



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

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

ANNUAL REPORT 2019



NEW CENTURY REAL ESTATE INVESTMENT TRUST

The audited consolidated financial statements of New Century Real Estate Investment Trust (“**New Century REIT**”) and its subsidiaries (together, the “**Group**”) for the year ended 31 December 2019 (the “**Reporting Period**”), having been reviewed by the audit committee (the “**Audit Committee**”) and disclosures committee (the “**Disclosures Committee**”) of New Century Asset Management Limited (the “**REIT Manager**”), were approved by the board of directors of the REIT Manager (the “**Board**”) on 24 March 2020.

LONG-TERM OBJECTIVES AND STRATEGY

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

New Century REIT is sponsored by New Century Tourism Group Limited (“**New Century Tourism**”) and its subsidiaries (together the “**New Century Tourism Group**”), the largest domestic hotel group according to the number of upscale hotel rooms both in operation and under pipeline in the People’s Republic of China (“**China**” or the “**PRC**”). Ranked the 25th globally in 2018, as published by Hotels Magazine in July/August 2019, Zhejiang New Century Hotel Management Co. Ltd. (“**New Century Hotel Management**”) together with its subsidiaries (“**New Century Hotel Management Group**”) has about 455 star-rated hotels in operations or under development.

New Century REIT’s portfolio comprised five 5-star hotels and one 4-star hotel as at 31 December 2019, namely,

- New Century Grand Hotel Hangzhou (杭州開元名都大酒店);
- New Century Resort Qiandao Lake Hangzhou (杭州千島湖開元度假村);
- New Century Grand Hotel Ningbo (寧波開元名都大酒店);
- New Century Grand Hotel Changchun (長春開元名都大酒店);
- New Century Hotel Xiaoshan Zhejiang (浙江開元蕭山賓館); (collectively, the “**Initial Hotel Properties**”) and
- New Century Grand Hotel Kaifeng (開封開元名都大酒店) (the “**Kaifeng Hotel**”) (together, the “**Hotel Properties**”).

Altogether they have an aggregate of 2,375 rooms and 374,586 square meters (“**sq.m.**”) in total gross floor area (“**GFA**”). All Hotel Properties were rated the top 2.0% best hotels in their respective cities by TripAdvisor.com as at 2 March 2020.

CONTENTS

2	Financial Highlights
4	Chairman's Statement
8	Investment Properties Portfolio
16	Major Awards
18	Report of the REIT Manager
29	Group Structure
31	Corporate Governance Report
49	Environmental, Social and Governance Report
65	Connected Party Transactions
71	Disclosure of Interests
73	Directors' Biographical Information
77	Key Personnel's Biographical Information
78	Trustee's Report
79	Valuation Report
109	Independent Auditor's Report
115	Consolidated Income Statement
116	Consolidated Statement of Comprehensive Income
117	Consolidated Balance Sheet
119	Consolidated Distribution Statement
121	Consolidated Statement of Changes in Net Assets Attributable to Unitholders and Equity
122	Consolidated Statement of Cash Flows
123	Notes to the Consolidated Financial Statements
178	Performance Table
179	Summary of Financial Information
181	Corporate Information
183	Definitions and Glossary of Technical Terms

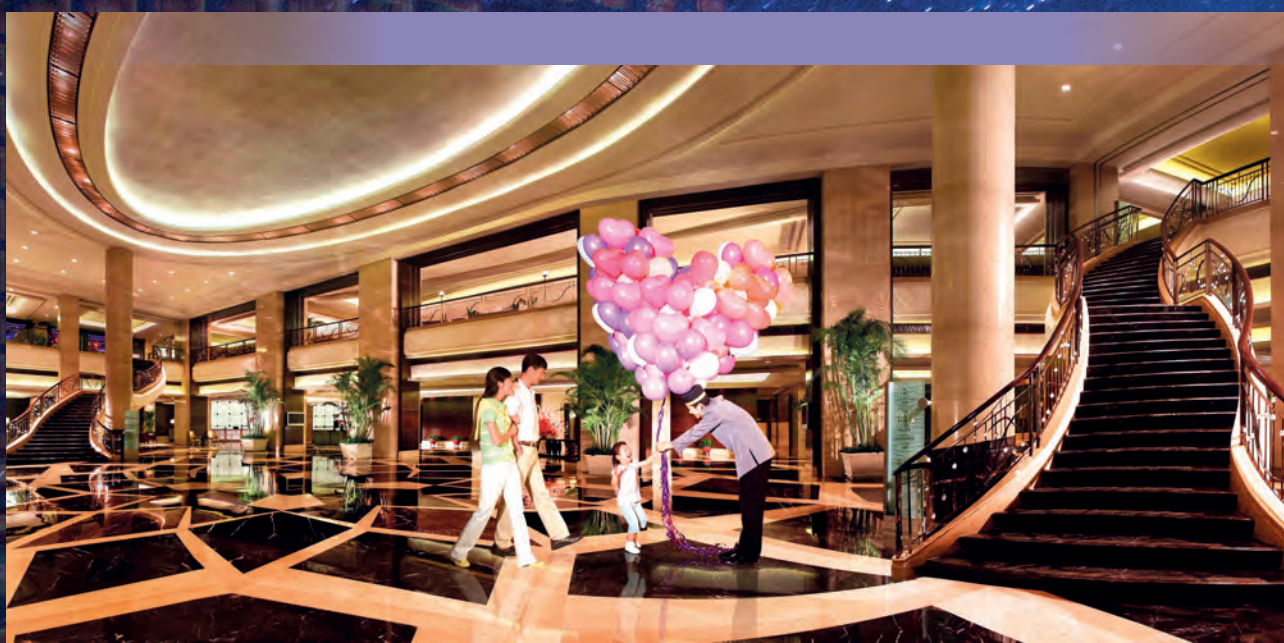


FINANCIAL HIGHLIGHTS

KEY FINANCIAL FIGURES FOR THE REPORTING PERIOD

(expressed in RMB'000 unless otherwise specified)

