENSES

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
REIT Manager fee (Notes 8, 29 (b))	31,903	29,987
Urban real estate and land use tax	20,161	23,009
Expenses incurred in connection with the disposal of subsidiaries (Note 25)	1,923	–
Expenses incurred in connection with the acquisition of a subsidiary (Note 26)	–	20,590
Business and other taxes, surcharges and stamp duty	2,318	5,861
Legal and other professional fees	1,754	5,834
Auditors' remuneration	1,864	1,828
Trustee fee (Note 29 (b))	1,229	1,224
Valuation fees	538	1,216
Maintenance and repairs	50	211
Miscellaneous	1,032	803
	<u>62,772</u>	<u>90,563</u>
Total operating expenses	62,772	90,563

8 REIT MANAGER FEE

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Base Fee	17,504	17,472
Variable Fee	10,013	10,627
Divestment Fee (Note 25)	4,386	–
Acquisition Fee (Note 26)	–	1,888
	<u>31,903</u>	<u>29,987</u>
	31,903	29,987

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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

8 REIT MANAGER FEE (CONTINUED)

- 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;
- a divestment fee (the “Divestment Fee”) calculated by 0.5% of the sales price of any real estate disposed of by New Century REIT;
- 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 (together, “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, Variable Fee and Divestment Fee for the year ended 31 December 2017 have been and will be paid to the REIT Manager in the form of cash. (The Base Fee and Variable Fee for the year ended 31 December 2016 were 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 and the Acquisition Fee was paid to the REIT Manager in the form of cash.)

9 OTHER (LOSSES)/GAINS – NET

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Fair value (losses)/gains on derivative financial instruments (<i>Note 19</i>)	(55,204)	26,746
Government grants (<i>a</i>)	10,943	9,159
Excess of fair value of net assets of a subsidiary assumed over acquisition cost (<i>Note 26</i>)	–	1,887
Gains on disposal of subsidiaries (<i>Note 25</i>)	24,147	–
Net foreign exchange gains	1	3
Loss on disposal of property, plant and equipment	–	(28)
Others	(530)	(177)
	(20,643)	37,590

(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 2017

10 FINANCE COSTS – NET

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Finance income		
– Interest income derived from bank deposits	4,835	3,599
– Realised net foreign exchange gains on financing activities	16,423	–
– Unrealised net foreign exchange gains on financing activities	94,157	–
	<u>115,415</u>	<u>3,599</u>
Finance costs		
– Interest expense on bank borrowings and other borrowings	(82,290)	(86,035)
– Unrealised net foreign exchange losses on financing activities	–	(128,097)
– Realised net foreign exchange losses on financing activities	–	(1,330)
– Amortisation of transaction costs of the bank borrowings	(33,489)	(26,149)
– Other financing cost	(2,201)	(3,974)
	<u>(117,980)</u>	<u>(245,585)</u>
Finance costs – net	<u>(2,565)</u>	<u>(241,986)</u>

11 INCOME TAX EXPENSE

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Current income tax		
– Corporate income tax	44,012	44,189
– Income tax incurred in connection with the disposal of subsidiaries (Note 25)	41,338	–
Deferred income tax		
– Corporate income tax (Note 22)	50,001	88,217
Tax charge	<u>135,351</u>	<u>132,406</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

11 INCOME TAX EXPENSE (CONTINUED)

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

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit before taxation	308,520	255,447
Tax calculated at statutory tax rates applicable to each group entity	90,997	120,529
Expenses not deductible for tax purpose	-	24
Tax losses for which no deferred income tax asset was recognised	1,022	5,588
Adjustments for withholding tax of prior period	(1,232)	-
Withholding tax on earnings of subsidiaries	5,640	6,265
Corporate tax on the disposal of subsidiaries	38,924	-
Tax charge	135,351	132,406

(a) Hong Kong profits tax

Enterprises incorporated in Hong Kong are subject to profits tax rates of 16.5%. 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 2017 and 2016.

(b) Netherlands corporate income tax

Enterprises incorporated in the Netherlands are subject to income tax rate of 20% for the first EUR200,000 taxable income and 25% for the taxable income exceeds EUR200,000. No Netherlands corporate income tax has been provided for as the Netherlands subsidiary has no taxable income for the years ended 31 December 2017 and 2016.

(c) Luxembourg corporate income tax

Enterprises incorporated in Luxembourg city are subject to income tax rate of 20% for the first EUR15,000 taxable income and 21% for the taxable income exceeds EUR15,000. Including solidarity surtax (7% on Corporate Income Tax) and Municipal Business Tax (6.75% on taxable income) on taxable income, the total tax rate for Luxembourg city is 28.15% or 29.22%. No Luxembourg corporate income tax has been provided for as the Luxembourg subsidiary has no taxable income for the years ended 31 December 2017 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11 INCOME TAX EXPENSE (CONTINUED)

(d) China corporate income tax

Enterprises incorporated in China are subject to income tax rate of 25% throughout the years ended 31 December 2017 and 2016.

The income tax provision of the Group in respect of its operations in China 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.

(e) China withholding income tax

Pursuant to China Corporate Income Tax Law, a 10% withholding tax is levied on the dividends declared to foreign investors from the foreign investment enterprises established in China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in China in respect of their earnings generated from 1 January 2008.

Pursuant to “Arrangement between the mainland of China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income”, a lower 5% withholding tax rate will be applied to a qualifying company, if it can be considered as a beneficial owner of the dividend and that it holds directly at least 25% of the capital of the mainland enterprise. Given the above, in October 2017, Spearhead Investments Limited and Sky Town Investments Limited had successfully obtained certificate of the resident status of the Hong Kong Special Administrative Region for the calendar year 2017. Whereby the local tax authority of China had granted a 5% tax adjustment payment on the withholding tax relating to the dividends declared 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”) for the six months ended 31 December 2016.

No deferred income tax liabilities were recognised for the withholding taxes for the unremitted earnings of the subsidiaries incorporated in China before 1 July 2016, as the REIT Manager have resolved that the profit of the subsidiaries incorporated in China from the date of listing to 30 June 2016 will not be distributed in the future to the parent company outside China.

The REIT Manager has resolved that starting from 1 July 2016 onward, the profit of the subsidiaries incorporated in China will be distributed to the parent company outside China. Since then, deferred income tax liabilities have been recognised for the withholding taxes that would be payable on the unremitted earnings of the subsidiaries incorporated in China.

In addition, pursuant to China Corporate Income Tax Law, a 10% withholding tax is levied on the capital gains derived by a foreign investor on the equity transfer of its equity interests in a body corporate in China. The capital gains refer to the balance of the equity transfer price after deducting the cost of equity investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

12 PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles RMB'000	Other equipment RMB'000	Total RMB'000
Year ended 31 December 2016			
Opening net book amount	28	1	29
Disposals (<i>Note 9</i>)	(28)	–	(28)
Closing net book amount	–	1	1
As at 31 December 2016			
Cost	–	1	1
Accumulated depreciation	–	–	–
Net book amount	–	1	1
Year ended 31 December 2017			
Opening net book amount	–	1	1
Disposal of subsidiaries (<i>Note 25</i>)	–	(1)	(1)
Closing net book amount	–	–	–
As at 31 December 2017			
Cost	–	–	–
Accumulated depreciation	–	–	–
Net book amount	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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13 INVESTMENT PROPERTIES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Investment properties	4,890,598	5,656,334

The investment properties of the Group are located in China and the Netherlands. The investment properties located in China are held on land use rights of 35 to 40 years and the investment property located in the Netherlands is with freehold interest.

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
At fair value		
Opening balance	5,656,334	5,225,000
(Disposals)/Additions	(204)	4,061
Acquisition of a subsidiary (Note 26)	–	195,668
Disposal of subsidiaries (Note 25)	(880,000)	–
Fair value gains (a)	101,093	233,656
Exchange differences recognised in other comprehensive income	13,375	(2,051)
Closing balance	4,890,598	5,656,334

- (a) The independent valuations of the Group's investment properties in China and the Netherlands were performed by the valuers, Savills Valuation and Professional Services Limited and Savills Consultancy B.V. (together, "Savills") respectively, where appropriate, to determine the fair value of the investment properties as at 31 December 2017 (2016: the same with 2017).

