



# 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

2018  
Interim  
Report



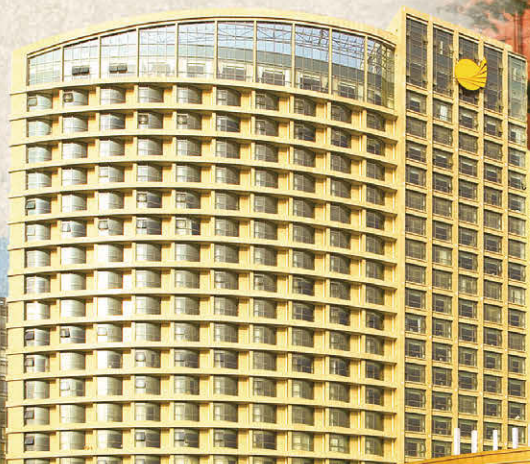




NEW CENTURY  
GRAND HOTEL KAIFENG  
開封開元名都大酒店



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 RESORT  
QIANDAO LAKE HANGZHOU  
杭州千島湖開元度假村





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## NEW CENTURY REAL ESTATE INVESTMENT TRUST

The unaudited interim condensed consolidated financial information of New Century Real Estate Investment Trust (“**New Century REIT**”) and its subsidiaries (the “**Group**”) for the six months ended 30 June 2018 (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**”), was approved by the board of directors of the REIT Manager (the “**Board**”) on 23 August 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, stable and high distributions to the holders of the units (the “**Units(s)**”) of New Century REIT (the “**Unitholders**”) and achieving long-term growth in distributions and portfolio valuation while maintaining an appropriate capital structure.

Being the largest domestic, private-sector, star-rated hotel management group in China with 264 star-rated hotels in operations or under development, New Century Tourism Group Limited and its subsidiaries (“**New Century Tourism Group**”) is the sponsor of New Century REIT. In terms of the number of hotel guest rooms in operation, New Century Tourism Group was ranked 23rd among all hotel groups in the world in 2017, as published by Hotels Magazine in July/August 2018.

As at 30 June 2018, New Century REIT’s portfolio comprised five 5-star hotels and two 4-star hotels, namely, New Century Grand Hotel Hangzhou (杭州開元名都大酒店) (“**Hangzhou Hotel**”), New Century Resort Qiandao Lake Hangzhou (杭州千島湖開元度假村) (“**Qiandao Lake Hotel**”), New Century Grand Hotel Ningbo (寧波開元名都大酒店) (“**Ningbo Hotel**”), New Century Grand Hotel Changchun (長春開元名都大酒店) (“**Changchun Hotel**”), New Century Hotel Xiaoshan Zhejiang (浙江開元蕭山賓館) (“**Xiaoshan Hotel**”), New Century Grand Hotel Kaifeng (開封開元名都大酒店) (“**Kaifeng Hotel**”), and Holiday Inn Eindhoven (荷蘭開元假日酒店－埃因霍溫) (“**Netherlands Hotel**”) (together the “**Hotel Properties**”).

Of the Hotel Properties, six are located in China (the “**PRC Hotels**”) and one is located in the Netherlands, and 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 within the top 1.0% best hotels in their respective cities by TripAdvisor.com as at 2 August 2018.

# FINANCIAL HIGHLIGHTS

## KEY FINANCIAL FIGURES FOR THE REPORTING PERIOD

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

	(Unaudited) For the six months ended 30 June 2018	(Unaudited) For the six months ended 30 June 2017	Percentage Increase/ (Decrease)
<b>Total revenue</b>	<b>135,638</b>	157,656	(14.0)%
<b>Profit attributable to Unitholders</b>	<b>27,114</b>	46,803	(42.1)%
<b>(Adjusted loss)/distributable income for the period</b>	<b>(5,127)</b>	51,768	(109.9)%
Interim distribution	–	46,591	(100.0)%
Special distribution	<b>50,000</b>	33,000	51.5%
<b>Total distribution for the period</b>	<b>50,000</b>	79,591	(37.2)%
<b>Per Unit Figures</b>			
Distribution per Unit (“DPU”)			
DPU (RMB) <sup>1</sup>	<b>0.0522</b>	0.0830	(37.1)%
DPU (HK\$) <sup>1&amp;2</sup>	<b>0.0597</b>	0.0973	(38.6)%
	(Unaudited) As at 30 June 2018	(Audited) As at 31 December 2017	Percentage Increase/ (Decrease)
Net asset attributable to Unitholders per Unit (“NAV per unit”) (RMB) <sup>3</sup>	<b>2.4808</b>	2.5081	(1.1)%
Adjusted NAV per Unit (RMB) <sup>4</sup>	<b>3.4321</b>	3.4461	(0.4)%
Adjusted NAV per Unit (HK\$) <sup>2&amp;4</sup>	<b>4.0708</b>	4.1226	(1.3)%
<b>Ratio</b>			
Gearing ratio <sup>5</sup>	<b>38.7%</b>	36.5%	2.2%



# FINANCIAL HIGHLIGHTS

## Notes:

1. The DPU of RMB0.0522 for the Reporting Period is calculated by dividing the total distribution of RMB50,000,000 for the Reporting Period by 958,500,829 Units in issue as at 30 June 2018.

The DPU of RMB0.0830 for the six months ended 30 June 2017 is calculated by dividing the total distribution of RMB79,591,000 for the six months ended 30 June 2017 by 958,500,829 Units in issue as at 30 June 2017.

2. Unless indicated otherwise, amounts specified in Hong Kong dollars (“**HK\$**”) are based on an exchange rate of HK\$1=RMB0.8431 as at 30 June 2018 (as at 31 December 2017: HK\$1=RMB0.8359 and 30 June 2017: HK\$1=RMB0.8679) while amounts specified in United States dollars (“**USD**”) are based on the exchange rate of USD1=RMB6.6166 as at 30 June 2018 (as at 31 December 2017: USD1=RMB6.5342 and 30 June 2017: USD1=RMB6.7744).

Distribution payable to Unitholders is paid in Hong Kong dollar. The exchange rate adopted by the REIT Manager for the total distribution of the Reporting Period is HK\$1=RMB0.8744 (2017: HK\$1=RMB0.8527), 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.

3. NAV per Unit as at 30 June 2018 of RMB2.4808 (As at 31 December 2017: RMB2.5081) is calculated by dividing net assets attributable to Unitholders of RMB2,377,861,000 (as at 31 December 2017: RMB2,404,023,000) by the number of Units in issue as at 30 June 2018 of 958,500,829 (as at 31 December 2017: 958,500,829).
4. Adjusted NAV per Unit as at 30 June 2018 of RMB3.4321 (as at 31 December 2017: RMB3.4461) is calculated by dividing adjusted net assets attributable to Unitholders, after excluding deferred tax liability which is mainly related to investment properties, of RMB3,289,629,000 (as at 31 December 2017: RMB3,303,082,000) by the number of Units in issue as at 30 June 2018 of 958,500,829 (as at 31 December 2017: 958,500,829).
5. Gearing ratio is calculated based on the total borrowings excluding transaction costs over the total asset value as at the end of Reporting Period.



# CHAIRMAN'S STATEMENT

## Dear Unitholders,

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

The revenue and distributable income of New Century REIT for the Reporting Period fell year-on-year (“YoY”), mainly due to decline in rental income arising from the disposal of Songjiang New Century Grand Hotel Shanghai (上海松江開元名都大酒店) (“**Shanghai Hotel**”) in June 2017 and foreign exchange hedging loss. A special distribution of RMB50 million was declared during the Reporting Period, bringing about the total distribution per Unit of New Century REIT for the Reporting Period to RMB0.0522 (equivalent to HK\$0.0597).

Despite the generally slower economic environment in China and the Hotel Properties’ performances, total variable rent increased 3.1% YoY, almost entirely closing the rental shortfall.

Except Qiandao Lake Hotel and Changchun Hotel, all of our PRC hotels have demonstrated relatively resilient performances during the Reporting Period. Qiandao Lake Hotel suffered from the slower tourism activities although the occupancy of the hotel was probably the highest in the region. Changchun Hotel was impacted by the slower economic activities in the Northern China. On the other hand, F&B performances have improved noticeably at Hangzhou Hotel and Kaifeng Hotel. Slight improvement in occupancy was reported at the Netherlands Hotel during the Reporting Period.

China’s 2018 second-quarter gross domestic product growth was reported at 6.7% YoY, which was very high taking into account China being the second largest economy in the world and was probably among the highest for all key nations. With all initiatives undertaken, China should be able to maintain its relatively high economic growth in the short- to medium-term.

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 the PRC, and the guarantee from the lessee’s parent company of the Netherlands Hotel have also offered strong protection against rental collectability risk.

Leveraging on the New Century Tourism Group’s 264 significant star-rated hotel platform and the rich management experience of the lessees of our Hotel Properties, our Hotel Properties were managed cost effectively through cost savings.

New Century Tourism Group increased its Century Club loyal memberships by 18.2% to approximately 6.5 million from 31 December 2017 to 30 June 2018, which significantly expanded the potential customers’ awareness of the brand with a view to increase the businesses for New Century REIT hotels.

## PROSPECTS

Despite market volatility and uncertainty, our Hotel Properties should continue to offer high cash yield in addition to solid downside protection.

In spite of the challenges arising from, including but not limited to, trade disputes and generally tighter global liquidity environment, China still has numerous administrative and fiscal tools for sustaining its high economic growth. Recently, there have been reports that China will expand its railway and infrastructure investment and may cut its reserve requirement ratio to boost domestic liquidity. We continue to believe more favorable policies will be introduced in China’s continuous attempt to convert itself into a more consumption driven economy. All these should indirectly benefit the hotel and tourism industries in China.



## CHAIRMAN'S STATEMENT

Continuous expansion of transportation networks, including the high-speed railway and aviation network, will likely continue in the medium- to long-term which will bring about continuous rapid growth in China's tourism industry. Besides, supportive measures should continue to be promulgated by the China government to help further expand tourist resources and boost growth in China's tourism industry. Being among the fastest growing countries in the world and against the backdrop of rising disposable incomes and middle-class consumption, rising average room rates and food and beverage ("F&B") charges, higher profitability of the hospitality sector should be the long-term trend. We remain confident on the medium to long-term outlook of China's hotel industry.

Economic momentum in the Netherlands has improved and Eindhoven, as a high-tech hub of Europe, will continue to benefit from the flourishing hi-tech industry.

We continue to actively pursue overseas investment opportunities that deliver long-term stable income to the Unitholders. We believe that investing in different asset classes with stable long-term income streams across the globe will help maximize the long-term sustainable growth of New Century REIT and diversify the risks from a single market.