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000	Percentage (%) Increase/ (Decrease)
Revenue	254,881	275,956	(7.6%)
(Loss)/profit attributable to Unitholders	(37,502)	24,258	(254.6%)
Basic (loss)/earnings per Unit ¹ (RMB)	(0.0388)	0.0253	(253.4%)
Total distributable income for the year	68,877	50,975	35.1%
Interim distribution (including special distribution)	33,826	50,000	(32.3%)
Final distribution	28,163	45,878	(38.6%)
Total distribution for the year	61,989	95,878	(35.3%)
Final DPU ² (RMB)	0.0290	0.0477	(39.2%)
Final DPU ³ (HKD)	0.0319	0.0558	(42.8%)
Total DPU ² (RMB)	0.0640	0.0999	(35.9%)
Total DPU ³ (HKD)	0.0709	0.1155	(38.6%)
Distribution yield ⁴ (%)	4.4%	6.7%	(2.3%)



New Century Grand Hotel Hangzhou - Lobby



New Century Grand Hotel Hangzhou - Grand Dynasty Hall

	As at 31 December 2019	As at 31 December 2018	Percentage (%) Increase/ (Decrease)
NAV per Unit ⁵ (RMB)	2.2964	2.4251	(5.3%)
Gearing ratio ⁶ (%)	39.9%	39.4%	0.5%

Notes:

- Basic (loss)/earnings per Unit is calculated by dividing (loss)/profit attributable to Unitholders of RMB37,502,000 (2018: RMB24,258,000) by the weighted average number of Units in issue during the year of 966,318,000 Units (2018: 959,532,000 Units).
- For the year ended 31 December 2019, total distribution per Unit ("DPU") comprised interim DPU of RMB0.0350 (2018 interim DPU: RMB0.0522) and final DPU of RMB0.0290 (2018 final DPU: RMB0.0477).
The interim DPU is calculated by dividing the interim distribution of RMB33,826,000 (2018: RMB50,000,000) by 966,935,143 Units in issue at 30 June 2019 (as at 30 June 2018: 958,500,829 Units).
The final DPU is calculated by dividing the final distribution of RMB28,163,000 (2018: RMB45,878,000) by 971,128,484 Units in issue as at 31 December 2019 (as at 31 December 2018: 962,464,398 Units).
- Unless indicated otherwise, amounts specified in Hong Kong dollars ("HKD") are based on an exchange rate of HKD1=RMB0.8958 as at 31 December 2019 (as at 31 December 2018: HKD1=RMB0.8762) while amounts specified in United States dollars ("USD") are based on an exchange rate of USD1=RMB6.9762 as at 31 December 2019 (as at 31 December 2018: USD1=RMB6.8632).
- Distribution payable to Unitholders is paid in HKD. The exchange rates adopted by the REIT Manager for the interim and final distribution of 2019 are HKD1=RMB0.8973 (2018: HKD1=RMB0.8744) and HKD1=RMB0.9092 (2018: HKD1=RMB0.8550) respectively, which are the average closing exchange rates as announced by the People's Bank of China for the five business days preceding the date of declaration of distribution.
- Distribution yield is calculated based on total DPU of HKD0.0709 for 2019 (2018: HKD0.1155) over the closing market price of the Unit of HKD1.60 on 31 December 2019 (2018: HKD1.72 on 31 December 2018).
- Net assets attributable to Unitholders per Unit ("NAV per Unit") is calculated by dividing net assets attributable to Unitholders of RMB2,230,080,000 (2018: RMB2,334,110,000) by the total number of Units in issue as at 31 December 2019 of 971,128,484 Units (as at 31 December 2018: 962,464,398 Units).
- Gearing ratio is calculated based on the total gross borrowings excluding transaction costs over total assets as at the end of the Reporting Period.

CHAIRMAN'S STATEMENT

Jin WenJie
Chairman



Dear Unitholders,

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

In November 2019, New Century REIT had completed the disposal of the Holiday Inn Eindhoven ("**Netherlands Hotel**") at a gain of approximately RMB70 million. Under current market sentiment, it is appropriate to realise part of New Century REIT's investment portfolio to strengthen the working capital to meet its financial obligations and finance assets enhancement as well as other potential future investment with higher growth potential, as and when such opportunity arises. Besides, the Group entered into a 3-year new syndicated term loans in June 2019 and secured ample capital. In addition, the high base rent income structure still demonstrated the downside protection to our Unitholders for receiving a stable distribution. Based on the closing market price of the Unit of HKD1.60 on 31 December 2019, our 2019 distribution yield was 4.4% per annum.

Due to the unprecedented outbreak of the novel coronavirus disease ("**COVID-19**"), at the beginning of 2020, most citizens in China are confined at home. To ensure the health and safety of hotel employees, customers and the community at large, our Hotel Properties have substantively suspended operations for about one to two months and successively resumed guest room reservation since late February and providing dine in catering starting from March. It is expected that domestic retail expenditure, especially on luxury retail, leisure and beverages will be severely affected and deteriorated in the first quarter of 2020 with slow recovery in the second quarter when epidemic situation is gradually ease and put under control by the Chinese government.

To mitigate the potential economic slip, China's Central Bank has provided RMB1.7 trillion in additional liquidity to the money markets, established a RMB300 billion special re-lending funds with preferential rates to specific enterprises and lowered lending rates to support companies and overall economic growth. The government has also come out with a series of focused fiscal and monetary policies including tax reductions and subsidies to ease the economic losses. We expect overall economy including domestic retail expenditure will recover in medium term and will not heavily affect overall economy in long term.

Thanks to continued growth in disposable income and improving experiences and services provided by market players, China domestic tourism market has grown in term of number of tourists and revenue recent years. In 2019, domestic tourists were about 6 billion, hiked by 8.4% year-on-year ("**YoY**") while domestic tourism revenue added up to around RMB5,725 billion, jumped by 11.7% YoY. Inbound tourists amounted to approximately 145 million of which about 66 million were overnight visitors, increased by 4.5% YoY. International tourism revenue amounted to about USD131 billion, up 3.3% YoY. The comprehensive contribution of tourism to GDP was RMB10.94 trillion, accounting for 11.05% of the total GDP.