As at 31 December 2017, bank borrowings are secured by the Initial Hotel Properties, the Kaifeng Hotel and the Netherlands Hotel with the total carrying amount of RMB4,890,598,000 (2016: secured by same hotel properties with the carrying amount of RMB4,776,334,000) (Note 21).

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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 2017 using		
	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
	(Level 1)	(Level 2)	(Level 3)
	RMB'000	RMB'000	RMB'000
Recurring fair value measurements			
Investment properties:			
- Initial Hotel Properties	-	-	4,249,000
- Kaifeng Hotel	-	-	430,000
- Netherlands Hotel	-	-	211,598
	<u>-</u>	<u>-</u>	<u>4,890,598</u>

Description	Fair value measurements as at 31 December 2016 using		
	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
	(Level 1)	(Level 2)	(Level 3)
	RMB'000	RMB'000	RMB'000
Recurring fair value measurements			
Investment properties:			
- Initial Hotel Properties	-	-	4,150,000
- Shanghai Hotel	-	-	880,000
- Kaifeng Hotel	-	-	430,000
- Netherlands Hotel	-	-	196,334
	<u>-</u>	<u>-</u>	<u>5,656,334</u>

There were no transfers between Levels 1, 2 and 3 during the years ended 31 December 2017 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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13 INVESTMENT PROPERTIES (CONTINUED)

Fair value measurements using significant unobservable inputs (Level 3)

	Year ended 31 December 2017		
	China RMB'000	Netherlands RMB'000	Total RMB'000
As at 1 January 2017	5,460,000	196,334	5,656,334
Disposals	(204)	–	(204)
Disposal of subsidiaries (Note 25)	(880,000)	–	(880,000)
Fair value gains	99,204	1,889	101,093
Exchange differences recognised in other comprehensive income	–	13,375	13,375
As at 31 December 2017	<u>4,679,000</u>	<u>211,598</u>	<u>4,890,598</u>

	Year ended 31 December 2016		
	China RMB'000	Netherlands RMB'000	Total RMB'000
As at 1 January 2016	5,225,000	–	5,225,000
Additions	4,061	–	4,061
Acquisition of a subsidiary (Note 26)	–	195,668	195,668
Fair value gains	230,939	2,717	233,656
Exchange differences recognised in other comprehensive income	–	(2,051)	(2,051)
As at 31 December 2016	<u>5,460,000</u>	<u>196,334</u>	<u>5,656,334</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

13 INVESTMENT PROPERTIES (CONTINUED)

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2017 by the qualified independent professional valuers, Savills (2016: the same with 2017), 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 REIT Manager reviews the valuations performed by the independent valuers 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 REIT Manager and independent valuers at least once a year, in line with the Group's annual reporting dates.

At each financial year end, the REIT Manager:

- verifies all major inputs to the independent valuation report;
- assesses property market conditions and property valuations movements as compared to the prior year valuation reports;
- holds discussions with the independent valuers and the FIC.

Changes in level 3 fair values are analysed at each reporting date during the annual valuation discussions between the REIT Manager and the FIC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

13 INVESTMENT PROPERTIES (CONTINUED)

Valuation techniques

- (a) For the Initial Hotel Properties, the Kaifeng Hotel and the Shanghai Hotel, the valuation was determined using discounted cash flow (“DCF”) approach based on significant unobservable inputs. These inputs 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 growth rate	Taking into account assumptions regarding vacancy rates and market rents.

There were no changes to the valuation techniques for the Initial Hotel Properties, the Kaifeng Hotel and Shanghai Hotel during the years ended 31 December 2017 and 2016.

- (b) For the Netherlands Hotel, the valuation was determined using income capitalisation approach (Core & Top Slice Method) based on significant unobservable inputs. These inputs include:

Capitalisation rate	Reflecting the nature, location and tenancy profile of the properties together with the current market investment criteria;
Rental income	Based on analysis of recent lettings and achievable rentals of the hotel properties and other benchmark performance derived from comparable hotel properties in the locality.

There were no changes to the valuation techniques for the Netherlands Hotel during the years ended 31 December 2017 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

13 INVESTMENT PROPERTIES (CONTINUED)

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

Description	Fair value as at 31 December 2017 (RMB'000)	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value	
Initial Hotel Properties and Kaifeng Hotel	4,679,000	Discounted cash flow	Rental value	<p>For rental income from the Initial Hotel Properties and the Kaifeng Hotel:</p> <p>Base Rent of the Initial Hotel Properties and the Kaifeng Hotel are both pre-determined fixed amounts per annum. Total Rent of the Initial Hotel Properties and the 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 the 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 other rental income:</p> <p>Total monthly rental range from RMB14,167 to RMB1,319,750</p>	The higher the input value, the higher the fair value	
			Average daily room rate ("ADR")	2018 - Range from RMB371 to RMB869		
			Annual growth in ADR	Stabilized at 4%		
			Occupancy rate on available room basis	2018 - Range from 56% to 65% Stabilized at range from 65% to 73%		
			Food and beverage revenue	31% to 72% of gross revenue Stabilized at range from 32% to 74%		
			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: 9.25%; Initial Hotel Properties: 8.75%		

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For the year ended 31 December 2017

13 INVESTMENT PROPERTIES (CONTINUED)

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

Description	Fair value as at 31 December 2017 (RMB'000)	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Netherlands Hotel	211,598	Income capitalisation (Core and Top Slice)	Rental income	For rental income from the Netherlands Hotel: Base Rent of the Netherlands Hotel is a fixed amount adjusted annually based on consumer price index published by the Central Bureau of Statistics of the Netherlands which is capped at 3% per annum. Total Rent of the Netherlands Hotel is calculated as 24% of the lessee's total operating revenue. If the Total Rent of the Netherlands Hotel is less than the Base Rent of the Netherlands Hotel for that year, the lessee shall pay the difference.	The higher the input value, the higher the fair value
			Capitalisation rate	5% to the core rent; 22.5% to the top slice component of the rent passing	The higher the input rate, the lower the fair value

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For the year ended 31 December 2017

13 INVESTMENT PROPERTIES (CONTINUED)

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

Description	Fair value as at 31 December 2016 (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	5,460,000	Discounted cash flow	Rental value	For rental income from the Initial Hotel Properties and the Kaifeng Hotel: Base Rent of the Initial Hotel Properties and the Kaifeng Hotel are both pre-determined fixed amounts per annum. Total Rent of the Initial Hotel Properties and the 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 the Kaifeng Hotel, respectively. If the Total Rent is less than the Base Rent for that year, the lessee shall pay the difference.	The higher the input value, the higher the fair value	
				For rental income from the Shanghai Hotel: Base Rent of the Shanghai Hotel is a pre-determined fixed amount per annum. Total Rent of the 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 the Shanghai Hotel is less than the Base Rent of the Shanghai Hotel for that year, the lessee shall pay the difference.		
				For other rental income: Total monthly rental range from RMB13,333 to RMB1,158,243		
				ADR		2017 – Range from RMB350 to RMB816
				Annual growth in ADR		Stabilised at 4%
				Occupancy rate on available room basis		2017 – Range from 53% to 66% Stabilised at range from 61% to 73%
				Food and beverage revenue		32% to 74% of gross revenue Stabilised at range from 32% to 77%
				Terminal growth rate		4%
				FF&E provision		2% of gross revenue
Discount rate	Kaifeng Hotel: 9.25%; Other hotel properties: 8.75%	The higher the input rate, the lower the fair value				

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For the year ended 31 December 2017