On behalf of the REIT Manager, I would like to express my gratitude to DB Trustees (Hong Kong) Limited, (the "Trustee") and 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, 23 August 2018



# REPORT OF THE REIT MANAGER

## Dear Unitholders,

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

## KEY FINANCIAL HIGHLIGHTS

The total revenue and profit attributable to Unitholders of New Century REIT for the Reporting Period were RMB136 million (2017: RMB158 million) and RMB27 million (2017: RMB47 million) respectively, having declined 14.0% and 42.1% YoY, mainly due to the absence of rental contribution from Shanghai Hotel which was disposed of in June 2017. To compensate for the impact of a negative distributable income due to the realization of the loss arising from the settlement of foreign exchange contracts for hedging purpose, a RMB50 million special distribution was declared for the Reporting Period.

Revenue of New Century REIT for the Reporting Period was made up of (i) RMB122 million (2017: RMB140 million) rental income in respect of the leases of the Hotel Properties and (ii) RMB14 million (2017: RMB18 million) other rental income from the leasing of commercial and office spaces, shopping and recreational areas in the Hotel Properties under various individual lease agreements.

The PRC Hotels' performances were relatively resilient except Qiandao Lake Hotel and Changchun Hotel, which were both affected by the local specific factors. Tourism at Qiandao Lake was slower during the Reporting Period. Qiandao Lake Hotel reported a YoY performance decline although the occupancy of the hotel was probably the highest in the region. Northern China economic activities have been slower, which also impacted the performance of Changchun Hotel. F&B performances on the other hand have improved noticeably at Hangzhou Hotel and Kaifeng Hotel. The performance of the Netherlands Hotel has been stable with slight improvement in occupancy during the Reporting Period.

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, hotel market volatility was substantially mitigated through (i) our high base rent long-term hotel 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.

## HEALTHY FINANCIAL POSITION

As at 30 June 2018, New Century REIT had aggregate gross borrowings of approximately RMB2,154 million (as at 31 December 2017: RMB1,999 million). As at 30 June 2018, approximately USD101 million (equivalent to approximately RMB668 million) (as at 31 December 2017: USD122 million (equivalent to approximately RMB797 million)) out of USD150 million (equivalent to approximately RMB992 million) (as at 31 December 2017: USD150 million (equivalent to approximately RMB980 million)) revolving facilities remained unutilized, providing ample financial resources to New Century REIT. As at 30 June 2018, the valuation of the Hotel Properties, as appraised by Savills Valuation and Professional Services Limited and its affiliates, being our Principal Valuer, was RMB4,919 million (as at 31 December 2017: RMB4,891 million).

As at 30 June 2018, the gearing ratio of New Century REIT was approximately 38.7% (as at 31 December 2017: 36.5%), being the ratio of the total borrowings of approximately RMB2,154 million (as at 31 December 2017: RMB1,999 million) over total asset value of RMB5,565 million (as at 31 December 2017: RMB5,472 million), which was below the maximum limit of 45% as permitted under the REIT Code.



## REPORT OF THE REIT MANAGER

New Century REIT had total cash and cash equivalents and restricted cash of RMB583 million (as at 31 December 2017: RMB516 million), which comprised RMB335 million (as at 31 December 2017: RMB361 million) in unrestricted cash and RMB248 million (as at 31 December 2017: RMB155 million) in restricted cash as at 30 June 2018. New Century REIT possesses sufficient financial resources and bank loan facilities and receives timely payments of rental income to satisfy its financial commitments and working capital requirements. In terms of maturity profile of the total borrowings of RMB2,154 million (excluding transaction costs) as at 30 June 2018, 15.3% of total borrowings was payable on demand or within one year, 79.5% was between one and two years, 5.2% was between two and three years, and 0% was over three years. These compared respectively to 9.4%, 84.9%, 0%, and 5.7% as at 31 December 2017.

### ASSET ENHANCEMENT

To maintain the quality of the Hotel Properties, a number of major capex and asset enhancement works were completed or remain in progress in the Hotel Properties, including among others, conversion of the western restaurant into banquet rooms at Hangzhou Hotel; the conversion of leisure areas into a children's playground at Qiandao Lake Hotel to attract more guests with children; and carpet replacement and conversion of several hotel rooms into suites at Changchun Hotel.

At the Netherlands Hotel, a number of renovations were completed or in progress in the first half of 2018 including the refurbishment of the parking lot, extension of CCTV installation, creation of a smoking area and replacement of lobby carpets etc. We believe that all these capex and asset enhancement works will maintain the high quality of the Hotel Properties. The REIT Manager will continue to evaluate other asset enhancement initiatives to increase value of the assets to the Unitholders.



## KEY HOTEL OPERATING HIGHLIGHTS

The following tables sets forth information on the average occupancy rates (“**Occupancy**”), average daily rate with room revenue divided by rooms in use (“**ADR**”) and average revenue per available room (“**RevPAR**”) of the Hotel Properties of New Century REIT for the six months ended 30 June 2018 and 2017.

<b>For the six months ended 30 June 2018</b>	<b>Occupancy</b> %	<b>ADR*</b> <b>RMB</b> (excl. VAT)	<b>RevPAR*</b> <b>RMB</b> (excl. VAT)
New Century Grand Hotel Hangzhou	67.1%	536	360
New Century Hotel Xiaoshan Zhejiang	71.6%	340	243
New Century Resort Qiandao Lake Hangzhou	62.6%	608	381
New Century Grand Hotel Ningbo	67.5%	538	363
New Century Grand Hotel Changchun	57.4%	475	272
New Century Grand Hotel Kaifeng	53.2%	544	290
<b>Weighted Average (hotels in PRC)</b>	<b>64.0%</b>	<b>502</b>	<b>322</b>
Holiday Inn Eindhoven**	80.0%	662	529
<b>Weighted Average (Overall)</b>	<b>65.3%</b>	<b>518</b>	<b>338</b>

*Notes:*

- \* Except for Holiday Inn Eindhoven, the ADR and RevPAR include complimentary breakfast for hotel room guests.
- \*\* Amounts denominated in Euro (“**EUR**”) have been converted into RMB using the exchange rate of EUR1 = RMB7.6515 as at 30 June 2018.



## REPORT OF THE REIT MANAGER

For the six months ended 30 June 2017	Occupancy %	ADR* RMB (excl. VAT)	RevPAR* RMB (excl. VAT)
New Century Grand Hotel Hangzhou	69.5%	544	378
New Century Hotel Xiaoshan Zhejiang	71.5%	331	237
New Century Resort Qiandao Lake Hangzhou	68.1%	621	423
New Century Grand Hotel Ningbo	67.7%	538	364
New Century Grand Hotel Changchun	60.6%	483	292
Songjiang New Century Grand Hotel Shanghai**	67.1%	623	418
New Century Grand Hotel Kaifeng	54.9%	537	295
<b>Weighted Average (hotels in PRC)</b>	<b>66.1%</b>	<b>522</b>	<b>345</b>
Holiday Inn Eindhoven***	79.9%	662	529
<b>Weighted Average (Overall)</b>	<b>67.1%</b>	<b>532</b>	<b>357</b>

*Notes:*

- \* Except for Holiday Inn Eindhoven, the ADR and RevPAR include complimentary breakfast for hotel room guests.
- \*\* For comparison purpose, figures for Shanghai Hotel represent the period for the five-month ended 31 May 2017, before Shanghai Hotel was disposed of on 1 June 2017.
- \*\*\* Amounts denominated in EUR have been converted into RMB using the exchange rate of EUR1 = RMB7.7369 as at 30 June 2017.



## REPORT OF THE REIT MANAGER

The following tables set forth information on the average F&B spending per customer (“**F&B Spending Per Customer**”), average outlets seat utilization rate (“**F&B Outlet Utilization Rate**”) and average revenue per square meter per day of banquet rooms (“**Revenue Per SQ.M. Per Day of Banquet Room**”) at the hotels in PRC for the six months ended 30 June 2018 and 2017:

<b>For the six months ended 30 June 2018</b>	<b>F&amp;B Spending Per Customer RMB* (excl. VAT)</b>	<b>F&amp;B Outlet Utilization Rate %</b>	<b>Revenue Per SQ.M. Per Day of Banquet Room RMB (excl. VAT)</b>
New Century Grand Hotel Hangzhou	187	183%	71
New Century Hotel Xiaoshan Zhejiang	136	135%	70
New Century Resort Qiandao Lake Hangzhou	93	122%	10
New Century Grand Hotel Ningbo	168	160%	53
New Century Grand Hotel Changchun	127	96%	17
New Century Grand Hotel Kaifeng	98	168%	15
<b>Weighted Average</b>	<b>143</b>	<b>147%</b>	<b>45</b>

Note:

\* F&B Spending Per Customer excludes breakfast customers.



## REPORT OF THE REIT MANAGER

For the six months ended 30 June 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	185	208%	52
New Century Hotel Xiaoshan Zhejiang	133	137%	62
New Century Resort Qiandao Lake Hangzhou	101	129%	13
New Century Grand Hotel Ningbo	169	193%	50
New Century Grand Hotel Changchun	121	106%	18
Songjiang New Century Grand Hotel Shanghai**	123	146%	28
New Century Grand Hotel Kaifeng	95	154%	11
<b>Weighted Average</b>	<b>143</b>	<b>156%</b>	<b>35</b>

*Notes:*

\* F&B Spending Per Customer excludes breakfast customers.

\*\* For comparison purpose, figures for Shanghai Hotel represent the period for the five-month ended 31 May 2017, before Shanghai Hotel was disposed of on 1 June 2017.

### KEY HOTEL OPERATIONAL INITIATIVES

The Hotel Properties have continued to take initiatives to improve revenue, reduce operating expenses, and enhance operational efficiency. In order to increase overall hotel revenue, various sales incentives have also been offered to tours and internet-based bookings to encourage tour business and online booking for the PRC Hotels. A children's playground was opened at Qiandao Lake Hotel which increased the number of guests with children who stayed at the hotel. To increase overall banquet revenue, the hotels engaged in various banquet marketing and promotional activities

such as promoting guests to book graduation banquets and promoting small lobsters as one of the top dishes in certain hotels etc. On the other hand, cost-saving measures were implemented to reduce operating expenses. To enhance sales distribution, our PRC hotels have further strengthened the connection with online travel agencies and other travel agents.

For the Netherlands Hotel, to continue to boost revenue and occupancy, flexible room rates were offered to corporate clients. In addition, focus has been placed on business development and promotion via the IHG Business Rewards program and on the Meetings, Incentives, Conferencing and Exhibitions segment.