Our unique high-base-rent, long-term hotel operating lease structure has continued to demonstrate resilient financial performance with downside protection. The rental guarantee from New Century Tourism together with the bank guarantee or one-year rental deposit for our Hotel Properties also offered strong protection against rental collectability risk.



CHAIRMAN'S STATEMENT

New Century x DEV
& KEEP - Press
Conference



In March 2019, our lessee New Century Hotel Management was listed on the main board of the Hong Kong Stock Exchange, which substantially promotes the brand name of “New Century” and enhances our lessee’s capital strength and transparency of operation and management which are beneficial to the Group.

By the end of 2019, New Century Hotel Management Group has opened and to be opened a total of 455 hotels throughout China’s 91 cities and autonomous regions. By well utilising the extensive network of 216 hotels already in operation and its comprehensive management experiences, New Century Hotel Management Group manages its hotel properties in a cost-effective manner to accomplish a bettering performance. Besides, New Century Hotel Management Group’s Century Club loyal memberships rose about 36% YoY to approximately 10.5 million in 2019, which significantly expanded the customer base and the potential customers’ awareness of the brand. It definitely benefits the businesses for the Hotel Properties.



Members of Century Club reach over 10 million

PROSPECTS

2020 is the presidential election year in US and Brexit transition year, together with the outbreak of COVID-19, global economic and political environments will likely remain volatile and the market is expected to be uncertain. To mitigate the impact to the economy, China's government quickly came out with a series of focused fiscal and monetary policies including tax concessions for companies that are directly affected by the COVID-19 outbreak, such as tourism and catering, reduction of loan prime interest rates and restoring the market confidence through greater publicity and public scrutiny. Furthermore, numerous countries including United States of America, United Kingdom, Japan, Australia and etc also rolled out financial supporting schemes or stimulus plans to counter the negative economic impact of COVID-19.

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

In order to overcome the aftermath of COVID-19, our Hotel Properties will further improve the service quality and cleanliness through disinfection measures throughout the guest rooms, restaurants and all public areas. Our Hotel Properties should continue to offer high cash yield in addition to downside protection by guaranteed base rent leasing structure.

格力电器-开元旅业战略合作签约仪式



Signing Ceremony of Gree Electric Appliances, Inc. and New Century

We are actively pursuing global investment opportunities for all asset types that deliver long-term stable income to the Unitholders. The importance of broadening our asset base remains a paramount consideration. We expect to provide New Century REIT with the benefits of income diversification and generate sustainable returns for our Unitholders.

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

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

Jin Wenjie
 Chairman
 Hong Kong, 24 March 2020

INVESTMENT PROPERTIES PORTFOLIO

STRATEGIC LOCATIONS



XIAOSHAN, HANGZHOU

Regional advantages

- Hangzhou is the capital of Zhejiang Province and a major tourist city in China
- Xiaoshan District is the industrial base of Hangzhou and China's 5th most economically prosperous district in 2019

Hotel location advantages

- Located in CBD of Xiaoshan
- Proximity to Xiaoshan Economic & Technology Zone and Xiang Lake
- Only 30 minutes' drive from the airport
- Next to Hangzhou metro line 2 connecting downtown Hangzhou

QIANDAO LAKE, HANGZHOU

Regional advantages

- National 5A Tourist Attraction
- The largest national forest park in China, the 'International Garden City'
- Hangzhou-Huangshan high-speed railway opened in December 2018

Hotel location advantages

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

YINZHOU, NINGBO

Regional advantages

- Ningbo is the core logistics and trading hub in southern Yangtze River Delta region
- Yinzhou District, Ningbo ranked China's 4th most economically prosperous district in 2019
- Southern Business District as new growth engine

Hotel location advantages

- Close to Southern Business District, which is under rapid development and expansion
- Close proximity to airport and railway station; easily accessible to Shanghai via Hangzhou Bay Bridge
- Distant from newly constructed 5-star hotels in city center and Eastern New Town of Ningbo



CHANGCHUN

Regional advantages

- Automobile hub of China
- Home to one of the China's largest auto makers – China FAW Group Corporation and it is China's high speed railway development center
- Transportation infrastructure upgrades in place

Hotel location advantages

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



KAIFENG

Regional advantages







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

Hotel location advantages

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

INVESTMENT PROPERTIES PORTFOLIO

All of our Hotel Properties were rated the top 2.0% best hotels in the respective cities by TripAdvisor.com as of 2 March 2020.

	Location	Commencement of Operations	Rating	Total GFA (Square Meters)	Number of Rooms	Total Available Seats ⁽²⁾	GFA of Banquet Rooms (Square Meters)	
New Century Grand Hotel Hangzhou	No.818, Middle Shixin Road, Xiaoshan District, Hangzhou, Zhejiang Province	January 2005	5-Star	130,105	699	4,750	4,636	
New Century Hotel Xiaoshan Zhejiang	No. 77, Renmin Road, Xiaoshan District, Hangzhou, Zhejiang Province	January 1988	4-Star	39,835	375	2,050	1,337	
New Century Resort Qiandao Lake Hangzhou	Qilin Peninsular, Qiandao Lake, Chun'an County, Hangzhou, Zhejiang Province	April 2004	5-Star	39,402	227	1,962	1,961	
New Century Grand Hotel Ningbo	No. 666 Middle Shounan Road, Yinzhou District, Ningbo, Zhejiang Province	December 2007	5-Star	66,107	392	2,356	1,890	
New Century Grand Hotel Changchun	No. 2299, Jingyangda Road, Lvyan District, Changchun, Jilin Province	December 2008 ⁽¹⁾	5-Star	45,625	326	1,918	1,892	
New Century Grand Hotel Kaifeng	No. 1 Zhengkai Road, New District, Kaifeng, Henan Province	August 2007	5-Star	53,512	356	2,425	2,083	
Total				374,586	2,375	17,148	13,835	