13 INVESTMENT PROPERTIES (CONTINUED)

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

Description	Fair value as at 31 December 2016 (RMB'000)	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Netherlands Hotel	196,334	Income capitalisation (Core and Top Slice)	Rental income	For rental income from the Netherlands Hotel: Base Rent of the Netherlands Hotel is a fixed amount adjusted annually based on consumer price index published by the Central Bureau of Statistics of the Netherlands which is capped at 3% per annum. Total Rent of the Netherlands Hotel is calculated as 24% of the lessee's total operating revenue. If the Total Rent of the Netherlands Hotel is less than the Base Rent of the Netherlands Hotel for that year, the lessee shall pay the difference.	The higher the input value, the higher the fair value
			Capitalisation rate	5.25% to the core rent; 20% to the top slice component of the rent passing	The higher the input rate, the lower the fair value

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 2017

14 GOODWILL

	Goodwill RMB'000
Year ended 31 December 2017 and 2016	
Opening and closing net book amount	<u>7,987</u>
As at 31 December 2017 and 2016	
Cost	<u>7,987</u>
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	65%
Long term growth rate per annum	4%
Discount rate per annum	9.25%

These assumptions have been used for the analysis of the 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 2017 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

15 OTHER LONG-TERM ASSETS

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Fee paid for undrawn bank facilities	<u>6,793</u>	<u>11,230</u>

16 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Trade receivables (a)	4,140	2,952
Other receivables	742	665
Prepayments	<u>1,118</u>	<u>1,134</u>
Trade and other receivables and prepayments – net	<u>6,000</u>	<u>4,751</u>

As at 31 December 2017 and 2016, 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 2017 and 2016, the trade receivables represent the rental income receivables from the lessees. The aging analysis of trade receivables as at 31 December 2017 and 2016 was as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Trade receivables, gross		
– Within 30 days	<u>4,140</u>	<u>2,952</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 2017 and 2016, no impairment has been provided.

Most carrying amounts of the Group's trade and other receivables are denominated in RMB.

As at 31 December 2017 and 2016, all trade receivables were pledged as collateral for the Group's bank borrowings (Note 21).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

17 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Cash at bank and on hand (a)	516,343	453,475
Less: Restricted cash (b)	(155,517)	(250,883)
Cash and cash equivalents	<u>360,826</u>	<u>202,592</u>

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

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Cash at bank and in hand:		
• RMB	371,431	385,857
• USD	127,897	57,009
• HKD	275	315
• EUR	16,740	10,294
	<u>516,343</u>	<u>453,475</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 guarantee deposits held in reserve accounts pledged to the banks as security deposits under bank borrowing agreements (Note 21).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

18 TRADE AND OTHER PAYABLES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Trade payables(a)	1,555	3,585
Other payables	8,449	7,956
Advances from customers	1,378	1,834
Interest payables	15,221	18,020
Accrued taxes other than income tax	5,387	9,221
Dividends payable	931	1,029
	32,921	41,645

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

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Trade payables		
– Within 90 days	8	17
– Over 90 days and within 360 days	106	119
– Over 360 days and within 720 days	15	–
– Over 720 days	1,426	3,449
	1,555	3,585

As at 31 December 2017 and 2016, 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 2017

19 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December 2017		As at 31 December 2016	
	Assets	Liabilities	Assets	Liabilities
	RMB'000	RMB'000	RMB'000	RMB'000
Capped forward foreign exchange rate	-	57,303	-	-
Interest rate cap	-	112	-	248
Interest rate swaps	22,478	-	21,788	1,273
	<u>22,478</u>	<u>57,415</u>	<u>21,788</u>	<u>1,521</u>

The Group has entered into interest rate swaps, interest rate cap and capped forward foreign exchange contracts with commercial banks. The interest rate swaps have the economic effect of converting interest rate of borrowings from floating rates to fixed rates. The interest rate cap has the economic effect of keeping floating interest rate of borrowing within the cap rate. The capped forward foreign exchange contracts have the economic effect of keeping exchange rate of USD against RMB within the cap rate. Nevertheless, the interest rate swaps, interest rate cap and capped forwards foreign exchange contracts were not accounted for as hedging instruments as the conditions for hedge accounting were not met for the years ended 31 December 2017 and 2016. As at 31 December 2017, the notional principal amounts of the outstanding interest rate swaps was USD230,000,000 (As at 31 December 2016: USD290,000,000) and the fixed interest rate was 3.11% per annum (As at 31 December 2016: 3.11% to 3.7% per annum). As at 31 December 2017, the notional principal amount of the outstanding interest rate cap was EUR13,117,500 (As at 31 December 2016: EUR13,117,500) and the interest rate was capped at 4.4% (As at 31 December 2016: 4.4%). As at 31 December 2017, the notional principal amounts of the outstanding capped forward foreign exchange contracts were USD120,000,000 (As at 31 December 2016: Nil) and the exchange rates were capped at 7.2 (As at 31 December 2016: Nil). Gains and losses arising from the fair value change of the interest rate swaps, interest rate cap and capped forward foreign exchange contracts were recognised in the consolidated income statement in "Other (losses)/gains – net" (Note 9).

20 DEFERRED INCOME

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Government grants relating to assets	<u>3,553</u>	<u>2,669</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

20 DEFERRED INCOME (CONTINUED)

Deferred income represents government grants relating to certain assets, which is deferred and recognised in the consolidated income statement on a straight-line basis over the expected useful lives of the related assets. The movements of deferred income are as below:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Opening balance	2,669	–
Additions	1,200	2,860
Credited to the consolidated income statement	(316)	(191)
Closing balance	<u>3,553</u>	<u>2,669</u>

21 BORROWINGS

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Non-current		
Principal of bank borrowings – secured (a)	1,816,077	2,413,627
Less: Transaction costs	(34,364)	(63,818)
Current portion of non-current bank borrowings	(4,536)	(416,482)
	<u>1,777,177</u>	<u>1,933,327</u>
Current		
Bank borrowings – secured (a)	182,958	187,299
Current portion of non-current bank borrowings	4,536	416,482
	<u>187,494</u>	<u>603,781</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

21 BORROWINGS (CONTINUED)

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

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
• RMB	197,383	290,385
• USD	1,654,363	2,141,162
• EUR	112,925	105,561
	<u>1,964,671</u>	<u>2,537,108</u>

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	Between 6 and 12 months	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2016	<u>583,245</u>	<u>412,502</u>	<u>1,541,361</u>	<u>2,537,108</u>
As at 31 December 2017	<u>493,266</u>	<u>-</u>	<u>1,471,405</u>	<u>1,964,671</u>

The maturity of borrowings is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
On demand or within 1 year	187,494	603,781
Between 1 and 2 years	1,664,252	3,904
Between 2 and 3 years	-	1,823,862
Over 3 years	112,925	105,561
	<u>1,964,671</u>	<u>2,537,108</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

21 BORROWINGS (CONTINUED)

The weighted average effective interest rates, based on the term of loan period, during the years ended 31 December 2017 and 2016 were as follows:

	Year ended 31 December	
	2017	2016
Borrowings – current		
– USD	<u>2.94%</u>	<u>3.74%</u>
Borrowings – non-current		
– USD	5.08%	4.72%
– RMB	6.35%	6.15%
– EUR	<u>3.12%</u>	<u>3.14%</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	
	2017	2016
	RMB'000	RMB'000
Carrying amounts		
Bank borrowings	<u>1,777,177</u>	<u>1,933,327</u>
Fair values		
Bank borrowings	<u>1,716,613</u>	<u>1,906,335</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 2017

21 BORROWINGS (CONTINUED)

The Group had the following undrawn bank borrowing facilities:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
USD facilities – expiring within one year	196,026	20,811
– expiring beyond one year	601,146	832,440
	797,172	853,251

(a) Bank borrowings – secured

Bank borrowings of the Group as at 31 December 2017 and 2016 are secured by the following:

- Investment properties (Note 13), bank deposits (Note 17) and trade receivables (Note 16 and Note 29 (c)) and guaranteed by Zhejiang New Century Hotel, Spearhead Investments Limited, Sky Town Investments Limited and New Century Europe I S.à.r.l., subsidiaries of the Group (As at 31 December 2016: same as at 31 December 2017);
- 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), 開封開元名都大酒店有限公司 (Kaifeng New Century Grand Hotel Limited), Spearhead Global Limited, Spearhead Investments Limited, Sky Town Investments Limited and New Century Netherlands I B.V., subsidiaries of the Group (As at 31 December 2016: Equity interest of Zhejiang New Century Hotel, Zhejiang Spearhead Investment Limited, Ningbo New Century Spearhead Investment Limited, Changchun New Century Spearhead Investment and Management Limited, Chun'an Qiandao Lake New Century Spearhead Investment Limited, Kaifeng New Century Grand Hotel Limited, Spearhead Global Limited, Spearhead Investments Limited, Sky Town Investments Limited, 麗水惠富酒店管理有限公司 (Lishui Full Wise Hotel Management Limited), Strong Tower Global Limited, Full Wise Industrial Limited and New Century Netherlands I B.V., subsidiaries of the Group).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

22 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	
	2017	2016
	RMB'000	RMB'000
Deferred income tax liabilities:		
– to be recovered after more than 12 months	893,493	976,335
– to be recovered within 12 months	5,566	688
	899,059	977,023

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

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Opening balance	977,023	881,156
Charged to the consolidated income statement (<i>Note 11</i>)	50,001	88,217
Acquisition of a subsidiary (<i>Note 26</i>)	–	7,731
Disposal of subsidiaries (<i>Note 25</i>)	(122,310)	–
Charged/(credited) to other comprehensive income		
– exchange reserve	610	(81)
Payment during the year	(6,265)	–
Closing balance	899,059	977,023

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Movements in deferred income tax assets and liabilities during the years ended 31 December 2017 and 2016, without taking into consideration the offsetting of balance within the same tax jurisdiction, are as follows:

Deferred income tax assets	Tax losses RMB'000	Deferred Income RMB'000	Derivative financial instruments RMB'000	Total RMB'000
As at 31 December 2015	1,525	–	–	1,525
Credited to the consolidated income statement	311	667	–	978
Charged to other comprehensive income – exchange reserve	(2)	–	–	(2)
As at 31 December 2016	1,834	667	–	2,501
(Charged)/credited to the consolidated income statement	(735)	221	26	(488)
Credited to other comprehensive income – exchange reserve	32	–	2	34
As at 31 December 2017	1,131	888	28	2,047

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	Withholding tax in respect of unremitted earnings of subsidiaries RMB'000	Others RMB'000	Total RMB'000
As at 31 December 2015	881,854	367	–	460	882,681
Charged to the consolidated income statement	81,598	1,075	6,265	257	89,195
Acquisition of a subsidiary (Note 26)	7,731	–	–	–	7,731
Credited to other comprehensive income – exchange reserve	(83)	–	–	–	(83)
As at 31 December 2016	971,100	1,442	6,265	717	979,524
Charged/(credited) to the consolidated income statement	44,128	(677)	5,625	437	49,513
Payment during the year	–	–	(6,265)	–	(6,265)
Disposal of subsidiaries (Note 25)	(122,242)	–	–	(68)	(122,310)
Charged to other comprehensive income – exchange reserve	633	11	–	–	644
As at 31 December 2017	893,619	776	5,625	1,086	901,106

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

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 RMB7,318,000 (2016: RMB6,296,000) in respect of losses amounting to RMB27,915,000 (2016: RMB23,617,000) that can be carried forward against future taxable income.

23 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	Number of units	Net assets attributable to unitholders RMB'000
Year ended 31 December 2016		
Opening balance	939,424,740	2,386,721
Issuance of new units (a)	13,414,602	26,879
Units bought back for cancellation (c)	(1,538,000)	(3,163)
Profit for the year	–	119,268
Distributions paid to unitholders during the year (e)	–	(157,564)
Other comprehensive income – exchange reserve	–	(1,044)
	<u>951,301,342</u>	<u>2,371,097</u>
As at 31 December 2016	<u>951,301,342</u>	<u>2,371,097</u>
Year ended 31 December 2017		
Opening balance	951,301,342	2,371,097
Issuance of new units (b)	7,199,487	15,204
Profit for the year	–	170,594
Distributions paid to unitholders during the year (f)	–	(159,088)
Other comprehensive income – exchange reserve	–	6,216
	<u>958,500,829</u>	<u>2,404,023</u>
As at 31 December 2017	<u>958,500,829</u>	<u>2,404,023</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

23 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (CONTINUED)

- (a) New Century REIT issued 13,414,602 units during the year ended 31 December 2016:
- (i) On 27 May 2016, 6,698,512 units were issued to the REIT Manager at an issue price of HK\$2.4741 per unit (equivalent to RMB13,984,000) as payment of REIT Manager fee for the six months ended 31 December 2015;
 - (ii) On 29 September 2016, 6,716,090 units were issued to the REIT Manager at an issue price of HK\$2.2342 per unit (equivalent to RMB12,895,000) as payment of REIT Manager fee for the six months ended 30 June 2016.
- (b) New Century REIT issued 7,199,487 units during the year ended 31 December 2017:
- (i) On 8 June 2017, 7,199,487 units were issued to the REIT Manager at an issue price of HK\$2.4207 per unit (equivalent to RMB15,204,000) as payment of REIT Manager fee for the six months ended 31 December 2016;
- (c) From January to October 2016, New Century REIT had repurchased and cancelled a total of 1,538,000 units on The Stock Exchange of Hong Kong Limited at the prevailing market price with the aggregate consideration of HK\$3,726,000 (equivalent to RMB3,163,000). Details of the units bought back during the year ended 31 December 2016 were as follows:

Month	Units bought back	Price paid per units		Net aggregate consideration HK\$'000
		Highest HK\$	Lowest HK\$	
January 2016	78,000	2.86	2.65	216
February 2016	155,000	2.95	2.75	447
May 2016	165,000	2.60	2.36	408
June 2016	510,000	2.47	2.28	1,210
September 2016	540,000	2.48	2.16	1,234
October 2016	90,000	2.33	2.26	211
Total	<u>1,538,000</u>			<u>3,726</u>

All units bought back were cancelled during the year ended 31 December 2016.

- (d) As at 31 December 2017, the net assets attributable to unitholders per unit of RMB2.5081 is calculated by dividing the net assets attributable to unitholders of RMB2,404,023,000 by the number of units in issue of 958,500,829 (2016: the net assets attributable to unitholders per unit of RMB2.4925 is calculated by dividing the net assets attributable to unitholders of RMB2,371,097,000 by the number of units in issue of 951,301,342).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

23 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (CONTINUED)

- (e) The distributions with amount of RMB157,564,000 paid during the year ended 31 December 2016 comprises:
- Final distribution for the period from 1 July 2015 to 31 December 2015 with a total amount of RMB79,807,000, which was paid to unitholders on 27 May 2016;
 - Interim distribution for the period from 1 January 2016 to 30 June 2016 with a total amount of RMB77,757,000, which was paid to unitholders on 29 September 2016.
- (f) The distributions with amount of RMB159,088,000 paid during the year ended 31 December 2017 comprises:
- Final distribution for the period from 1 July 2016 to 31 December 2016 with a total amount of RMB79,497,000, which was paid to unitholders on 26 May 2017;
 - Interim distribution for the period from 1 January 2017 to 30 June 2017 with a total amount of RMB79,591,000, which was paid to unitholders on 29 September 2017.