## INTEREST RATE RISK

To manage our interest rate risk, the Group had entered into (i) interest rate swaps and (ii) interest rate caps with commercial banks, which effectively (i) convert the borrowing interest rate from floating rates to fixed rates and (ii) keep the floating interest rates within the cap rates. As at 30 June 2018, the notional principal amounts of the outstanding interest rate swaps were USD230 million or equivalent to RMB1,522 million (as at 31 December 2017: USD230 million or equivalent to RMB1,503 million), at a fixed interest rate of 3.11% (as at 31 December 2017: 3.11%) per annum. Whereas the notional principal outstanding interest rate cap was EUR13.1 million or equivalent to RMB100 million (as at 31 December 2017: EUR13.1 million or equivalent to RMB102 million) and the interest rate was capped at 4.4% (as at 31 December 2017: 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. Both the cap instrument and the loan facility will terminate in May 2021. The remaining borrowings of approximately RMB532 million are at floating rates. Altogether, as at 30 June 2018, total gross borrowings of approximately RMB1,522 million (as at 31 December 2017: RMB1,503 million) were effectively at fixed rates and approximately RMB632 million (as at 31 December 2017: RMB496 million) were at floating rates.

## FOREIGN CURRENCY EXCHANGE RISK

The Group's exposure to foreign exchange risk relates principally to its cash and cash equivalents and bank borrowings, denominated primarily in USD and HK\$ versus the value of PRC Hotels, which are denominated in RMB. The Netherlands Hotel is 56.7% naturally hedged through local Euro bank financing. Given the significant value of the PRC Hotels and then the related financing versus the annual rental income, foreign exchange volatility will continue to be a key swing factor towards New Century REIT's profitability.

## PLEDGE OF ASSETS

As at 30 June 2018, the Hotel Properties of New Century REIT with an aggregate carrying value of RMB4,919 million (as at 31 December 2017: RMB4,891 million), bank deposits and trade receivables (including trade receivables due from related parties) with aggregate value of RMB270 million (as at 31 December 2017: RMB181 million), certain corporate guarantees and equity interests of certain subsidiaries were pledged to secure bank loan borrowings of an aggregate principal amount of RMB2,154 million (as at 31 December 2017: RMB1,999 million). For details, please refer to Notes 13, 16, 17, 21 and 27(c) of the notes to the interim condensed consolidated financial information.

## OUTLOOK

Global uncertainty has escalated with the latest trade disputes unlikely to be resolved anytime soon. Liquidity on global scale will likely continue to tighten driven by US interest rate hikes, market-anticipated gradual exit from quantitative easing by Japan and Europe as well as the continuous deleveraging initiatives by the PRC Government, which will likely translate into slower economic activities.

While China will likely sustain its high growth through expanding the domestic consumption market and fixed asset investment, the structural improvement in China's hotel industry should continue through healthier medium-term supply/demand dynamics, favorable administrative policies, growing middle class and the emerging trend for young people to gain different real life exposure through traveling.

The hotel management team will continue to take initiatives to improve operational efficiency, which was clearly observed through the resilient hotel performances in the past few years.



## REPORT OF THE REIT MANAGER

Leveraging on the high base-rent long-term operating lease structure, our Hotel Properties should continue to demonstrate stable rental performance despite the anticipated volatility globally.

We will continue to look for growth opportunities through acquisitions from the New Century Tourism Group or third-party sources from around the world. With the material yield compression in the past one to two years, attractive high cash-yield assets that are available for acquisitions have declined. Potential acquisitions will be funded by internal resources, debt facilities, and/or proceeds from equity issuances. We continue to believe investing in different asset classes with stable long-term income stream across the globe should help maximize the long-term sustainable growth of New Century REIT and diversify the risks from a single market.

### 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 (as at 31 December 2017: three employees) in its own right as at 30 June 2018 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.

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, 23 August 2018



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# 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 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 six months ended 30 June 2018, both the REIT Manager and New Century REIT have in material terms complied with the provisions of the REIT Code, the relevant provisions of the SFO, the relevant provisions of the Listing Rules applicable to New Century REIT, the Trust Deed and the Compliance Manual.

## **BOARD OF DIRECTORS OF THE REIT MANAGER**

The board of directors of the REIT Manager (the “**Board**”) principally oversees the day-to-day management of the REIT Manager’s affairs and the conduct of its business and is responsible for the overall governance of the REIT Manager. The Board currently comprises seven members, including one executive Director, three non-executive Directors and three independent non-executive Directors.

As at 30 June 2018, the Board comprised the following members:

Mr. Jin Wenjie (*Chairman and non-executive Director*)  
Mr. Cheung Yat Ming (*executive Director and chief executive officer*)  
Mr. Zhang Guanming (*non-executive Director*)  
Mr. Tong JinQuan (*non-executive Director*)  
Mr. Angelini Giovanni (*independent non-executive Director*)  
Mr. Yu Hon To David (*independent non-executive Director*)  
Professor He Jianmin (*independent non-executive Director*)

As at 30 June 2018, the composition of the Board committees were as follows:

## **AUDIT COMMITTEE**

Chairman: Mr. Yu Hon To David  
Member: Mr. Angelini Giovanni  
Member: Professor He Jianmin

## **FINANCE AND INVESTMENT COMMITTEE**

Chairman: Mr. Cheung Yat Ming  
Member: Ms. Ho Wai Chu

## **NOMINATION COMMITTEE**

Chairman: Mr. Jin Wenjie  
Member: Mr. Angelini Giovanni  
Member: Professor He Jianmin



# CORPORATE GOVERNANCE REPORT

## DISCLOSURES COMMITTEE

Chairman: Mr. Cheung Yat Ming  
Member: Mr. Zhang Guanming  
Member: Mr. Yu Hon To David

## CHANGES IN INFORMATION OF DIRECTORS AND KEY PERSONEL

Mr. Wan Hui Yeung (“**Mr. Wan**”) resigned as the Investment and Investor Relations Manager of the REIT Manager with effect from 26 March 2018 and also ceased to be a Responsible Officer and a member of the Finance and Investment Committee on the same date. 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, and he resigned within his 6-month probation period (and hence was different from the standard 3-month probation period) as the Investment and Investor Relations Manager and a member of the Finance and Investment Committee of the REIT Manager with effect from 1 June 2018. Mr. Wan and Mr. Chow both resigned to pursue their other interests and both confirmed that they had no disagreement with the Board and there are no matters relating to their resignation that need to be brought to the attention of the unitholders of New Century REIT. Ms. Cheung Chi Shan was appointed as the new Investment and Investor Relations Manager of the REIT Manager on 13 August 2018.

Please refer to the announcements dated 26 March 2018, 9 April 2018 and 1 June 2018 respectively issued by New Century REIT for further details.

## 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 Appendix 10 of the Listing Rules (the “**Model Code**”), which governs dealings by all Directors and employees of the REIT Manager, subsidiaries of the REIT Manager or the Special Purpose Vehicles of New Century REIT (the “**Management Persons**”).

Specific enquiry has been made of all the Directors and the Management Persons, all of whom have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2018.

## ISSUE OF NEW UNITS

During the six months ended 30 June 2018, no new units of New Century REIT were issued. The total number of Units in issue as at 30 June 2018 was 958,500,829 Units.

## PUBLIC FLOAT OF THE UNITS

Based on the information publicly available, as far as the REIT Manager is aware, not less than 25% of the issued and outstanding Units were held in public hands as at 30 June 2018.



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# CONNECTED PARTY TRANSACTIONS

Set out below is summary information in respect of connected party transactions for the six months ended 30 June 2018 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 2018 was RMB18.2 million. New Century REIT had relevant lease transactions within the 2017 Extended Waiver of approximately RMB4.2 million for the six months ended 30 June 2018, therefore New Century REIT is well within and has fully complied with the annual cap. For the six months ended 30 June 2018, 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 six months ended 30 June 2018:

Name of the Connected Person	Relationship with New Century REIT	Nature of the Connected Party Transaction	Income received/receivable for the six months ended 30 June 2018 (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 Co., Ltd.* and other members of its group)	Associate of significant holder and director <sup>1</sup>	Leasing transaction	109,983
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 <sup>2</sup>	Leasing transaction	11,000
開元旅業集團有限公司 (New Century Tourism Group Limited*)	Associate of significant holder and director <sup>3</sup>	Leasing transaction	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 <sup>4</sup>	Leasing transaction	931
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 <sup>4</sup>	Leasing transaction	180
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 <sup>4</sup>	Leasing transaction	66
杭州開元裝飾工程有限公司 (Hangzhou New Century Decorating Limited*)	Associate of significant holder <sup>2</sup>	Leasing transaction	61
杭州開元信息系統有限公司 (Hangzhou New Century Information System Engineering Limited*)	Associate of significant holder <sup>2</sup>	Leasing transaction	27



## CONNECTED PARTY TRANSACTIONS

### RENTAL DEPOSITS

New Century REIT has received the following rental deposits from its connected persons for the six months ended 30 June 2018:

Name of the Connected Person	Relationship with New Century REIT	Nature of the Connected Party Transaction	Rental deposits received during the six months ended 30 June 2018 (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 Co., Ltd.* and other members of its Group)	Associate of significant holder and director <sup>1</sup>	Leasing transaction	109

*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

### 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 six months ended 30 June 2018.

### 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 six months ended 30 June 2018, which are set out in notes 27(b) and 27(c), respectively, of the notes to the interim condensed consolidated financial information of this report.

### 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 six months ended 30 June 2018, 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 RMB552,000 and RMB12,897,000 respectively. Particulars of services provided by the REIT Manager for the six months ended 30 June 2018 is set out in Note 9 of the notes to the interim condensed consolidated financial information. The fees paid/payable to Savills Valuation and Professional Services Limited, the Principal Valuer of New Century REIT, for the six months ended 30 June 2018 was RMB307,000.

### 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, Savills Real Estate Valuation (Guangzhou) Limited Shanghai Branch 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	RMB200 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 under 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 30 June 2018, the interests and short positions in Units of the significant Unitholders (as defined under 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 30 June 2018
Standard Chartered Trust (Singapore) Limited <sup>1</sup>	576,268,493	60.12%
SCTS Capital Pte Ltd. <sup>2</sup>	576,268,493	60.12%
Poppytown Group Limited <sup>3</sup>	576,268,493	60.12%
Huge Harvest International Limited <sup>4</sup>	576,268,493	60.12%
Chen Miaolin <sup>5</sup>	576,268,493	60.12%
Wealthy Fountain Holdings Inc. <sup>6</sup>	139,450,000	14.55%
Shanghai Summit Pte. Ltd. <sup>7</sup>	139,450,000	14.55%
Ding An Investments Limited	60,411,839	6.30%
Liu YongJuan <sup>8</sup>	60,411,839	6.30%
Success Conquer Global Limited	49,026,800	5.11%



## 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.

As at 30 June 2018, Mr. Chen Miaolin (Note 5), Mr. Zhang Guanming (non-executive Director of the REIT Manager) and Mr. Chen Canrong (director of Xiaoshan Hotel Company) were the investments managers of the irrevocable trusts, so accordingly Standard Chartered Trust (Singapore) Limited acts on the investment directions of Mr. Chen Miaolin, Mr. Zhang Guanming and Mr. Chen Canrong.