Notes:

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



New Century Grand Hotel Hangzhou
(杭州開元名都大酒店)

New Century Hotel Xiaoshan Zhejiang
(浙江開元蕭山賓館)

New Century Grand Hotel Hangzhou is the tallest hotel and one of the largest 5-Star hotels in Zhejiang Province. New Century Hotel Xiaoshan Zhejiang is an upscale 4-Star hotel with a long history, strong reputation and stable customer base. Both New Century Grand Hotel Hangzhou and New Century Hotel Xiaoshan Zhejiang are located in Xiaoshan District, Hangzhou. Hangzhou is the capital of Zhejiang Province and is one of the most important central cities in the Yangtze River Delta and a transportation hub in eastern China. Xiaoshan District is the industrial base of Hangzhou and is one of China's most economically prosperous regions at the municipal district level. Both New Century Grand Hotel Hangzhou and New Century Hotel Xiaoshan Zhejiang are within close proximity to the Xiaoshan International Airport, the only commercial airport in Hangzhou. They are located close to a subway station of metro line 2 that was completed in November 2014. The customer base of these hotels was expanded as the subway line effectively brings the two hotels much closer to the city center and the popular tourist destination – West Lake. In addition, Xiaoshan District was highly recognised globally since 2016 G20 Hangzhou Summit as the conference venue was in Xiaoshan District. The 2016 G20 Hangzhou Summit was the first ever G20 summit hosted in China.



INVESTMENT PROPERTIES PORTFOLIO

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

New Century Resort Qiandao Lake Hangzhou was the first 5-Star resort hotel opened in Hangzhou. Located on Qilin peninsula, the hotel enjoys unobstructed view looking over the Qiandao Lake. As a National 5A Tourist Attraction recognised by China National Tourism Bureau, Qiandao Lake is a prominent leisure destination in eastern China. Since the opening of the high-speed railway, Hang-Huang Line (杭黃高鐵), in December of 2018, it shortens the traveling time between Qiandao Lake and Hangzhou or Huangshan.





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

New Century Grand Hotel Ningbo was the first 5-Star hotel opened in Yinzhou District, Ningbo. Ningbo is the core logistics and trading hub in southern Yangtze River Delta region and has the second largest GDP among all cities in Zhejiang Province. The Ningbo Zhoushan Port (舟山港) ranks number one among the world's ports in terms of cargo throughput in 2019. Yinzhou District is one of Ningbo's major industrial and educational zones. New Century Grand Hotel Ningbo is in close proximity to the Ningbo Lishe International Airport, the only commercial airport in Ningbo.





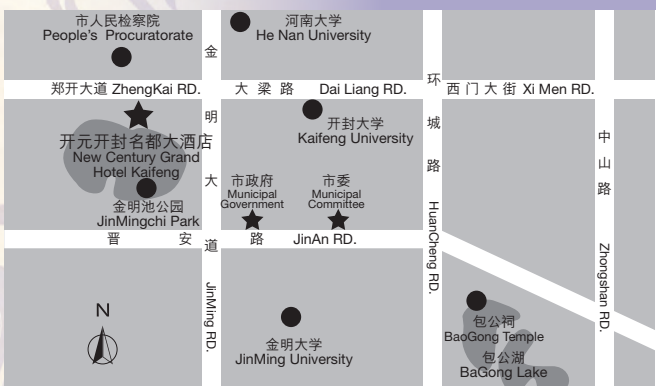
New Century Grand Hotel Changchun (長春開元名都大酒店)

New Century Grand Hotel Changchun commenced operation in December 2008 with advanced amenities and facilities. The hotel is a luxury 5-Star hotel located in Lv Yuan District of Changchun. Changchun is the capital of Jilin Province and an important industrial base with a particular focus on the automobile sector. New Century Grand Hotel Changchun is in close proximity to the China FAW Group Corporation, one of China's largest vehicle producers, and CNR Changchun Railway Vehicles Co., Ltd. which is a subsidiary of China CNR Corporation Limited and is China's major producer of high-speed railway passenger cars and subway cars. New Century Grand Hotel Changchun has established a long-term cooperative relationship with China FAW Group Corporation and CNR Changchun Railway Vehicles Co., Ltd., which brings steady demand from business travelers. New Century Grand Hotel Changchun is well positioned to capture market share from business travelers, including those who travel to the China FAW Group Corporation and CNR Changchun Railway Vehicles Co., Ltd., and participants of the China-Northeast Asia Expo (中國-東北亞博覽會) which is held every August/September in Changchun since 2005.



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

New Century Grand Hotel Kaifeng is the first 5-star hotel in the area with its unique location and view of Kaifeng. It is located in the core area of Kaifeng New District and between the old town and the New District. The hotel has good accessibility to many parts of Kaifeng. Situated about 70 kilometres from Zhengzhou to the west, the hotel is expected to benefit from the development of Kaifeng and the "Integration of Zhengzhou and Kaifeng" (鄭汴一體化). The hotel is located within an hour's drive from Zhengzhou Xinzheng International Airport. It is connected to Zhengzhou and other areas via expressways.

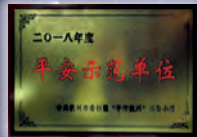


MAJOR AWARDS

NEW CENTURY GRAND HOTEL HANGZHOU

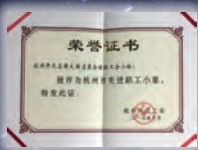


QUALITY HOTEL OF THE YEAR 2018
Hangzhou Tourism Association, Hangzhou
Hotels Industry Association, Hangzhou
Travel Agencies Association, Hangzhou
B&B Industry Association
Jan 2019



SAFETY DEMONSTRATION ENTITY OF THE YEAR 2018
The Leading Group of "Safe Hangzhou" under the Hangzhou
Committee of the Chinese Communist Party
Jan 2019

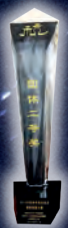
FEAST & 2018-2019 CHINA BEST RESTAURANT (PALACE)
Travel+Leisure Restaurant Review
Apr 2019