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

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

	Year ended 31 December	
	2017	2016
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	<u>170,594</u>	<u>119,268</u>
Weighted average number of units in issue ('000)	<u>955,384</u>	<u>944,495</u>
Basic earnings per unit (RMB)	<u>0.1786</u>	<u>0.1263</u>

The diluted earnings per unit is same as the basic earnings per unit as there were no diluted instruments in issue during the years ended 31 December 2017 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

25 DISPOSAL OF SUBSIDIARIES

On 1 June 2017 (the “Disposal Date”), New Century REIT disposed of the entire registered capital of Lishui Full Wise Hotel Management Limited (together with its subsidiary as the “Disposal Group”), which owns the Shanghai Hotel. The following table summarises the consideration received and the carrying value of net assets disposed of at the Disposal Date, as well as the net cash flow arising from the disposal. The difference between the carrying value of net assets disposed of and the total consideration in relation to the disposal has been included in “Other (losses)/gains – net” of the consolidated income statement for the year ended 31 December 2017.

The expenses and income tax incurred in connection with the disposal have been charged to the “Operating expenses” and “Income tax expense” in the consolidated income statement for the year ended 31 December 2017, with amount of RMB1,923,000 (Note 7) and RMB41,338,000 (Note 11) respectively.

The Divestment Fee paid to the REIT Manager and the Trustee with amounts of RMB4,386,000 (Note 8) and RMB62,000 respectively, have also been charged to the “Operating expenses” in the consolidated income statement for the year ended 31 December 2017.

	Carrying value RMB'000
Net assets of the Disposal Group at the Disposal Date	
Investment property (Note 13)	880,000
Amounts due from related parties (i)	91,332
Trade and other receivables and prepayments	527
Property, plant and equipment (Note 12)	1
Cash and cash equivalents	54,184
Amounts due to related parties	(47,575)
Trade and other payables	(1,287)
Current income tax liabilities	(1,738)
Deferred income tax liabilities (Note 22)	(122,310)
	<hr/>
Net assets disposed of	853,134
Gains on disposal of subsidiaries (Note 9)	24,147
	<hr/>
Total consideration for the disposal satisfied by cash	877,281
	<hr/> <hr/>
Net cash inflow arising on the disposal:	
Cash consideration	877,281
The income tax incurred from the disposal which was withheld and paid by the buyer	(41,338)
Cash and cash equivalents in the Disposal Group	(54,184)
	<hr/>
	781,759
	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

25 DISPOSAL OF SUBSIDIARIES (CONTINUED)

The Disposal Group was acquired by New Century REIT on 31 July 2014, on which the fair value of the investment property held by the Disposal Group was amounted to RMB810,000,000. The accumulated fair value gains of investment property between 31 July 2014 and the Disposal Date with amount of RMB70,000,000 and the related deferred tax liabilities with amount of RMB17,500,000 were added back in the distribution statement for the year ended 31 December 2017, as those items were all adjusted as unrealised gains in previous years' distribution statements.

- (i) It includes an intercompany loan due from Zhejiang New Century Hotel for a period of one year with amount of RMB35,000,000 at an interest rate of 4.35% per annum. The loan was unsecured and due in December 2017. The related interest receivable of the Disposal Group on the Disposal Date is RMB258,000. The Group has repaid the borrowing and interest after the disposal in 2017.

It also includes an intercompany loan from Strong Tower Global Limited, for a period of two years with amount of RMB48,000,000 at an interest rate of 2.50% per annum. The loan was unsecured and due in August 2017. The related interest receivable of the Disposal Group on the Disposal Date is RMB2,103,000. The Group has fully repaid the loan and interest in June 2017.

26 BUSINESS COMBINATION

Acquisition of Netherlands Hotel in 2016

On 9 August 2016, the Group acquired the total share of Invesco HF 2 Eindhoven Hotel Investment B.V. from IRE Hotel II Holdco 1 S.à.r.l., an independent third party, and renamed Invesco HF 2 Eindhoven Hotel Investment B.V. as New Century Netherlands I B.V. ("New Century Netherlands"). The purchase consideration for the acquisition was EUR4,439,000 (equivalent to RMB32,775,000), which was settled by cash and financed by bank borrowing (Note 21) and loan from a related party (Note 29 (c)). The acquisition has been accounted for using the acquisition method. New Century Netherlands is principally engaged in the leasing of the Netherlands Hotel.

The following table summarises the consideration paid and the fair value of net assets acquired at the acquisition date, as well as the net cash outflow arising from the acquisition. The difference between the fair value of net assets acquired and the total consideration in relation to the acquisition has been included in "Other (losses)/gains – net" of the consolidated income statements (Note 9).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

26 BUSINESS COMBINATION (CONTINUED)

Acquisition of Netherlands Hotel in 2016 (continued)

	Fair value	
	EUR'000	Equivalent to RMB'000
Recognised amounts of identifiable assets acquired and liabilities		
Investment properties (<i>Note 13</i>)	26,500	195,668
Trade and other receivables and prepayments	2	12
Cash and cash equivalents	947	6,992
Borrowings	(16,585)	(122,459)
Interest payable	(340)	(2,511)
Trade and other payables	(4,782)	(35,309)
Deferred income tax liabilities (<i>Note 22</i>)	(1,047)	(7,731)
	<u>4,695</u>	<u>34,662</u>
Excess of the fair value of net assets of a subsidiary assumed over acquisition cost (<i>Note 9</i>)	(256)	(1,887)
	<u>4,439</u>	<u>32,775</u>
Total consideration for the acquisition satisfied by cash	<u>4,439</u>	<u>32,775</u>
Net cash outflow arising on acquisition:		
Cash consideration	(4,439)	(32,775)
Cash and cash equivalents in the subsidiary acquired	947	6,992
	<u>(3,492)</u>	<u>(25,783)</u>

Acquisition-related cost of RMB20,590,000 (*Note 7*) have been charged to the "Operating expenses" in the consolidated income statement for the year ended 31 December 2016. The Acquisition Fee paid to the REIT Manager and the Trustee with amounts of RMB1,888,000 (*Note 8*) and RMB59,000 respectively, have also been charged to the "Operating expenses" in the consolidated income statement for the year ended 31 December 2016.

The revenue included in the consolidated income statement since 9 August 2016 contributed by New Century Netherlands was RMB5,712,000. New Century Netherlands also contributed profit of RMB1,327,000 over the same period.

Had New Century Netherlands been consolidated from 1 January 2016, the consolidated income statement for the year ended 31 December 2016 would show pro-forma revenue of RMB14,426,000 and profit of RMB2,272,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

27 CASH FLOW INFORMATION

(a) Reconciliation of profit before taxation to cash generated from operations

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit before taxation and transactions with unitholders	308,520	255,447
Adjustments for:		
– Fair value losses/(gains) on derivative financial instruments (<i>Note 9</i>)	55,204	(26,746)
– Fair value gains on investment properties (<i>Note 13</i>)	(101,093)	(233,656)
– Unrealised net foreign exchange (gains)/losses on financing activities (<i>Note 10</i>)	(94,157)	128,097
– Realised net foreign exchange (gains)/losses on financing activities (<i>Note 10</i>)	(16,423)	1,330
– Interest expense on bank borrowings and other borrowings (<i>Note 10</i>)	82,290	86,035
– Amortisation of transaction costs of bank borrowings (<i>Note 10</i>)	33,489	26,149
– Other financing cost (<i>Note 10</i>)	2,201	3,974
– Excess of fair value of net assets of a subsidiary assumed over acquisition cost (<i>Note 9</i>)	–	(1,887)
– Gains on disposal of subsidiaries (<i>Note 9</i>)	(24,147)	–
– Amortisation of deferred income (<i>Note 20</i>)	(316)	(191)
– Loss on disposal of property, plant and equipment (<i>Note 9</i>)	–	28
Changes in working capital:		
– (Increase)/decrease in trade and other receivables and prepayments	(36,740)	271
– Decrease in amounts due from related parties	12,724	13,215
– (Decrease)/increase in amounts due to related parties	(48,115)	786
– Increase/(decrease) in trade and other payables	81,840	(35,302)
	255,277	217,550