As at 30 June 2018, 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 576,268,493 Units, Huge Harvest International Limited held 26,017,329 Units via New Century Asset Management Limited, representing 2.71% of the Units issued by New Century REIT, as at 30 June 2018.

5. As at 30 June 2018, 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), a 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 30 June 2018, 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 30 June 2018
Tong JinQuan <sup>9</sup>	139,450,000	14.55%
New Century Asset Management Limited <sup>10</sup>	26,017,329	2.71%
Jin Wenjie <sup>11</sup>	1,679,000	0.18%
Cheung Yat Ming <sup>12</sup>	297,000	0.03%

Notes (continued):

- Mr. Tong JinQuan, a 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. As at 30 June 2018, the REIT Manager beneficially held 26,017,329 Units.
- As at 30 June 2018, Mr. Jin Wenjie was the chairman and non-executive Director of the REIT Manager.
- As at 30 June 2018, 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 ascribed to it in the REIT Code) of New Century REIT holding any beneficial interest in the Units as at 30 June 2018.



### **BUY-BACK, SALE OR REDEMPTION OF UNITS**

During the six months ended 30 June 2018, 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 SPVs that are owned and controlled by New Century REIT.

### **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 30 June 2018 and such costs are reimbursed by the REIT Manager.

### **CLOSURE OF REGISTER OF UNITHOLDERS**

The record date for the 2018 special distribution will be 14 September 2018, Friday (the “**Record Date**”). The register of Unitholders will be closed on 14 September 2018, Friday, during which period no transfer of Units will be effected. The special distribution is expected to be payable on 28 September 2018, Friday, to Unitholders whose names appear on the register of Unitholders on the Record Date.

In order to qualify for the 2018 special 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 13 September 2018, Thursday.

### **REVIEW OF INTERIM REPORT**

The Group’s interim report for the six months ended 30 June 2018 has been reviewed by the Audit Committee and the Disclosures Committee of the REIT Manager in accordance with their respective terms of reference.

The Group’s interim condensed consolidated financial information for the six months ended 30 June 2018 have not been audited but have been reviewed by PricewaterhouseCoopers, external auditor of New Century REIT, in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.



# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

**TO THE BOARD OF DIRECTORS OF NEW CENTURY ASSET MANAGEMENT LIMITED (THE “REIT MANAGER”)**  
(AS THE MANAGER OF NEW CENTURY REAL ESTATE INVESTMENT TRUST)

## INTRODUCTION

We have reviewed the interim financial information set out on pages 28 to 70, which comprises the interim condensed consolidated balance sheet of New Century Real Estate Investment Trust (“New Century REIT”) and its subsidiaries (together, the “Group”) as at 30 June 2018 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the consolidated distribution statement, the interim condensed consolidated statement of net assets attributable to unitholders and changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the REIT Manager are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by International Accounting Standards Board. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

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# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

## CONCLUSION

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

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 23 August 2018



# INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2018

	Notes	Unaudited	
		Six months ended 30 June	
		2018	2017
		RMB'000	RMB'000
Revenue	7	<b>135,638</b>	157,656
Operating expenses	8	<b>(27,016)</b>	(36,288)
Other (losses)/gains – net	10	<b>(1,686)</b>	14,506
Change in fair values of investment properties	13	<b>31,153</b>	12,788
<b>Operating profit</b>		<b>138,089</b>	148,662
Finance income	11	<b>3,238</b>	52,253
Finance costs	11	<b>(75,056)</b>	(67,389)
<b>Profit before taxation and transactions with unitholders</b>		<b>66,271</b>	133,526
Income tax expense	12	<b>(38,185)</b>	(85,439)
<b>Profit after taxation for the period, before transactions with unitholders</b>		<b>28,086</b>	48,087
– Profit attributable to unitholders		<b>27,114</b>	46,803
– Profit attributable to non-controlling interests		<b>972</b>	1,284
		<b>28,086</b>	48,087

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



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Attributable to			
	Unitholders before transactions with unitholders (Unaudited) RMB'000	Transactions with unitholders (Note (i)) (Unaudited) RMB'000	Unitholders after transactions with unitholders (Unaudited) RMB'000	Non- controlling interests (Unaudited) RMB'000
Profit for the six months ended 30 June 2017	46,803	(52,284)	(5,481)	1,284
Other comprehensive income <i>Item that may be reclassified subsequently to interim condensed consolidated income statement:</i>				
Exchange gains on translation of financial statements	5,481	–	5,481	–
Total comprehensive income for the six months ended 30 June 2017 (Note (ii))	<u>52,284</u>	<u>(52,284)</u>	<u>–</u>	<u>1,284</u>
Profit for the six months ended 30 June 2018	<b>27,114</b>	<b>(25,107)</b>	<b>2,007</b>	<b>972</b>
Other comprehensive income <i>Item that may be reclassified subsequently to interim condensed consolidated income statement:</i>				
Exchange losses on translation of financial statements	<u>(2,007)</u>	<u>–</u>	<u>(2,007)</u>	<u>–</u>
Total comprehensive income for the six months ended 30 June 2018 (Note (ii))	<u><b>25,107</b></u>	<u><b>(25,107)</b></u>	<u><b>–</b></u>	<u><b>972</b></u>

**Notes:**

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

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.



# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2018

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2018</b>	2017
	<i>Notes</i>	<b>RMB'000</b>	RMB'000
<b>Non-current assets</b>			
Investment properties	13	<b>4,918,664</b>	4,890,598
Goodwill	14	<b>7,987</b>	7,987
Other long-term assets	15	<b>5,742</b>	6,793
		<b>4,932,393</b>	4,905,378
<b>Current assets</b>			
Trade and other receivables and prepayments	16	<b>7,398</b>	6,000
Amounts due from related parties	27(c)	<b>18,028</b>	22,060
Derivative financial instruments	18	<b>24,452</b>	22,478
Restricted cash	17	<b>247,632</b>	155,517
Cash and cash equivalents	17	<b>335,061</b>	360,826
		<b>632,571</b>	566,881
<b>Total Assets</b>		<b>5,564,964</b>	5,472,259
<b>Current liabilities</b>			
Trade and other payables	19	<b>38,472</b>	32,921
Amounts due to related parties	27(c)	<b>57,487</b>	58,272
Current income tax liabilities		<b>11,951</b>	19,528
Derivative financial instruments	18	<b>36</b>	57,415
Deferred income	20	<b>3,350</b>	3,553
Borrowings	21	<b>328,730</b>	187,494
		<b>440,026</b>	359,183
<b>Non-current liabilities, other than net assets attributable to unitholders</b>			
Borrowings	21	<b>1,801,520</b>	1,777,177
Deferred income tax liabilities	22	<b>911,768</b>	899,059
		<b>2,713,288</b>	2,676,236



# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2018

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2018</b>	2017
	<i>Notes</i>	<b>RMB'000</b>	RMB'000
<b>Total liabilities, other than net assets attributable to unitholders</b>		<b>3,153,314</b>	3,035,419
Net assets attributable to unitholders	23	<u><b>2,377,861</b></u>	<u>2,404,023</u>
<b>Total liabilities</b>		<u><b>5,531,175</b></u>	<u>5,439,442</u>
<b>Net assets</b>		<u><b>33,789</b></u>	<u>32,817</u>
Non-controlling interests		<u><b>33,789</b></u>	<u>32,817</u>
<b>Total equity</b>		<u><b>33,789</b></u>	<u>32,817</u>
<b>Net current assets</b>		<u><b>192,545</b></u>	<u>207,698</u>
<b>Total assets less current liabilities</b>		<u><b>5,124,938</b></u>	<u>5,113,076</u>
<b>Units in issue ('000)</b>	23	<u><b>958,501</b></u>	<u>958,501</u>
<b>Net assets attributable to unitholders per unit</b>	23	<u><b>RMB2.4808</b></u>	<u>RMB2.5081</u>

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

The interim condensed consolidated financial information on pages 28 to 70 was approved by the board of directors of New Century Asset Management Limited (the "REIT Manager") on 23 August 2018 and was signed on its behalf.

**Jin Wenjie**  
Chairman

**Cheung Yat Ming**  
Executive Director



# CONSOLIDATED DISTRIBUTION STATEMENT

For the six months ended 30 June 2018

	Unaudited	
	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
<b>Profit attributable to unitholders</b>	<b>27,114</b>	46,803
Adjustments for the total distributable income:		
– Fair value change on investment properties attributable to unitholders	<b>(31,017)</b>	(12,379)
– Deferred taxation in respect of investment properties and tax losses attributable to unitholders	<b>15,949</b>	13,712
– Unrealised net foreign exchange losses/(gains) on financing activities	<b>24,124</b>	(41,236)
– Fair value (gains)/losses on outstanding derivative financial instruments	<b>(2,050)</b>	19,223
– REIT Manager fee payable in units in lieu of cash	<b>6,449</b>	–
– Amortisation of transaction costs of the bank borrowings	<b>11,607</b>	19,483
– Accumulated realised fair value losses upon the settlement of derivative financial instruments ( <i>Note 18(c)</i> )	<b>(57,303)</b>	–
– Accumulated realised foreign exchange losses on the bank borrowings which were repaid during the period	–	(46,338)
– Accumulated realised fair value gains and deferred taxation on investment properties of the disposal group ( <i>Note 25(a)</i> )	–	52,500
	<u>–</u>	<u>52,500</u>
<b>(Adjusted loss)/distributable income for the period (i)</b>	<b><u>(5,127)</u></b>	<u>51,768</u>
<b>Interim distribution declared and to be paid (ii)</b>	–	46,591
<b>Add: Special Distribution declared (iii)</b>	<b><u>50,000</u></b>	<u>33,000</u>
<b>Total distribution to be paid</b>	<b><u>50,000</u></b>	<u>79,591</u>
<b>Distribution per unit (iii)</b>	<b><u>RMB0.0522</u></b>	<u>RMB0.0830</u>



# CONSOLIDATED DISTRIBUTION STATEMENT

For the six months ended 30 June 2018

## Notes:

- (i) Under the terms of the Trust Deed, the total distributable income is the consolidated profit or loss after income tax attributable to unitholders adjusted to eliminate the effects of certain non-cash and other adjustments which have been recorded in the consolidated income statement for the relevant period.