2018 HANGZHOU ADVANCED STAFF'S HOME (BANQUET GROUP)
Hangzhou Federation of Trade Unions
May 2019



THE 70TH ANNIVERSARY OF THE FOUNDING OF THE PRC-OUTSTANDING CONTRIBUTION TO ZHEJIANG'S FOOD AND BEVERAGE INDUSTRY AWARD
Zhejiang Catering Industry Association
Sep 2019



2019 HANGZHOU HOSPITALITY INDUSTRY SERVICE SKILLS COMPETITION-TEAM SECOND PRIZE
Culture, Radio, TV and Tourism Bureau of Hangzhou, Human Resources
and Social Security Bureau of Hangzhou and Hangzhou Federation of Trade Unions
Nov 2019

2019 ZHEJIANG HOSPITALITY INDUSTRY SERVICE SKILLS COMPETITION-TEAM THIRD PRIZE
Zhejiang Provincial Department of Culture and Tourism
Nov 2019

NEW CENTURY HOTEL XIAOSHAN ZHEJIANG

CERTIFICATION FOR HARMONIOUS CORPORATE LABOR RELATIONS
Hangzhou Xiaoshan District Social Responsibility
(Enterprises with Harmonious Labor Relations) Leading Group
Feb 2019

THE PRIZE OF NATIONAL DIAMOND RATED RESTAURANT SIGNATURE DISH WON BY OUR "BRAISED DALIAN ABALONE WITH PIG FEET"
National Hotel Restaurant Rating Committee
Oct 2019

MEITUAN-DIANPING CONSUMERS' RECOMMENDED HOTEL
Meituan Hotels
Nov 2019

NEW CENTURY GRAND HOTEL NINGBO

2019 PROVINCIAL GOLDEN QUALITY HOTEL
Zhejiang Tourist Hotel Star-Rating Committee
Dec 2019

NEW CENTURY GRAND HOTEL CHANGCHUN

2018-2019 MILLIONS OF FANS' FAVOURITE HOTEL
Eating in Changchun
Mar 2019



"OUTSTANDING SUPPORTING ENTITY" IN THE 70TH ANNIVERSARY OF
THE FOUNDING OF THE PLA AIR FORCE OPEN EVENT • CHANGCHUN AIR SHOW
Air Force Aviation Open Event Activities Office
Oct 2019



NEW CENTURY GRAND HOTEL KAIFENG

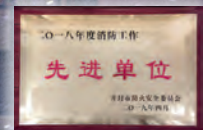
2019 CTRIP.COM WORD OF MOUTH FAVORITE HOTEL (PARENT-CHILD GROUP)
CTrip.com
Jan 2019

2019 HENAN MOST BEAUTIFUL GUEST ROOM STAR HOTEL
NetEase
Jan 2019

2019 ENTITY OF INTEGRITY LIST SELECTION CAMPAIGN OF KAIFENG
Kaifeng Daily Newspaper Agency
Mar 2019



2018 ADVANCED ENTITY IN RESPECT OF FIRE SAFETY
Kaifeng Fire Safety Commission
Apr 2019



TOP 10 NEW MOST REPRESENTATIVE PLACE OF KAIFENG
Culture, Radio, TV and Tourism Bureau of Kaifeng,
Kaifeng Cultural Relics Bureau, Henan Cultural and Tourism Research Institute of
Henan University, Kaifeng Daily Newspaper Agency
May 2019



CITY-LEVEL CIVILIZED AND HONEST ENTERPRISE
Kaifeng Commission for Guiding Cultural and Ethical Progress
Oct 2019



REPORT OF THE REIT MANAGER

Dear Unitholders,

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

KEY FINANCIAL HIGHLIGHTS

Revenue and total distribution of New Century REIT for the Reporting Period were RMB255 million (2018: RMB276 million) and RMB62 million (2018: RMB96 million including a special distribution of RMB50 million) respectively. Revenue from the Hotel Properties and the Holiday Inn Eindhoven (the “**Netherlands Hotel**”) decreased by 7.6% YoY, which was mainly attributable to the decrease in Base Rent for Initial Hotel Properties and the disposal of the Netherlands Hotel on 28 November 2019. Excluding the special distribution for 2018 interim period, the total distribution based on a payout ratio of 90% for 2019 (2018: 90%) of the total distributable income increased by 35.1% YoY due to the absence of fair value losses on derivative financial instruments in 2018 outweighed by the decrease in revenue and interest income and the realised foreign exchange losses in 2019. The valuation of the Hotel Properties in 2019 was RMB4,612 million, having decreased by 7.4% YoY mainly due to the disposal of the Netherlands Hotel and the decrease in fair value of the Hotel Properties.

On 28 November 2019, New Century REIT completed the disposal of the Netherlands Hotel through the sale of the entire registered capital of New Century Netherlands I B.V. (“**New Century Netherlands**”). The gain on disposal was approximately RMB70 million which was not included in the consolidated distribution statement pursuant to the Trust Deed.

The total DPU for the Reporting Period was RMB0.0640 or equivalent to HKD0.0709 (2018: RMB0.0999 or equivalent to HKD0.1155). The distribution yield was 4.4% based on the closing market price of the Units of HKD1.60 on 31 December 2019.

Revenue of New Century REIT for the Reporting Period was made up of (i) RMB228 million (2018: RMB251 million) rental income in respect of the leases of the Hotel Properties and the Netherlands Hotel and (ii) RMB27 million (2018: RMB25 million) other rental income from the leasing of commercial and office spaces, shopping and recreational areas in the Hotel Properties and the Netherlands Hotel under various individual lease agreements. There were no rental contributions from the Netherlands Hotel since the completion of the disposal with effect from 28 November 2019.

Amid the disappointing market conditions, New Century REIT’s portfolio demonstrated a steady performance in room departmental performance during the Reporting Period with average occupancy rate (“**Occupancy**”) of 66.5%, average daily rate (“**ADR**”) of RMB486 and average F&B spending per customer (“**F&B spending per customer**”) of RMB133 in 2019. In addition, leveraging on the well-established reputation of the “New Century” brand across China and the growth of local corporations, our Hotel Properties have continued to expand their meetings, incentives, conferences and exhibitions businesses.