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

27 CASH FLOW INFORMATION (CONTINUED)

(b) Net cash and liabilities relating to financing activities

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Cash and cash equivalents	360,826	202,592
Restricted cash	155,517	250,883
Borrowings – repayable within one year	(187,494)	(603,781)
Borrowings – repayable after one year	(1,777,177)	(1,933,327)
Loan due to a related party	–	(106,044)
Dividend payable	(931)	(1,029)
	<u>(1,449,259)</u>	<u>(2,190,706)</u>
Cash and restricted cash	516,343	453,475
Borrowings – fixed interest rates	(1,471,405)	(1,953,865)
Borrowings – variable interest rates	(493,266)	(689,287)
Dividend payable	(931)	(1,029)
	<u>(1,449,259)</u>	<u>(2,190,706)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

27 CASH FLOW INFORMATION (CONTINUED)

(b) Net cash and liabilities relating to financing activities (continued)

	Other assets		Liabilities from financing activities				Total RMB'000
	Cash and cash equivalents RMB'000	Restricted cash RMB'000	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Loan due to a related party RMB'000	Dividend payable RMB'000	
	As at 1 January 2016	63,151	146,444	(1,496,420)	(538,519)	-	
Cash flows	136,083	104,439	(6,297)	(218,671)	(106,044)	-	(90,490)
Acquisition of a subsidiary	-	-	(122,459)	-	-	-	(122,459)
Foreign exchange adjustments	3,394	-	(49,325)	(82,130)	-	-	(128,061)
Amortisation of transaction costs of the bank borrowings	-	-	(8,744)	(15,654)	-	-	(24,398)
Exchange differences on translation of financial statements	(36)	-	-	1,111	-	-	1,075
Reclassification	-	-	1,079,464	(1,079,464)	-	-	-
As at 31 December 2016	202,592	250,883	(603,781)	(1,933,327)	(106,044)	(1,029)	(2,190,706)
Cash flows	161,513	(95,366)	485,673	90,000	106,044	98	747,962
Disposal of subsidiaries (Note 25 (i))	-	-	(83,000)	-	-	-	(83,000)
Foreign exchange adjustments	(3,810)	-	23,744	90,115	-	-	110,049
Amortisation of transaction costs of the bank borrowings	-	-	(5,594)	(21,337)	-	-	(26,931)
Exchange differences on translation of financial statements	531	-	-	(7,164)	-	-	(6,633)
Reclassification	-	-	(4,536)	4,536	-	-	-
As at 31 December 2017	360,826	155,517	(187,494)	(1,777,177)	-	(931)	(1,449,259)

28 COMMITMENTS

Capital commitments

	As at 31 December	
	2017	2016
	RMB'000	RMB'000

In respect of investment properties, contracted but not provided for

348

406

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

29 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 2017.

Connected/related party	Relationship with the Group
Chen Miaolin	Significant holder of New Century REIT
Jin Wenjie	Chairman and non-executive director of REIT Manager ("Director")
Zhang Guanming	Director
Huge Harvest International Limited	Significant holder of New Century REIT
New Century Tourism Group Limited	Associated corporation of significant holder of New Century REIT and Director
Hangzhou New Century Real Estate Group Limited	Associated corporation of significant holder of New Century REIT and Director
Hangzhou New Century International Tourism Limited	Associated corporation of significant holder of New Century REIT and Director
Hangzhou New Century Zhijiang Cleaning Chain Limited	Associated corporation of significant holder of New Century REIT
Hangzhou New Century Decorating Limited	Associated corporation of significant holder of New Century REIT
Deqing New Century Senbo Holiday Limited	Associated corporation of significant holder of New Century REIT and Director
Hangzhou New Century Senbo Tourism Investment Limited	Associated corporation of significant holder of New Century REIT and Director
Hangzhou New Century Information System Engineering Limited	Associated corporation of significant holder of New Century REIT and Director
Zhejiang New Century Hotel Management Limited and other members of its group (together, the "Hotel Group")	Associated corporation of significant holder of New Century REIT and Director
Shanghai Songjiang New Century Grand Hotel Limited	Associated corporation of significant holder of New Century REIT
New Century Grand Hotel Kaifeng Business Company Limited	Associated corporation of significant holder of New Century REIT
Celestial Gate Limited	Associated corporation of significant holder of New Century REIT
Shanghai New Century Enterprise Operation Management Limited	Associated corporation of significant holder of New Century REIT and Director
The REIT Manager	The manager of New Century REIT
The Trustee	The trustee of New Century REIT
The Savills	The current principal valuer of New Century REIT
DTZ Debenham Tie Leung Limited (the "DTZ")	The former principal valuer of New Century REIT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

29 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	
	2017	2016
	RMB'000	RMB'000
The Hotel Group (i)	219,241	217,807
Shanghai Songjiang New Century Grand Hotel Limited	18,992	45,581
New Century Grand Hotel Kaifeng Business Company Limited	22,000	22,000
Shanghai New Century Enterprise Operation Management Limited	2,706	6,236
New Century Tourism Group Limited	1,999	1,940
Hangzhou New Century Real Estate Group Limited	1,861	1,807
Hangzhou New Century Senbo Tourism Investment Limited	361	–
Deqing New Century Senbo Holiday Limited	–	350
Hangzhou New Century International Tourism Limited	210	257
Hangzhou New Century Zhijiang Cleaning Chain Limited	133	129
Hangzhou New Century Decorating Limited	122	119
Hangzhou New Century Information System Engineering Limited	55	53
	267,680	296,279

- (i) The net rental income from the Hotel Group of 2017 is RMB210,799,000, calculated by gross rental income of RMB219,241,000, netting of value-added taxes of RMB8,442,000 (2016: The net rental income from the Hotel Group is RMB211,132,000, calculated by gross rental income of RMB217,807,000, netting of value-added taxes of RMB6,675,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

29 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	
	2017	2016
	RMB'000	RMB'000
The Hotel Group	469	–
Hangzhou New Century Senbo Tourism Investment Limited	67	–
Hangzhou New Century International Tourism Limited	–	2
Hangzhou New Century Zhijiang Cleaning Chain Limited	–	2
Hangzhou New Century Decorating Limited	–	2
	<u>536</u>	<u>6</u>

Loans borrowed from related parties:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Celestial Gate Limited (i)	–	106,044
Huge Harvest International Limited (ii)	–	25,518
	<u>–</u>	<u>131,562</u>

(i) This refers to a related party's loan of RMB106,044,000 from Celestial Gate Limited in August 2016, with an average interest rate of 5.39% per annum and due in 2022. It was unsecured and early repaid in July 2017.

(ii) This refers to the related party's loan of EUR3,460,000 (equivalent to RMB25,518,000) from Huge Harvest International Limited during the year ended 31 December 2016. It was interest-free, unsecured and fully repaid in August 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

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

Other connected party transactions:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
REIT Manager fee paid/payable to the REIT Manager (Note 8)	31,903	29,987
Interest expenses paid/payable to Celestial Gate Limited	3,235	2,295
Trustee fee paid/payable to the Trustee (Note 7)	1,229	1,224
Valuation fee paid/payable to Savills	569	1,327
Valuation fee paid/payable to DTZ	–	308
	36,936	35,141

(c) Balances with connected/related parties

Trade receivables due from:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
The Hotel Group (i)	19,920	30,898
Shanghai Songjiang New Century Grand Hotel Limited (i)	–	5,591
New Century Grand Hotel Kaifeng Business Company Limited (i)	1,833	4,235
	21,753	40,724

- (i) As at 31 December 2017 and 2016, all the trade receivables due from the Hotel Group, Shanghai Songjiang New Century Grand Hotel Limited and New Century Grand Hotel Kaifeng Business Company Limited were pledged as collateral for the Group's bank borrowings (Note 21).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

(c) Balances with connected/related parties (continued)

Other receivables due from:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
REIT Manager	29	31
Huge Harvest International Limited	278	–
	<u>307</u>	<u>31</u>

Trade payables due to:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Hangzhou New Century Decorating Limited	<u>11</u>	<u>11</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

29 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	
	2017	2016
	RMB'000	RMB'000
New Century Grand Hotel Kaifeng Business Company Limited	22,000	22,000
The Hotel Group	20,903	20,434
The REIT Manager	13,706	15,204
New Century Tourism Group Limited	466	466
Hangzhou New Century Real Estate Group Limited	434	434
Hangzhou New Century Senbo Tourism Investment Limited	67	–
Hangzhou New Century International Tourism Limited	65	65
Hangzhou New Century Zhijiang Cleaning Chain Limited	34	34
Hangzhou New Century Decorating Limited	31	31
Hangzhou New Century Information System Engineering Limited	13	13
The Trustee (ii)	512	659
Savills (ii)	255	456
Shanghai Songjiang New Century Grand Hotel Limited	–	45,581
Shanghai New Century Enterprise Operation Management Limited	–	1,475
Deqing New Century Senbo Holiday Limited	–	84
	58,486	106,936

(ii) Other payables due to the Trustee and Savills are recorded in “Trade and other payables” of the consolidated balance sheet.