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 distributable income for the six months ended 30 June 2017.
- (iii) A special distribution with total amount of RMB50,000,000 was declared and approved by the board of directors of the REIT Manager on 23 August 2018 ("Special Distribution") (2017: a special distribution of RMB33,000,000 was declared and approved on 23 August 2017). The distribution per unit of RMB0.0522 for the six months ended 30 June 2018 (2017: RMB0.0830) is calculated by dividing total distribution to be paid to unitholders of RMB50,000,000 (2017: RMB79,591,000) for the period by 958,500,829 units in issue as at 30 June 2018 (As at 30 June 2017: 958,500,829).

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



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

For the six months ended 30 June 2018

		Equity (Unaudited)		
		Net assets attributable to unitholders (Unaudited) RMB'000	Non- controlling interests RMB'000	Total (Unaudited) RMB'000
	Notes			
<b>As at 1 January 2017</b>		2,371,097	30,242	2,401,339
Profit for period		46,803	1,284	48,087
Distributions paid to unitholders		(79,497)	–	(79,497)
Issuance of units		15,204	–	15,204
Exchange gains on translation of financial statements		5,481	–	5,481
		<u>2,359,088</u>	<u>31,526</u>	<u>2,390,614</u>
<b>As at 30 June 2017</b>				
<b>As at 1 January 2018</b>		<b>2,404,023</b>	<b>32,817</b>	<b>2,436,840</b>
Profit for period		<b>27,114</b>	<b>972</b>	<b>28,086</b>
Distributions paid to unitholders	23	<b>(51,269)</b>	–	<b>(51,269)</b>
Exchange losses on translation of financial statements	23	<b>(2,007)</b>	–	<b>(2,007)</b>
		<u>2,377,861</u>	<u>33,789</u>	<u>2,411,650</u>
<b>As at 30 June 2018</b>				

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



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2018</b>	<b>2017</b>
<i>Notes</i>		<b>RMB'000</b>	<b>RMB'000</b>
<b>Cash flows from operating activities</b>			
	Cash generated from operations	<b>114,322</b>	135,736
	Interest paid	<b>(33,794)</b>	(53,299)
	Income tax paid	<b>(34,712)</b>	(35,946)
	<b>Net cash generated from operating activities</b>	<b>45,816</b>	46,491
<b>Cash flows from investing activities</b>			
	Proceeds from disposal of subsidiaries	25	781,759
	Purchase of investment properties	<b>(568)</b>	(928)
	<b>Net cash (used in)/generated from investing activities</b>	<b>(568)</b>	780,831
<b>Cash flows from financing activities</b>			
	Proceeds from borrowings, net of transaction cost	21	123,890
	Repayment of borrowings	21	(557,418)
	Settlement of capped forward foreign exchange contracts	18(c)	-
	Distributions paid to unitholders	23	(79,497)
	Distributions paid to non-controlling interests		-
	Changes of restricted cash pledged for borrowings		(32,321)
	Net proceeds from issuance of units	23	15,204
	Payment of other financing costs		(2,299)
	<b>Net cash used in financing activities</b>	<b>(72,359)</b>	(532,441)
<b>Net (decrease)/increase in cash and cash equivalents</b>			
	Cash and cash equivalents at beginning of the period	17	360,826
	Exchange gains/(losses) on cash and cash equivalents		1,346
	<b>Cash and cash equivalent at end of the period</b>	17	<b>335,061</b>

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



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 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.

This interim condensed consolidated financial information is presented in Renminbi (“RMB”), which is also the functional currency of New Century REIT. This interim condensed consolidated financial information has been approved for issue by the board of directors of the REIT Manager on 23 August 2018.

This interim condensed consolidated financial information has not been audited.

## 2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2018 has been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim financial reporting”. The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim report should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to IFRSs effective for the financial year ending 31 December 2018.

### (i) New and amended standards and interpretations that have been issued and are effective for periods commencing on 1 January 2018

IFRS 9	Financial instruments
IFRS 15	Revenue from contracts with customers
Amendments to IFRS 1	First time adoption of IFRS
Amendments to IAS 28	Investments in associates and joint ventures
Amendments to IAS 40	Transfers of investment property
Amendments to IFRS 2	Classification and measurement of share-based payment transactions
Amendments to IFRS 4	Insurance contracts applying IFRS 9 financial instruments with IFRS 4 insurance contracts
IFRIC 22	Foreign currency transactions and advance consideration

The adoption of these new and amended standards and interpretations did not result in any significant impact on the results and financial position of the Group.

### (ii) New and amended standards that have been issued and are effective for periods commencing after 1 January 2018

		Effective date
IFRS 16 (a)	Leases	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The directors of the REIT Manager anticipate that the adoption of these new and amended standards and interpretation would not result in any significant impact on the results and financial position of the Group. The Group plans to adopt these new and amended standards and interpretation when they become effective.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 3 ACCOUNTING POLICIES (CONTINUED)

### (ii) New and amended standards that have been issued and are effective for periods commencing after 1 January 2018 (continued)

#### (a) 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. The Group does not intend to adopt the standard before its effective time.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 4 ESTIMATES

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017, with the exception of changes in estimates that are required in determining the provision for income taxes.

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 5.1 Financial risk factors

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

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, they should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

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

### 5.2 Liquidity risk

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

### 5.3 Fair value estimation

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

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



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

### 5.3 Fair value estimation (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2018 and 31 December 2017.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>As at 30 June 2018 (unaudited)</b>				
<b>Assets</b>				
<b>Financial assets at fair value through profit or loss</b>				
Derivative financial instruments	-	24,452	-	24,452
<b>Liabilities</b>				
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative financial instruments	-	36	-	36
<b>As at 31 December 2017 (audited)</b>				
<b>Assets</b>				
<b>Financial assets at fair value through profit or loss</b>				
Derivative financial instruments	-	22,478	-	22,478
<b>Liabilities</b>				
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative financial instruments	-	57,415	-	57,415

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

There were no changes in valuation techniques during the period.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

### 5.4 Financial instruments in Level 2

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

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

Specific valuation techniques used to value financial instruments include:

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

## 6 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 Netherlands. As the subsidiaries in the Netherlands 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.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 7 REVENUE

	Unaudited	
	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Rental income from Initial Hotel Properties (a)	<b>103,856</b>	103,856
Rental income from Kaifeng Hotel (a)	<b>10,578</b>	10,578
Rental income from Netherlands Hotel (a)	<b>7,697</b>	7,396
Rental income from Shanghai Hotel (a)	<b>–</b>	18,088
Other rental income (b)	<b>13,507</b>	17,738
	<b>135,638</b>	157,656

- (a) For the six months ended 30 June 2018, the Group received a minimum 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”), Kaifeng New Century Grand Hotel (開封開元名都大酒店, the “Kaifeng Hotel”) and Holiday Inn Eindhoven (the “Netherlands Hotel”) in a sum of RMB126,697,000 (before value-added taxes of RMB4,566,000) (2017: The rental income of RMB139,918,000 was derived from the minimum pro-rated base rent of RMB145,388,000 less value-added taxes of RMB5,470,000).

The rental income of Shanghai Songjiang New Century Grand Hotel (上海松江開元名都大酒店, the “Shanghai Hotel”) represented the rent for the period from 1 January 2017 to 1 June 2017, the date Shanghai Hotel was disposed (Note 25).

- (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.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 8 OPERATING EXPENSES

	Unaudited	
	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
REIT Manager fee ( <i>Notes 9, 27(b)</i> )	<b>12,897</b>	18,197
Urban real estate and land use tax	<b>9,305</b>	11,123
Legal and other professional fees	<b>1,238</b>	1,449
Business and other taxes, surcharges and stamp duty	<b>1,203</b>	915
Auditor's remuneration	<b>942</b>	966
Trustee fee ( <i>Note 27(b)</i> )	<b>552</b>	622
Valuation fees ( <i>Note 27(b)</i> )	<b>307</b>	360
Travelling and communication expenses	<b>18</b>	30
Expenses incurred in connection with the disposal of subsidiaries ( <i>Note 25</i> )	-	1,923
Miscellaneous	<b>554</b>	703
	<hr/>	<hr/>
Total operating expenses	<b>27,016</b>	36,288
	<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 9 REIT MANAGER FEE

	Unaudited	
	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Base Fee	<b>8,279</b>	8,410
Variable Fee	<b>4,618</b>	5,401
Divestment Fee (Note 25)	<b>–</b>	4,386
	<b><u>12,897</u></b>	<u>18,197</u>

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 authorised investments, for the time being and from time to time held or deemed to be held (including but not limited to through special purpose vehicles) upon the trusts of the Trust Deed and any interest arising on subscription monies from the issuance of units.
- a variable fee (the “Variable Fee”) of 4% per annum of net property income as defined in the Trust Deed.
- a divestment fee (the “Divestment Fee”) calculated by 0.5% of the sales price of any real estate disposed by New Century REIT.

The Base Fee and Variable Fee for the six months ended 30 June 2018 will be paid to the REIT Manager with 50% in the form of cash and 50% in the form of units which is calculated based on the prevailing market price at the time of the issuance of such units (The Base Fee, Variable Fee and Divestment Fee for the six months ended 30 June 2017 were paid to the REIT Manager in the form of cash).



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 10 OTHER (LOSSES)/GAINS – NET

	Unaudited	
	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Government grants (a)	203	9,968
Gains on disposal of subsidiaries (Note 25)	–	24,147
Net foreign exchange (losses)/gains	(442)	17
Fair value losses on derivative financial instruments	(1,255)	(19,223)
Others	(192)	(403)
	<u>(1,686)</u>	<u>14,506</u>

(a) Government grants

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

## 11 FINANCE COSTS – NET

	Unaudited	
	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Finance income		
– Interest income derived from bank deposits	3,238	2,240
– Realised net foreign exchange gains on financing activities	–	8,777
– Unrealised net foreign exchange gains on financing activities	–	41,236
	<u>3,238</u>	<u>52,253</u>
Finance costs		
– Interest expense on bank and other borrowings	(38,350)	(46,890)
– Unrealised net foreign exchange losses on financing activities	(24,124)	–
– Realised net foreign exchange losses on financing activities	(67)	–
– Amortisation of transaction costs of the bank borrowings	(11,607)	(19,483)
– Other financing costs	(908)	(1,016)
	<u>(75,056)</u>	<u>(67,389)</u>
Finance costs – net	<u>(71,818)</u>	<u>(15,136)</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 12 INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
<b>Current income tax</b>		
– China corporate income tax	19,610	24,763
– Income tax incurred in connection with the disposal of subsidiaries ( <i>Note 25</i> )	–	41,338
<b>Deferred income tax</b>		
– Corporate income tax ( <i>Note 22</i> )	18,575	19,338
Tax charged	<u>38,185</u>	<u>85,439</u>

### (a) Hong Kong profits tax

Enterprises incorporated in Hong Kong are subject to profits tax rates of 16.5% (2017: 16.5%). No Hong Kong profits tax has been provided for as the Group has no assessable profits in Hong Kong for the period.