Prudent cost control measures have been implemented in relation to the Hotel Properties during the Reporting Period, which contributed to relatively stable portfolio core gross operating profit margins. Our high-base rent long-term leases, with either one-year rental bank guarantee or one-year rental deposit for the Hotel Properties help to mitigate any overall hotel market volatility and rental collectability risk.



REPORT OF THE REIT MANAGER

FINANCIAL POSITION

As at 31 December 2019, the Group had in aggregate gross borrowings of RMB2,144 million (as at 31 December 2018: RMB2,223 million) and approximately HKD510 million (equivalent to RMB457 million) (as at 31 December 2018: USD71 million (equivalent to RMB487 million)) out of HKD780 million (equivalent to RMB699 million) (as at 31 December 2018: USD120 million (equivalent to RMB824 million)) revolving loan facilities remained unutilised, providing ample financial resources for the Group. As at 31 December 2019, the valuation of the Hotel Properties, as appraised by Cushman & Wakefield Limited, was RMB4,612 million (as at 31 December 2018: RMB4,979 million). As at 31 December 2019, all of the Group's borrowings were denominated in RMB and HKD (as at 31 December 2018: denominated in RMB and USD).

As at 31 December 2019, the gearing ratio of New Century REIT was approximately 39.9% (as at 31 December 2018: 39.4%), being the ratio of the total gross borrowings of RMB2,144 million (as at 31 December 2018: RMB2,223 million) over the total assets of RMB5,377 million (as at 31 December 2018: RMB5,636 million).

The Group had total cash and cash equivalents and restricted cash of RMB699 million (as at 31 December 2018: RMB594 million), which comprised RMB194 million (as at 31 December 2018: RMB332 million) cash and cash equivalents and RMB505 million (as at 31 December 2018: RMB262 million) restricted cash as at 31 December 2019. New Century REIT possesses sufficient financial resources and loan facilities and receives timely payments of rental income to satisfy its financial commitments and working capital requirements.

In terms of the maturity profile of the total gross borrowings of RMB2,144 million as at 31 December 2019, 14.6% of total borrowings was payable on demand or within one year; 3.4% was between one and two years, 82.0% was between two and three years. These compared respectively to 94.9%, 0% and 5.1% as at 31 December 2018.

FOREIGN CURRENCY EXCHANGE RISK AND INTEREST RATE RISK

The Group's exposure to foreign exchange risk relates principally to its cash and cash equivalents and bank borrowings denominated primarily in HKD. The exchange rate between HKD and RMB has been relatively steady since second half of 2019. The REIT Manager will closely monitor the foreign exchange market and will take appropriate protective actions when necessary. To manage our interest rate risk, the Group had entered into interest rate swaps and interest rate cap with commercial banks, which effectively convert the borrowing interest rates from floating rates to fixed rates and keep the floating interest rate within the cap rate respectively. As at 31 December 2019, the notional principal amount of the outstanding interest rate swaps were HKD250 million and HKD1,661 million or equivalent to RMB224 million and RMB1,488 million respectively (as at 31 December 2018: USD230 million or equivalent to RMB1,579 million) with the fixed interest rate of 4.870% and 4.845% per annum respectively (as at 31 December 2018: 3.11% per annum). In May 2019, the derivative financial instrument relating to interest rate cap with the notional principal amount of EUR13.1 million or equivalent to RMB103 million and interest rate capped at 4.4% per annum was unwound upon the early repayment of a bank borrowing denominated in EUR. The remaining borrowings of approximately RMB432 million (as at 31 December 2018: RMB541 million) were at floating rates. Altogether, as at 31 December 2019, total gross borrowings of approximately RMB1,712 million (as at 31 December 2018: RMB1,579 million) were at fixed rates and approximately RMB432 million (as at 31 December 2018: RMB644 million) were at floating rates.

ASSET ENHANCEMENT

In order to maintain the quality of the Hotel Properties, a number of major capital expenditure and asset enhancement works were completed during the year. At New Century Grand Hotel Hangzhou, substantial guest room renovation had been carried out for a total of eighteen floors; two conference rooms had been upgraded and cleaning and disinfection work for water tank, fresh air pipes and air conditioner fan coil had been completed. At New Century Grand Hotel Ningbo, rooftop waterproof works were undertaken; lightings and curtains in the hotel rooms have been replaced. At Kaifeng Hotel, tiles on roof top have been reinforced; large scale lift maintenance works has been completed and ceiling of gymnastics room and its bathing area have been renovated. At New Century Hotel Xiaoshan Zhejiang, cooling tower and carpet in restaurants have been replaced and the sightseeing elevator has been upgraded. The proactive implementation of asset enhancement initiatives is expected to enhance New Century REIT's product offerings as well as the long-term revenue generating ability of its properties.

KEY HOTEL OPERATING HIGHLIGHTS

During the Reporting Period, Occupancy of the Hotel Properties was 66.5%, having decreased by 0.8 percent point YoY. New Century Resort Qiandao Lake Hangzhou, New Century Grand Hotel Changchun and Kaifeng Hotel demonstrated a solid performance, with Occupancy having increased by 6.2 percent point, 5.3 percent point and 1.6 percent point YoY respectively.

The following tables set forth information on the Occupancy, ADR and average revenue per available room (“RevPAR”) of the Hotel Properties and the Netherlands Hotel for the years ended 31 December 2019 and 2018 respectively.