Borrowings and interest payable due to:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Celestial Gate Limited (iii)	–	108,339

(iii) As at 31 December 2016, borrowings and interest payable due to Celestial Gate Limited included related party's loan of RMB106,044,000 and interest payable of RMB2,295,000. The related party's loan of RMB106,044,000 was early repaid in July 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

29 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	
	2017	2016
	RMB'000	RMB'000
The Hotel Group	311	–
Hangzhou New Century Real Estate Group Limited	155	–
Hangzhou New Century Senbo Tourism Investment Limited	30	–
Hangzhou New Century International Tourism Limited	20	15
Hangzhou New Century Zhijiang Cleaning Chain Limited	11	11
Hangzhou New Century Decorating Limited	10	10
Hangzhou New Century Information System Engineering Limited	5	–
Shanghai New Century Enterprise Operation Management Limited	–	519
	<u>542</u>	<u>555</u>

(d) Key management compensation

There was no key management compensation for the years ended 31 December 2017 and 2016.

(e) Director's emoluments

No directors' emoluments were paid or payable by the Group for the years ended 31 December 2017 and 2016, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

30 SUBSIDIARIES

Particulars of the principal subsidiaries are as follows:

Name	Date of incorporation and type of legal entity (for PRC subsidiaries)	Issued and paid up capital/ registered capital	Effective interests held by the Group (%)	Principal activities and place of operations
Incorporated in China:				
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, limited liability company	RMB811,000,000	100%	Investment holding and hotel properties leasing in China
浙江銳至投資股份有限公司 (Zhejiang Spearhead Investment Limited)	8 September 1994, limited liability company	RMB102,571,739	95.46%	Hotel properties leasing in China
寧波開元銳至投資有限公司 (Ningbo New Century Spearhead Investment Limited)	1 December 2004, limited liability company	RMB170,488,723	100%	Hotel properties leasing in China
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, limited liability company	RMB120,000,000	100%	Hotel properties leasing in China
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, limited liability company	RMB30,000,000	100%	Hotel properties leasing in China
開封開元名都大酒店有限公司 (Kaifeng New Century Grand Hotel Limited)	25 December 2013, limited liability company	RMB50,000,000	100%	Hotel properties leasing services in China
Incorporated in British Virgin Islands:				
Spearhead Global Limited	8 March 2013	20,000 ordinary shares of USD1 each	100%	Investment holding in Hong Kong
Strong Tower Global Limited	13 January 2014	10,000 ordinary shares of USD1 each	100%	Investment holding in Hong Kong

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

30 SUBSIDIARIES (CONTINUED)

Name	Date of incorporation and type of legal entity (for PRC subsidiaries)	Issued and paid up capital/ registered capital	Effective interests held by the Group (%)	Principal activities and place of operations
Incorporated in Hong Kong:				
Spearhead Investments Limited	25 March 2013	1 ordinary share of HKD1 each	100%	Investment holding in Hong Kong
Sky Town Investments Limited	22 May 2007	745,054,688 ordinary shares of HKD1 each	100%	Investment holding in Hong Kong
Full Wise Industrial Limited	20 September 2012	10,000 ordinary shares of HKD1 each	100%	Investment holding in Hong Kong
New Century REIT Hong Kong I Limited	3 August 2016	1 ordinary share of EUR1 each	100%	Investment holding in Hong Kong
Incorporated in the Netherlands:				
New Century Netherlands I B.V.	3 February 2012	18,000 ordinary share of EUR1 each	100%	Hotel properties leasing in the Netherlands
Incorporated in Luxembourg:				
New Century Europe I S.à.r.l.	20 May 2016	12,500 ordinary share of EUR1 each	100%	Investment holding in Luxembourg

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

31 FUTURE MINIMUM RENTAL RECEIVABLES

As at 31 December 2017 and 2016, the Group has future minimum rental receivables under non-cancellable leases as follow:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Within one year	273,644	328,336
Between one year and five years	940,387	1,145,774
Over five years	374,364	702,313
	<u>1,588,395</u>	<u>2,176,423</u>

32 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

- (a) In November 2017, Zhejiang New Century Hotel as the Lessor and the Zhejiang New Century Hotel Management Limited as the Lessee had jointly appointed Savills Real Estate Valuation (Guangzhou) Limited Shanghai Branch to determine the Market Base Rent of the Initial Hotel Properties for the 6th lease year from 10 July 2018 to 9 July 2019 (the "Lease Year of 2018"). According to the valuer's report, the Market Base Rent for the Lease Year of 2018 is RMB200,000,000 which is higher than 85% the Reference Average Rent and also represents a decrease of RMB16,000,000 or approximately 7.4% as compared with the Base Rent of RMB216,000,000 for the Lease Year of 2017 (being the lease period from 10 July 2017 to 9 July 2018). Other terms of the lease agreements, including but not limited to the calculation of the individual rent and security deposit, remained unchanged.
- (b) The capped forward foreign exchange contracts disclosed in Note 19 had been settled in January 2018, and the accumulated fair value losses with the total amount of RMB60,608,000 upon settlement will be fully realised and reflected in the distributable income during the 2018 interim period.

PERFORMANCE TABLE

As at 31 December 2017

	2017	2016	2015	2014	2013
Net assets attributable to Unitholders (RMB'000)	2,404,023	2,371,097	2,386,721	2,583,305	2,368,015
Net assets attributable to Unitholders per Unit (RMB)	2.5081	2.4925	2.5406	2.7743	3.0674
(Equivalent to HK\$) (Note a)	3.0005	2.7865	3.0325	3.5167	3.9015
The highest premium of the traded price to net asset attributable to Unitholders per Unit (HK\$) (Note b)	N/A	7.66%	10.80%	10.90%	N/A
The highest discount of the traded price to net asset attributable to Unitholders per Unit (HK\$) (Note b)	28.68%	23.56%	9.32%	10.14%	17.72%
Distribution yield per Unit (including Special Distribution (if any)) (Note c)	6.90%	7.65%	7.21%	8.72%	8.91%
Number of Units in issue (Units) at the end of the reporting period	958,500,829	951,301,342	939,424,740	931,139,567	772,000,000
Gearing ratio (Note d)	36.5%	43.7%	37.3%	31.2%	27.0%
Gross liabilities as a percentage of gross assets (Note e)	56.1%	62.3%	56.5%	50.1%	46.3%

Notes:

- Hong Kong dollar amounts are based on an exchange rate of HK\$1=RMB0.8359 (2016: HK\$1=RMB0.8945) at the end of the reporting period.
- The highest premium is calculated based on the highest traded price of HK\$2.55 (2016: HK\$3.00) on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year ended 31 December 2017. The highest discount is calculated based on the lowest traded price of HK\$2.14 (2016: HK\$2.13) on the Stock Exchange during the year ended 31 December 2017.
- Distribution yield per Unit for 2017 is calculated based on total distribution (including Special Distribution) per Unit of RMB0.1365 (equivalent to HKD0.1636) for the year ended 31 December 2017 over the closing price of HK\$2.37 on 29 December 2017. Distribution yield per Unit for 2016 is calculated based on total distribution (including Special Distribution) per Unit of RMB0.1659 (equivalent to HKD0.1904) for the year ended 31 December 2016 over the closing price of HK\$2.49 as at 30 December 2016.
- Gearing ratio is calculated based on the total borrowings comprising of bank borrowings excluding transaction costs, and loan from a related party over total assets as at the end of reporting period.
- It is calculated based on total liabilities excluding transaction costs on borrowings and net assets attributable to Unitholders over total assets 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.