### (b) Netherlands corporate income tax

Enterprises incorporated in the Netherlands are subject to income tax rate of 20% (2017: 20%) for the first EUR200,000 taxable income and 25% (2017: 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 period.

### (c) Luxembourg corporate income tax

Enterprises incorporated in Luxembourg city are subject to income tax rate of 15% for the first Euro (“EUR”) 25,000 taxable income, EUR3,750 plus 33% of the taxable income from EUR25,000 to EUR30,000 and 18% for the taxable income exceeds EUR30,000 (2017: 20% for the first EUR15,000 taxable income and 21% for the taxable income exceeds EUR15,000). Including solidarity surtax at 7% (2017: 7%) on Corporate Income Tax and Municipal Business Tax of 6.75% (2017: 6.75%), the total tax rate for Luxembourg city for the six months ended 30 June 2018 is 22.80% or 26.01% (2017: 28.15% or 29.22%). No Luxembourg corporate income tax has been provided for as the Company has no taxable income for the periods.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 12 INCOME TAX EXPENSE (CONTINUED)

### (d) China corporate income tax

Enterprises incorporated in China are subject to income tax rates of 25% for the six months ended 30 June 2018 and 2017.

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.

### (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 and applied a lower 5% withholding tax rate thereafter. In February 2018, Full Wise Industrial 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 Lishui Full Wise Hotel Management Limited (麗水惠富酒店管理有限公司) in 2017.

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.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 13 INVESTMENT PROPERTIES

	<b>Unaudited</b> <b>30 June</b> <b>2018</b> <b>RMB'000</b>	Audited 31 December 2017 RMB'000
Investment properties	<b><u>4,918,664</u></b>	<u>4,890,598</u>

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.

	<b>Unaudited</b> <b>Six months ended 30 June</b>	
	<b>2018</b> <b>RMB'000</b>	2017 RMB'000
<b>At fair value</b>		
<b>Opening balance</b>	<b>4,890,598</b>	5,656,334
Additions/(Disposals)	<b>1,003</b>	(1,111)
Disposal of subsidiaries ( <i>Note 25</i> )	–	(880,000)
Fair value gains ( <i>a</i> )	<b>31,153</b>	12,788
Exchange differences recognised in other comprehensive income	<b>(4,090)</b>	11,918
<b>Closing balance</b>	<b><u>4,918,664</u></b>	<u>4,799,929</u>

- (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, to determine the fair value of the investment properties as at 30 June 2018.

As at 30 June 2018 and 31 December 2017, the investment properties were pledged as collateral for the Group's bank borrowings (*Note 21*).



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 13 INVESTMENT PROPERTIES (CONTINUED)

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

Description	Fair value measurements as at 30 June 2018 using		
	Quoted prices in	Significant other	Significant
	active markets for	observable inputs	unobservable
	identical assets	(Level 2)	inputs
	(Level 1)	(Level 2)	(Level 3)
	RMB'000	RMB'000	RMB'000
Recurring fair value measurements			
Investment properties:			
- Initial Hotel Properties	-	-	4,267,000
- Kaifeng Hotel	-	-	430,000
- Netherlands Hotel	-	-	221,664
	<u>-</u>	<u>-</u>	<u>4,918,664</u>

Description	Fair value measurements as at 31 December 2017 using		
	Quoted prices in	Significant other	Significant
	active markets for	observable inputs	unobservable inputs
	identical assets	(Level 2)	(Level 3)
	(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>

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 13 INVESTMENT PROPERTIES (CONTINUED)

Investment properties which have fair value measurement using significant unobservable inputs (Level 3):

	Unaudited		
	Six months ended 30 June 2018		
	China	Netherlands	Total
	RMB'000	RMB'000	RMB'000
<b>As at 1 January 2018</b>	<b>4,679,000</b>	<b>211,598</b>	<b>4,890,598</b>
Additions	1,003	–	1,003
Fair value gains	16,997	14,156	31,153
Exchange differences recognised in other comprehensive income	–	(4,090)	(4,090)
<b>As at 30 June 2018</b>	<b>4,697,000</b>	<b>221,664</b>	<b>4,918,664</b>

	Unaudited		
	Six months ended 30 June 2017		
	China	Netherlands	Total
	RMB'000	RMB'000	RMB'000
<b>As at 1 January 2017</b>	5,460,000	196,334	5,656,334
Disposals	(1,111)	–	(1,111)
Disposal of subsidiaries (Note 25)	(880,000)	–	(880,000)
Fair value gains	12,111	677	12,788
Exchange differences recognised in other comprehensive income	–	11,918	11,918
<b>As at 30 June 2017</b>	<b>4,591,000</b>	<b>208,929</b>	<b>4,799,929</b>



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 13 INVESTMENT PROPERTIES (CONTINUED)

### Valuation techniques

**(a) For the Initial Hotel Properties and the Kaifeng 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 and the Kaifeng Hotel during the periods.

**(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 periods.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 14 GOODWILL

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Cost	7,987	7,987
Accumulated impairment	—	—
Net book amount	<u>7,987</u>	<u>7,987</u>

## 15 OTHER LONG-TERM ASSETS

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Fee paid for undrawn bank facilities	<u>5,742</u>	<u>6,793</u>

## 16 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Trade receivables (a)	4,256	4,140
Other receivables	2,640	742
Prepayments	<u>502</u>	<u>1,118</u>
Trade and other receivables and prepayments – net	<u>7,398</u>	<u>6,000</u>

As at 30 June 2018 and 31 December 2017, the fair values of the trade and other receivables of the Group, except for the prepayments which are not financial assets, approximated their carrying amounts.

- (a) As at 30 June 2018 and 31 December 2017, the trade receivables represent the rental income receivables from the lessees and were all within 30 days.

As at 30 June 2018 and 31 December 2017, all the trade receivables were pledged as collateral for the Group's bank borrowings (Note 21).



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 17 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Cash at bank and on hand (a)	<b>582,693</b>	516,343
Less: Restricted cash (b)	<b>(247,632)</b>	(155,517)
Cash and cash equivalents	<b><u>335,061</u></b>	<u>360,826</u>

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

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Cash at bank and in hand:		
– RMB	<b>438,879</b>	371,431
– USD	<b>120,485</b>	127,897
– HK\$	<b>101</b>	275
– EUR	<b>23,228</b>	16,740
	<b><u>582,693</u></b>	<u>516,343</u>

- (a) All cash at bank are deposits with original maturity within 3 months. The Group earns interest on cash at bank, including restricted cash, at floating bank deposit rates.
- (b) Restricted cash represents guaranteed deposits held in reserve accounts pledged to the banks as security deposits under bank borrowing agreements (Note 21).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 18 DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited 30 June 2018		Audited 31 December 2017	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Interest rate swaps (a)	24,452	-	22,478	-
Interest rate cap (b)	-	36	-	112
Capped forward foreign exchange contracts (c)	-	-	-	57,303
	<b>24,452</b>	<b>36</b>	<b>22,478</b>	<b>57,415</b>

The Group has entered into various derivative financial instruments including interest rate swaps, interest rate cap and capped forward foreign exchange contracts with commercial banks. Nevertheless, they were not accounted for as hedging instruments as the conditions for hedge accounting were not met for the six months ended 30 June 2018 and the year ended 31 December 2017. Gains and losses arising from the fair value change of these derivative financial instruments were recognised in the interim condensed consolidated income statement in "Other (losses)/gains – net" (Note 10).

- (a) The interest rate swaps have the economic effect of converting interest rate of borrowings from floating rates to fixed rates. As at 30 June 2018, the notional principal amount of the outstanding interest rate swaps was USD230,000,000 (As at 31 December 2017: USD230,000,000) and the fixed interest rate was 3.11% per annum (As at 31 December 2017: 3.11% per annum).
- (b) The interest rate cap has the economic effect of keeping floating interest rate of borrowing within the cap rate. As at 30 June 2018, the notional principal amount of the outstanding interest rate cap was EUR13,117,500 (As at 31 December 2017: EUR13,117,500) and the interest rate was capped at 4.4% (As at 31 December 2017: 4.4%).
- (c) The capped forward foreign exchange contracts have the economic effect of keeping exchange rate of USD against RMB within the cap rate. As at 31 December 2017, the notional principal amounts of the outstanding capped forward foreign exchange contracts were USD120,000,000 which were settled with the payment of USD9,332,928 (equivalent to RMB60,608,000) in January 2018. The fair value losses arising from these foreign exchange contracts before settlement for the six months ended 30 June 2018 of RMB3,305,000 were recognised in the interim condensed consolidated income statement while the accumulated fair value losses of RMB57,303,000 adjusted previously in the consolidated distribution statement were added back in the consolidated distribution statement for the six months ended 30 June 2018.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 19 TRADE AND OTHER PAYABLES

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Trade payables (a)	1,990	1,555
Other payables	6,986	8,449
Advances from customers	3,940	1,378
Interest payables	19,844	15,221
Accrued taxes other than income tax	4,885	5,387
Dividends payable	827	931
	<u>38,472</u>	<u>32,921</u>

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

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Trade payables		
– Within 90 days	15	8
– Over 90 days and within 360 days	428	106
– Over 360 days and within 720 days	118	15
– Over 720 days	1,429	1,426
	<u>1,990</u>	<u>1,555</u>

As at 30 June 2018 and 31 December 2017, 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 20 DEFERRED INCOME

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Government grants relating to assets	<u>3,350</u>	<u>3,553</u>

Deferred income represents government grants relating to certain assets, which is deferred and recognised in the interim condensed 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:

	Unaudited Six months ended 30 June 2018 RMB'000	2017 RMB'000
<b>Opening balance</b>	<b>3,553</b>	2,669
Credited to the interim condensed consolidated income statement	<u>(203)</u>	<u>(143)</u>
<b>Closing balance</b>	<b><u>3,350</u></b>	<b><u>2,526</u></b>