For the year ended 31 December 2019	Occupancy %	ADR* (excl. Value-Added Tax (“VAT”)) RMB	RevPAR* (excl. VAT) RMB
New Century Grand Hotel Hangzhou	67.6%	505	341
New Century Hotel Xiaoshan Zhejiang	65.1%	339	221
New Century Resort Qiandao Lake Hangzhou	72.8%	654	476
New Century Grand Hotel Ningbo	69.6%	522	363
New Century Grand Hotel Changchun	66.1%	407	269
The Kaifeng Hotel	58.4%	519	303
Weighted Average (6 hotels in the PRC)	66.5%	486	323
Netherlands Hotel**	79.1%	687	536

Notes:

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

** Figures for the Netherlands Hotel are for the period from 1 January 2019 to 27 November 2019, before the effective disposal on 28 November 2019. Amounts denominated in Euro have been converted into RMB using the rate €1=RMB7.7424.

For the year ended 31 December 2018	Occupancy %	ADR* (excl. VAT) RMB	RevPAR* (excl. VAT) RMB
New Century Grand Hotel Hangzhou	69.1%	531	367
New Century Hotel Xiaoshan Zhejiang	73.4%	342	251
New Century Resort Qiandao Lake Hangzhou	66.6%	715	476
New Century Grand Hotel Ningbo	73.3%	532	390
New Century Grand Hotel Changchun	60.8%	467	284
The Kaifeng Hotel	56.8%	550	313
Weighted Average (6 hotels in the PRC)	67.3%	511	344
Netherlands Hotel**	81.3%	685	557

Notes:

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

** Figures for the Netherlands Hotel are for the period from 1 January 2018 to 27 November 2018 for comparison purpose. Amounts denominated in Euro have been converted into RMB using the rate €1=RMB7.8892.

REPORT OF THE REIT MANAGER

During the Reporting Period, the overall F&B Spending Per Customer decreased by 2.9% YoY. The F&B outlet utilisation rate (“**F&B Outlet Utilisation Rate**”) dropped by 2.0 percent point YoY.

The following tables set forth information on the average F&B Spending Per Customer, average F&B Outlet Utilisation Rate and banquet revenue per square meters per day (“**Banquet Revenue Per Sq.M. Per Day**”) at the Hotel Properties for the years ended 31 December 2019 and 2018 respectively.

For the year ended 31 December 2019	F&B Spending Per Customer* (excl. VAT) RMB	F&B Outlet Utilisation Rate %	Banquet Revenue Per Sq.M. Per Day (excl. VAT) RMB
New Century Grand Hotel Hangzhou	185	178%	46
New Century Hotel Xiaoshan Zhejiang	127	125%	56
New Century Resort Qiandao Lake Hangzhou	92	147%	8
New Century Grand Hotel Ningbo	143	184%	45
New Century Grand Hotel Changchun	105	119%	18
The Kaifeng Hotel	99	179%	15
Weighted Average	133	154%	34

Note:

* F&B Spending Per Customer excludes complimentary breakfast for hotel room guests.

For the year ended 31 December 2018	F&B Spending Per Customer* (excl. VAT) RMB	F&B Outlet Utilisation Rate %	Banquet Revenue Per Sq.M. Per Day (excl. VAT) RMB
New Century Grand Hotel Hangzhou	180	186%	64
New Century Hotel Xiaoshan Zhejiang	131	139%	71
New Century Resort Qiandao Lake Hangzhou	97	131%	9
New Century Grand Hotel Ningbo	158	177%	51
New Century Grand Hotel Changchun	114	113%	22
The Kaifeng Hotel	95	181%	15
Weighted Average	137	156%	43

Note:

* F&B Spending Per Customer excludes complimentary breakfast for hotel room guests.

KEY HOTEL OPERATIONAL INITIATIVES

The Hotel Properties have continued to take initiatives to improve revenue, reduce operating expenses and enhance operating efficiency. In order to increase overall hotel revenue, the Hotel Properties had expanded its focus on tour business and online booking through strengthening the connection with online travel agencies (“OTA”) and other travel agents. During the Reporting Period, 23.1% of our revenue was derived from OTA sales channels as compared to 19.5% in 2018. In addition, incentives were offered and various promotional and marketing events were held to promote conferences and banquet business. On the other hand, cost-saving measures were implemented to reduce operating expenses.

NETHERLANDS HOTEL DISPOSAL

On 13 September 2019, New Century REIT, through its wholly-owned subsidiary New Century Europe I S.à.r.l. (“**New Century Europe**”), entered into a share purchase agreement with Somerset Real Estate VI B.V., Horizons III B.V., Zoutelust B.V. and Caerdydd Beheer B.V. (collectively, “**Purchasers**”), for the disposal of the entire registered capital of New Century Netherlands (the “**Disposal**”). The Disposal was completed on 28 November 2019 and New Century REIT ceased to hold any interest in New Century Netherlands, as well as the Netherlands Hotel thereafter.

The gain on disposal was approximately RMB70 million. For further details, please refer to the announcements of New Century REIT dated 13 September 2019, 28 November 2019, 9 December 2019 and 12 February 2020 respectively and the circular of New Century REIT dated 3 October 2019. As a result of the Disposal, the total number of hotel rooms in New Century REIT’s portfolio decreased from 2,582 to 2,375 and total GFA was reduced to 374,586 sq.m.

COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY

The REIT Manager believes that to act responsibly towards the environment, the community and our stakeholders is the key to long term success of our business. Thus, New Century REIT and our lessees have implemented various initiatives to fulfill our environmental, social and governance responsibility during the Reporting Period, such as minimizing emissions or discharges of greenhouse gases, air-borne particulates, waste water, and solid wastes in our daily operations. A discussion on the compliance with relevant laws and regulations is provided in the section headed “Corporate Governance Report” while the discussion on the environmental and social responsibility is provided in the section headed “Environment, Social and Governance Report” in this annual report.

RENTAL STRUCTURE AND BANK GUARANTEE

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

The lease agreements were designed to provide New Century REIT with a visible and stable income stream minimising exposure to hotel industry risks (including cyclicity) by way of the Base Rent (as defined below), being RMB216 million and RMB22 million for the Initial Hotel Properties and the Kaifeng Hotel respectively, for the first five years of the leases, while providing New Century REIT, by way of variable individual rent, with the ability to share a portion of any potential upside in revenue and gross operating profit based on the performance of the hotels.