	Year ended 31 December					For the period from 10 July 2013 (date of listing) to 31 December
	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2013 RMB'000
Results and distributions						
Revenue						
Rental income	293,407	316,750	307,330	267,793	141,279	126,842
Hotel operation income	-	-	-	-	319,596	-
	293,407	316,750	307,330	267,793	460,875	126,842
Profit/(loss) before taxation and transactions with unitholders	308,520	255,447	2,603	(15,925)	(157,519)	(186,066)
Income tax (expense)/credit	(135,351)	(132,406)	(47,333)	(25,994)	26,867	38,867
Profit/(loss) for the year/ period, before transactions with unitholders	173,169	123,041	(44,730)	(41,919)	(130,652)	(147,199)
Profit/(loss) attributable to unitholders	170,594	119,268	(45,568)	(43,104)	(130,888)	(146,859)
Total distributions for the year/ period to unitholders	130,860	157,254	162,748	181,468	80,702	80,702

SUMMARY OF FINANCIAL INFORMATION

	As at 31 December				
	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Assets and liabilities					
Non-current assets	4,905,378	5,675,552	5,234,315	4,873,534	4,204,963
Current assets	566,881	520,769	268,347	282,587	198,877
Total assets	5,472,259	6,196,321	5,502,662	5,156,121	4,403,840
Current liabilities	359,183	778,588	1,669,797	256,857	352,484
Non-current liabilities, other than net assets attributable to unitholders	2,676,236	3,016,394	1,419,675	2,290,328	1,658,895
Total liabilities, other than net assets attributable to unitholders	3,035,419	3,794,982	3,089,472	2,547,185	2,011,379
Net assets attributable to unitholders	2,404,023	2,371,097	2,386,721	2,583,305	2,368,015
Total liabilities	5,439,442	6,166,079	5,476,193	5,130,490	4,379,394
Net assets	32,817	30,242	26,469	25,631	24,446
Total equity					
Non-controlling interest	32,817	30,242	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

JIN Wenjie
(Chairman and Non-executive Director)
(appointed with effect from 23 May 2017)

CHEN Miaolin
(Chairman and Non-executive Director)
(resigned with effect from 23 May 2017)

CHEUNG Yat Ming
(Chief Executive Officer and Executive Director)

ZHANG Guanming
(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
HO Wai Chu

AUDIT COMMITTEE OF THE REIT MANAGER

YU Hon To David *(Chairman)*
ANGELINI Giovanni
HE Jianmin

DISCLOSURES COMMITTEE OF THE REIT MANAGER

CHEUNG Yat Ming *(Chairman)*
ZHANG Guanming
YU Hon To David

NOMINATION COMMITTEE OF THE REIT MANAGER

Jin Wenjie *(Chairman)*
ANGELINI Giovanni
HE Jianmin

FINANCE AND INVESTMENT COMMITTEE OF THE REIT MANAGER

CHEUNG Yat Ming *(Chairman)*
HO Wai Chu
CHOW Wing Sing
(appointed with effect from 9 April 2018)

APPROVED PERSON OF THE REIT MANAGER

CHEUNG Yat Ming

COMPANY SECRETARY OF THE REIT MANAGER

YU Hoi Zin

CORPORATE INFORMATION

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

Savills Valuation and Professional Services Limited
23/F, Two Exchange Square
Central, Hong Kong

LEGAL ADVISER

Dechert
31/F, Jardine House
One Connaught Place
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.
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.
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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 (<i>Note</i>); the Kaifeng Hotel Lease Agreement and the Kaifeng Hotel Management Agreement both dated 29 June 2015 in respect of Kaifeng Hotel; and the Netherlands Hotel Lease Agreement, 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, the issued shares of which are 83.90%, 9.29% and 6.81% ultimately owned by Mr. Chen Miaolin, Mr. Chen Canrong and Mr. Zhang Guanming, respectively as at 31 December 2017.
Huge Harvest Group	Huge Harvest, its direct and indirect affiliated Companies, 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, Shanghai Songjiang New Century Grand Hotel Limited in respect of Shanghai Hotel (<i>Note</i>) and Eden Eindhoven Hotel Exploitatie II B.V. in respect of Netherlands Hotel.
Lessor(s)	the Property Companies.
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. (<i>Note</i>)
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.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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.
Netherlands Hotel	means Holiday Inn Eindhoven (荷蘭開元假日酒店－埃因霍溫*), situated at Veldmaarschalk Montgomerylaan 1, 5612 BA, Eindhoven, the Netherlands.
Netherlands Hotel Lease Agreement	means the lease agreement entered into between Eden Eindhoven Hotel Exploitatie II B.V. and Invesco HF 2 Eindhoven Hotel Investment B.V. (now known as New Century Netherlands I) for a term of 25 years commencing from 22 March 2012 (with a remaining term of 19 years) and an option to renew for another two five-year terms at the Eden Eindhoven Hotel Exploitatie II B.V.'s discretion and thereafter, for an indefinite period of time provided that the lease has not been terminated according to its terms.
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 Europe	New Century Europe I S.à.r.l., a private limited liability company, incorporated on 20 May 2016 under the laws of Luxembourg and registered with the Luxembourgian trade register, which is directly wholly-owned and controlled by New Century REIT.
New Century Group	New Century (Cayman) and its subsidiaries.
New Century Hotel Management	Zhejiang New Century Hotel Management Limited* (浙江開元酒店管理股份有限公司), 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.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

New Century Netherlands I	New Century Netherlands I B.V., previously known as Invesco HF 2 Eindhoven Hotel Investment B.V., a private company with limited liability incorporated in Amsterdam, the Netherlands, on 3 February 2012, a wholly owned subsidiary of New Century REIT.
New Century REIT Hong Kong I	New Century REIT Hong Kong I Limited, a company incorporated in Hong Kong on 3 August 2016, a wholly-owned subsidiary of New Century REIT.
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	the offering circular of New Century REIT dated 24 June 2013 and as supplemented by the supplemental offering circular dated 29 June 2013.
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 Special Administrative Region of the PRC, 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 (<i>Note</i>), Kaifeng New Century Grand and New Century Netherlands I.
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).

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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) (Note).
Shanghai Hotel Lease Agreement	with respect to the 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. (Note)
Shanghai Hotel Management Agreement	with respect to the 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. (Note)
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. (Note)
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 2017, including SPV (BVI), SPV (HK), Sky Town, Strong Tower, Full Wise HK, New Century REIT Hong Kong I, New Century Europe 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.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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.
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.
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 28 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.

Note: Reference is made to the announcements of New Century REIT dated 24 March 2017, 28 April 2017, 2 June 2017 and 12 July 2017 respectively (the "Announcements") and the circular of New Century REIT dated 13 April 2017 in relation to the major disposal of the Shanghai Hotel. The entire registered capital of Lishui Full Wise was transferred from Full Wise HK to Hangzhou Industrial & Commercial Trust Co., Ltd. (杭州工商信託股份有限公司) with effect from 1 June 2017. Therefore, New Century REIT ceased to hold any interest in Lishui Full Wise and Shanghai Songjiang Hui Wei, and hence the Shanghai Hotel thereafter.

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

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

(Stock code: 1275)