## 21 BORROWINGS

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
<b>Non-current</b>		
Principle of bank borrowings – secured (a)	<b>1,829,877</b>	1,816,077
Less: Transaction costs	<b>(23,840)</b>	(34,364)
Current portion of non-current borrowings	<u><b>(4,517)</b></u>	<u>(4,536)</u>
	<b><u>1,801,520</u></b>	<b><u>1,777,177</u></b>
<b>Current</b>		
Bank borrowings – secured (a)	<b>324,213</b>	182,958
Current portion of non-current borrowings	<u><b>4,517</b></u>	<u>4,536</u>
	<b><u>328,730</u></b>	<b><u>187,494</u></b>



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 21 BORROWINGS (CONTINUED)

Movements in borrowings are analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
<b>Opening balance</b>	<b>1,964,671</b>	2,537,108
Additions of borrowings from the disposal group	–	83,000
Additions of bank borrowings – net	<b>134,691</b>	123,890
Repayments of borrowings	<b>(2,954)</b>	(557,418)
Amortisation using the effective interest method	<b>10,556</b>	16,062
Exchange translation reserve	<b>(2,184)</b>	6,400
Exchange losses/(gains)	<b>25,470</b>	(52,303)
	<u>                    </u>	<u>                    </u>
<b>Closing balance</b>	<b><u>2,130,250</u></b>	<u>2,156,739</u>

The maturity of borrowings is as follows:

	Unaudited	Audited
	30 June	31 December
	2018	2017
	RMB'000	RMB'000
On demand or within 1 year	<b>328,730</b>	187,494
Between 1 and 2 years	<b>1,690,677</b>	1,664,252
Between 2 and 3 years	<b>110,843</b>	–
Over 3 years	–	112,925
	<u>                    </u>	<u>                    </u>
	<b><u>2,130,250</u></b>	<u>1,964,671</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 21 BORROWINGS (CONTINUED)

The Group had the following undrawn bank facilities:

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
USD facilities		
– Expiring within 1 year	198,498	196,026
– Expiring beyond 1 year	469,779	601,146
	<u>668,277</u>	<u>797,172</u>

(a) Bank borrowings – secured

Bank borrowings of the Group as at 30 June 2018 and 31 December 2017 are secured by the following:

- Investment properties (Note 13), bank deposits (Note 17) and trade receivables (Note 16 and Note 27(c)) and guaranteed by 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 2017: the same as at 30 June 2018);
- 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 2017: the same as at 30 June 2018).

## 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:

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Deferred income tax liabilities:		
– to be recovered after more than 12 months	908,508	893,493
– to be recovered within 12 months	3,260	5,566
	<u>911,768</u>	<u>899,059</u>



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

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

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

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
<b>Opening balance</b>	<b>899,059</b>	977,023
Charged to the interim condensed consolidated income statement ( <i>Note 12</i> )	<b>18,575</b>	19,338
Payment	<b>(5,625)</b>	(6,265)
Disposal of subsidiaries ( <i>Note 25</i> )	-	(122,310)
Charged to other comprehensive income – exchange reserve	<b>(241)</b>	525
<b>Closing balance</b>	<b>911,768</b>	868,311

Movements in deferred income tax assets and liabilities during the six months ended 30 June 2018 and 2017, without taking into consideration the offsetting of balances 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
<b>Six months ended 30 June 2017</b>				
<b>As at 1 January 2017</b>	1,834	667	-	2,501
(Charged)/credited to the interim condensed consolidated income statement	(186)	(36)	47	(175)
Credited to other comprehensive income – exchange reserve	28	-	1	29
<b>As at 30 June 2017</b>	<b>1,676</b>	<b>631</b>	<b>48</b>	<b>2,355</b>
<b>Six months ended 30 June 2018</b>				
<b>As at 1 January 2018</b>	<b>1,131</b>	<b>888</b>	<b>28</b>	<b>2,047</b>
Charged to the interim condensed consolidated income statement	<b>(664)</b>	<b>(51)</b>	<b>(19)</b>	<b>(734)</b>
Charged to other comprehensive income – exchange reserve	<b>(9)</b>	-	-	<b>(9)</b>
<b>As at 30 June 2018</b>	<b>458</b>	<b>837</b>	<b>9</b>	<b>1,304</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

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

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
<b>Six months ended 30 June 2017</b>					
<b>As at 1 January 2017</b>	971,100	1,442	6,265	717	979,524
Charged/(credited) to the interim condensed consolidated income statement	13,656	(582)	5,798	291	19,163
Payment	–	–	(6,265)	–	(6,265)
Disposal of subsidiaries (Note 25)	(122,242)	–	–	(68)	(122,310)
Charged to other comprehensive income – exchange reserve	543	11	–	–	554
<b>As at 30 June 2017</b>	<u>863,057</u>	<u>871</u>	<u>5,798</u>	<u>940</u>	<u>870,666</u>
<b>Six months ended 30 June 2018</b>					
<b>As at 1 January 2018</b>	<b>893,619</b>	<b>776</b>	<b>5,625</b>	<b>1,086</b>	<b>901,106</b>
Charged/(credited) to the interim condensed consolidated income statement	<b>15,334</b>	<b>(293)</b>	<b>2,822</b>	<b>(22)</b>	<b>17,841</b>
Payment	–	–	<b>(5,625)</b>	–	<b>(5,625)</b>
Credited to other comprehensive income – exchange reserve	<b>(247)</b>	<b>(3)</b>	–	–	<b>(250)</b>
<b>As at 30 June 2018</b>	<u><b>908,706</b></u>	<u><b>480</b></u>	<u><b>2,822</b></u>	<u><b>1,064</b></u>	<u><b>913,072</b></u>



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 23 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
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Net assets attributable to unitholders	<u>2,377,861</u>	<u>2,404,023</u>
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As at 30 June 2018, the net assets attributable to unitholders per unit of RMB2.4808 is calculated by dividing the net assets attributable to unitholders of RMB2,377,861,000 by the number of unit in issue of 958,500,829 (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 unit in issue of 958,500,829).

The movements on the net assets attributable to unitholders are as follows:

	Unaudited Six months ended 30 June 2017	
	Number of units	Net assets attributable to unitholders RMB'000
<b>Opening balance</b>	951,301,342	2,371,097
Issuance of units	7,199,487	15,204
Profit for the period	–	46,803
Distribution paid to unitholders during the period	–	(79,497)
Exchange gains on translation of financial statements	–	5,481
<b>Closing balance</b>	<u>958,500,829</u>	<u>2,359,088</u>

	Unaudited Six months ended 30 June 2018	
	Number of units	Net assets attributable to unitholders RMB'000
<b>Opening balance</b>	<b>958,500,829</b>	<b>2,404,023</b>
Profit for the period	–	27,114
Distribution paid to unitholders during the period (a)	–	(51,269)
Exchange losses on translation of financial statements	–	(2,007)
<b>Closing balance</b>	<u>958,500,829</u>	<u>2,377,861</u>

(a) The distribution with amount of RMB51,269,000 represents the final distribution for the period from 1 July 2017 to 31 December 2017, which was paid to the unitholders on 25 May 2018.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

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

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

	Unaudited Six months ended 30 June	
	2018	2017
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	<u>27,114</u>	<u>46,803</u>
Weighted average number of units in issue ('000)	<u>958,501</u>	<u>952,216</u>
Basic earnings per unit (RMB)	<u>0.0283</u>	<u>0.0492</u>

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

## 25 DISPOSAL OF SUBSIDIARIES

On 1 June 2017 (the "Disposal Date"), New Century REIT disposed the entire registered capital of Lishui Full Wise Hotel Management Limited (together with its subsidiary as the "Disposal Group"), which owned Shanghai Hotel. The following table summarises the consideration received and the carrying value of net assets disposed 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 and the total consideration in relation to the disposal was included in "Other (losses)/gains – net" of the interim condensed consolidated income statement.

The expenses and income tax incurred in connection with the disposal were charged to the "Operating expenses" and "Income tax expense" in the interim condensed consolidated income statement, with amount of RMB1,923,000 (Note 8) and RMB41,338,000 (Note 12) respectively.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 25 DISPOSAL OF SUBSIDIARIES (CONTINUED)

The Divestment Fee paid to the REIT Manager and the Trustee with amounts of RMB4,386,000 (Note 9) and RMB62,000 respectively, were also charged to the “Operating expenses” in the interim condensed consolidated income statement.

	<b>Carrying value RMB'000</b>
<b>Net assets of the Disposal Group at the Disposal Date</b>	
Investment property ( <i>Note 13</i> )	880,000
Amounts due from related parties	91,332
Trade and other receivables and prepayments	527
Property, plant and equipment	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 ( <i>Note 22</i> )	(122,310)
	853,134
<b>Net assets disposed</b>	<b>853,134</b>
Gains on disposal of subsidiaries ( <i>Note 10</i> )	24,147
	877,281
Total consideration for the disposal satisfied by cash	877,281
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 ( <i>Note 12</i> )	(41,338)
Cash and cash equivalents in the Disposal Group	(54,184)
	781,759

- (a) 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 consolidated distribution statement for the six months ended 30 June 2017, as those items were all adjusted as unrealised gains in previous years' consolidated distribution statements.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 26 COMMITMENTS

### Capital commitments

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
In respect of investment properties, contracted but not provided for	<u>2,168</u>	<u>348</u>

## 27 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 27 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

### (a) Nature of relationship with connected/related parties

The table set forth below summarises the names of the connected/related parties and nature of their relationship with the Group as at 30 June 2018.

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 Zhijiang Cleaning Chain Limited	Associated corporation of significant holder of New Century REIT and Director
Hangzhou New Century Decorating Limited	Associated corporation of significant holder of New Century REIT
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
Zhejiang New Century Hotel Management Co., Ltd. and other members of its group (together, the "Hotel Group")	Associated corporation of significant holder of New Century REIT and Director
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 and Director
Shanghai New Century Enterprise Operation Management Limited	Associated corporation of significant holder of New Century REIT
The REIT Manager	The manager of New Century REIT
The Trustee	The trustee of New Century REIT
The Savills	The principal valuer of New Century REIT

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 27 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

#### *Rental income received/receivable from:*

	Unaudited	
	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
The Hotel Group	<b>109,983</b>	109,132
New Century Grand Hotel Kaifeng Business Company Limited	<b>11,000</b>	11,000
New Century Tourism Group Limited	<b>999</b>	999
Hangzhou New Century Real Estate Group Limited	<b>931</b>	931
Hangzhou New Century Senbo Tourism Investment Limited	<b>180</b>	180
Hangzhou New Century Zhijiang Cleaning Chain Limited	<b>66</b>	66
Hangzhou New Century Decorating Limited	<b>61</b>	61
Hangzhou New Century Information System Engineering Limited	<b>27</b>	27
Shanghai Songjiang New Century Grand Hotel Limited	-	18,992
Shanghai New Century Enterprise Operation Management Limited	-	2,706
Hangzhou New Century International Tourism Limited	-	93
	<b>123,247</b>	144,187

#### *Rental deposit received from:*

	Unaudited	
	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
The Hotel Group	<b>109</b>	469
Hangzhou New Century Senbo Tourism Investment Limited	-	67
	<b>109</b>	536



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 27 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

#### *Other connected party transactions:*

	Unaudited	
	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
REIT Manager fee paid/payable to the REIT Manager	12,897	18,197
Trustee fee paid/payable to the Trustee	552	622
Valuation fee paid/payable to Savills	307	390
Interest expense paid to Celestial Gate Limited	-	2,849
	<b>13,756</b>	<b>22,058</b>

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

#### *Trade receivables due from:*

	Unaudited	Audited
	30 June	31 December
	2018	2017
	RMB'000	RMB'000
The Hotel Group	15,576	19,920
New Century Grand Hotel Kaifeng Business Company Limited	2,419	1,833
	<b>17,995</b>	<b>21,753</b>

As at 30 June 2018 and 31 December 2017, all the trade receivables due from related parties were pledged as collateral for the Group's bank borrowings (Note 21).

#### *Other receivables due from:*

	Unaudited	Audited
	30 June	31 December
	2018	2017
	RMB'000	RMB'000
REIT Manager	33	29
Huge Harvest International Limited	-	278
	<b>33</b>	<b>307</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 27 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

#### Trade payables due to:

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Hangzhou New Century Decorating Limited	-	11

#### Other payables due to:

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
New Century Grand Hotel Kaifeng Business Company Limited	22,000	22,000
The Hotel Group	21,012	20,903
The REIT Manager	12,897	13,706
New Century Tourism Group Limited	466	466
Hangzhou New Century Real Estate Group Limited	434	434
Hangzhou New Century Senbo Tourism Investment Limited	67	67
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 (i)	523	512
Savills (i)	302	255
Hangzhou New Century International Tourism Limited	-	65
	<b>57,779</b>	<b>58,486</b>

- (i) Other payables due to the Trustee and Savills are recorded in "Trade and other payables" of the interim condensed consolidated balance sheet.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 27 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

#### *Advances from customers:*

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
New Century Tourism Group Limited	167	–
The Hotel Group	155	311
Hangzhou New Century Real Estate Group Limited	155	155
Hangzhou New Century Senbo Tourism Investment Limited	30	30
Hangzhou New Century Zhijiang Cleaning Chain Limited	11	11
Hangzhou New Century Decorating Limited	10	10
Hangzhou New Century Information System Engineering Limited	5	5
Hangzhou New Century International Tourism Limited	–	20
	<u>533</u>	<u>542</u>

### (d) Key management compensation

There was no key management compensation for the six months ended 30 June 2018 and 2017.

### (e) Director's emoluments

No directors' emoluments were paid for or payable by the Group for the six months ended 30 June 2018 and 2017.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 28 FUTURE MINIMUM RENTAL RECEIVABLES

As at 30 June 2018, the Group has future minimum rental receivables under non-cancellable leases as follow:

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Within one year	<b>266,023</b>	273,644
Between one year and five years	<b>923,597</b>	940,587
Over five years	<b>259,011</b>	374,364
	<b><u>1,448,631</u></b>	<u>1,588,595</u>

## 29 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

According to the master hotel lease and management agreement of the Initial Hotel Properties, the base rent for the sixth lease year from 10 July 2018 to 9 July 2019 ("New Base Rent") shall be determined by a jointly appointed valuer. Accordingly, Savills Real Estate Valuation (Guangzhou) Limited Shanghai Branch was engaged. Based on its valuation report, the New Base Rent amounts to RMB200,000,000.



# PERFORMANCE TABLE

As at 30 June 2018

	(Unaudited) As at 30 June				
	2018	2017	2016	2015	2014
Net assets attributable to Unitholders (RMB'000)	<b>2,377,861</b>	2,359,088	2,320,058	2,508,161	2,312,556
Net assets attributable to Unitholders per Unit (RMB)	<b>2.4808</b>	2.4612	2.4545	2.6790	2.9807
(Equivalent to HK\$) (Note a)	<b>2.9425</b>	2.8358	2.8718	3.3972	3.7550
The highest premium of the traded price to net assets attributable to Unitholders per Unit (%) (Note b)	<b>N/A</b>	N/A	4.46%	N/A	3.86%
The highest discount of the traded price to net assets attributable to Unitholders per Unit (%) (Note b)	<b>27.61%</b>	24.54%	24.09%	11.69%	13.45%
Distribution yield per Unit (including special distribution (if any)) (Note c)	<b>2.74%</b>	4.00%	4.05%	3.52%	4.23%
Number of Units in issue (Units) at the end of the reporting period	<b>958,500,829</b>	958,500,829	945,215,252	936,217,873	775,840,504
Gearing ratio (Note d)	<b>39%</b>	41%	40%	33%	28%
Gross liabilities as a percentage of gross assets (Note e)	<b>57%</b>	59%	58%	51%	48%

## Notes:

- a. Unless indicated otherwise, Hong Kong dollar amounts disclosed above are calculated based on the exchange rate at the end of each reporting period. The exchange rate as at 30 June 2018 was HK\$1=RMB0.8431.
- b. The highest premium is calculated based on the Unit's highest traded price of HK\$2.45 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the six months ended 30 June 2018. The highest discount is calculated based on the Unit's lowest traded price of HK\$2.13 on the Stock Exchange during the six months ended 30 June 2018.  
  
As the Unit's highest traded price during the six months ended 30 June 2018 of HK\$2.45 was lower than the net assets attributable to Unitholders per Unit as at 30 June 2018, no premium of the highest traded price to net asset attributable to Unitholders per Unit was presented.
- c. Distribution yield per Unit for the six months ended 30 June 2018 is calculated based on total distribution per Unit of RMB0.0522 (equivalent to HK\$0.0597 at an exchange rate of HK\$1=RMB0.8744) over the closing price of HK\$2.18 on 29 June 2018.
- d. Gearing ratio is calculated based on the total borrowings, comprising the bank borrowings excluding transaction costs and loan from a related party (if any), over total assets as at the end of each reporting period.
- e. 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 each reporting period.

# CORPORATE INFORMATION

## THE REIT MANAGER AND REGISTERED OFFICE

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

## BOARD OF DIRECTORS OF THE REIT MANAGER

JIN Wenjie  
*(Chairman and Non-executive Director)*  
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

## APPROVED PERSON OF THE REIT MANAGER

CHEUNG Yat Ming

## COMPANY SECRETARY OF THE REIT MANAGER

YU Hoi Zin

## TRUSTEE

DB Trustees (Hong Kong) Limited

## AUDITORS

PricewaterhouseCoopers

## PRINCIPAL VALUER

Savills Valuation and Professional Services Limited

## LEGAL ADVISOR

Dechert

## UNIT REGISTRAR

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PROPERTY MANAGER

Zhejiang New Century Hotel Management Co., Ltd.

## STOCK CODE

1275

## WEBSITE

[www.ncreit.com](http://www.ncreit.com)



# DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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 company incorporated in the PRC on 13 November 2007 and a wholly owned subsidiary of New Century REIT.
Connected Person(s)	has the meaning ascribed to it in the REIT Code.
Director(s)	the director(s) 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	means, 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.
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 ultimately owned as to 83.90%, 9.29% and 6.81% by Mr. Chen Miaolin, Mr. Chen Canrong and Mr. Zhang Guanming, respectively, as at 30 June 2018.
Kaifeng Hotel	New Century Grand Hotel Kaifeng (開封開元名都大酒店).
Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented and/or otherwise modified from time to time.
New Century 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, a wholly-owned subsidiary of New Century REIT.



## DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

New Century Hotel Management	Zhejiang New Century Hotel Management Co., Ltd.* (浙江開元酒店管理股份有限公司), a company incorporated in the PRC on 17 December 2008
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 company incorporated in the PRC on 1 December 2004 and a wholly-owned subsidiary of New Century REIT.
Offering Circular	offering circular of New Century REIT dated 24 June 2013 and as supplemented on 29 June 2013.
PRC or China	the People's Republic of China, excluding, for the purposes of this report only, the Hong Kong Special Administrative Region of the PRC, the Macao 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, Kaifeng New Century Grand and New Century Netherlands I as at 30 June 2018.
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 company incorporated in the PRC on 15 January 2001 and a wholly owned subsidiary of New Century REIT.
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, including but not limited to published practice statements or in any particular case, by specific written guidance issued or exemptions or waivers granted by the SFC from time to time.
SFC	the Securities and Futures Commission of Hong Kong.



## DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

SFO	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) as amended, supplemented or otherwise modified and the rules thereunder.
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) or 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 30 June 2018, includes SPV (BVI), SPV(HK), Sky Town, Strong Tower, Full Wise HK, New Century REIT Hong Kong I, New Century Europe and the Property Companies.
SPV (BVI)	Spearhead Global Limited, a company incorporated in the British Virgin Islands on 8 March 2013 and a wholly-owned subsidiary of New Century REIT.
SPV (HK)	Spearhead Investments Limited (銳至投資有限公司), a company incorporated in Hong Kong on 25 March 2013 and a wholly-owned subsidiary of New Century REIT.
sq.m.	square meter.
Strong Tower	Strong Tower Global Limited, a company incorporated in the British Virgin Islands on 13 January 2014 and a wholly-owned subsidiary of New Century REIT.
substantial shareholder	has the meaning ascribed to this term under the Listing Rules.
Trust Deed	the trust deed dated 10 June 2013 entered into between the Trustee and the REIT Manager constituting New Century REIT and as amended by the supplemental trust deed dated 20 June 2013 and the second supplemental trust deed dated 15 June 2015 (as may be further amended and supplemented from time to time).
Unit(s)	unit(s) of New Century REIT.
Unitholder(s)	holders of the Units from time to time.

## DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

Xiaoshan Hotel Company	Zhejiang Spearhead Investment Limited* (浙江銳至投資股份有限公司, previously 浙江蕭山賓館股份有限公司), a joint stock company (non-listed) established in the PRC on 8 September 1994, which is owned as to approximately 95.46% by Zhejiang New Century Hotel, and approximately 4.54% by 28 other independent third parties.
Zhejiang New Century Hotel	Zhejiang New Century Hotel Investment and 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 and indirectly wholly-owned by New Century REIT.

*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  
GRAND HOTEL HANGZHOU  
杭州開元名都大酒店

NEW CENTURY  
GRAND HOTEL CHANGCHUN  
長春開元名都大酒店

HOLIDAY INN EINDHOVEN  
荷蘭開元假日酒店·埃因霍溫







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

(Stock code: 1275)