REPORT OF THE REIT MANAGER

Variable individual rent amounts to the total sum of (i) 20% of each of the relevant hotels' total operating revenue; and (ii) 34% of each of the relevant hotels' gross operating profit.

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

New Century Tourism guarantees the performance of obligations by the Lessees of the Hotel Properties. For the seventh lease period from 10 July 2019 to 9 July 2020 (the “**Lease Year of 2019**”) of the Initial Hotel Properties, Agricultural Bank of China provides an irrevocable guarantee in the amount of RMB200 million (being the amount of the Base Rent for the Lease Year of 2019) in favor of subsidiaries of New Century REIT to cover the payment obligations of the lessees for the Lease Year of 2019. Further, the lessees of the Initial Hotel Properties and the Kaifeng Hotel are required to provide a rental deposit in the amount of RMB20 million and RMB22 million respectively under the respective hotel lease agreements.

On 27 November 2019, Cushman & Wakefield International Properties Advisers (Shanghai) Co., Ltd. (the “**Valuer**”) was appointed as an independent professional property valuer to conduct a rent review to determine the market rental package for the Initial Hotel Properties in respect of the eighth lease period from 10 July 2020 to 9 July 2021 (the “**Lease Year of 2020**”) (the “**2020 Market Rental Package Determination**”). The Market Base Rent for the Lease Year of 2020 as determined by the Valuer was RMB200 million, which is higher than the 85% of Reference Average Rent for the First Four Years with respect to the Initial Hotel Properties.

The Valuer also reviewed the market rental package for the Kaifeng Hotel in respect of the sixth to tenth lease period from 31 July 2020 to 30 July 2025 (the “**Lease Year of 2020 to 2024**”) (the “**2020 to 2024 Market Rental Package Determination**”). The Market Base Rent for the Lease Year of 2020 to 2024 as determined by the Valuer was RMB22 million which is higher than the 85% of Reference Average Rent for the First Four Years with respect to the Kaifeng Hotel.

A summary of the 2020 Market Rental Package Determination and 2020 to 2024 Market Rental Package Determination, together with those for the Lease Year of 2018 and Lease Year of 2019 and the first five years from the commencement of the Kaifeng Hotel Lease Agreement (“**First Five-Year Term**”) respectively, is disclosed in the section headed “Connected Party Transactions” of this annual report.

HOTEL INDUSTRY CONDITIONS

Solid economic fundamentals coupled with promising hotel performance has helped strengthen investor confidence in the international hotel market. According to Jones Lang LaSalle, global hotel transaction volumes in 2019 reached USD66 billion, bolstered by a resilient global economy, strong employment market and demand from domestic and international travelers.

Over the Reporting Period, benefiting from the increasing number of domestic travelers, the supportive government policies relating to the tourism industry and more balanced demand and supply dynamics, our Hotel Properties demonstrated satisfactory performance. Besides, the stable performance was also the result of our effective cost management, resilient hotel operations, and New Century Tourism Group's well-established and fast expanding hotel platform.

OUTLOOK

Due to the outbreak of COVID-19 since the start of 2020 and as we consider that health and safety of our employees and hotel guests are our top priority, Hotel Properties have substantively suspended operations when response level 1 (the highest-level response to major public health emergencies) was activated in the provinces where they are situated. At the same time, local authorities adopted various strict measures to curb the spread of the COVID-19.

The substantive suspension of operation of the Hotel Properties has triggered the force majeure clauses under the hotel lease agreements and resulting in a downward adjustment of the base rent for the Hotel Properties during the suspension period. With the COVID-19 pneumonia pandemic still on the rampage, it is expected that the operation performance of the Hotel Properties will be adversely impacted in the first half of 2020 which may in turn affect the valuation of the Hotel Properties subsequent to the Reporting Period. We believe the governmental supportive measures like relevant VAT exemption will assist the hotel industry to resume to normal in medium term. For details of business update in relation to the outbreak of COVID-19, please refer to the announcements of New Century REIT dated 13 March 2020 and 20 March 2020, respectively.

Comparatively the impact from COVID-19 on New Century REIT is manageable based on our operating lease structure with minimum Base Rent, which we believe are positive structural attributes that will help support New Century REIT's performance in the medium term but challenging in the short term.

In view of solid fundamental of China economy and strong domestic demand, we believe travel and tourism business in China would be fine in medium to long term but the industry is experiencing serious difficulties currently. The present COVID-19 crisis has rippled through the whole travel and tourism industry in a way that we never been experienced and the whole world and most business sectors are impacted. It is expected that the full recovery of travel and tourism business would take some times to go back to the same level as before.

We will continue to look for growth opportunities cautiously through acquisitions from the New Century Hotel Group Limited or third-party sources from around the world. Pipeline of overseas investment opportunities remain plentiful for high-quality and upscale hotels and various asset types including commercial buildings with long-term stable income streams.

Potential acquisitions will be funded by internal resources, debt facilities, and/or proceeds from Unit issuances. We believe that investing in different asset classes with stable long-term income stream across the globe will enhance the long-term sustainable growth of New Century REIT and diversify the risks from a single market.

REPORT OF THE REIT MANAGER

PLEDGE OF ASSETS

As at 31 December 2019, the Hotel Properties of New Century REIT with an aggregate carrying value of RMB4,612 million (as at 31 December 2018: RMB4,979 million), bank deposits and trade receivables (including trade receivables due from related parties) with an aggregate value of RMB538 million (as at 31 December 2018: RMB286 million), certain corporate guarantees and equity interests of certain subsidiaries were pledged to secure bank loan borrowings with an aggregate principal amount of RMB2,144 million (as at 31 December 2018: RMB2,223 million). For details, please refer to Notes 12, 15, 16(b), 20 and 27(c) of the Notes to the Consolidated Financial Statements.

EMPLOYEES

New Century REIT is managed by the REIT Manager and the Trustee. By contracting out such services, New Century REIT, through its subsidiaries, had three employees in its own right as at 31 December 2019 (as at 31 December 2018: three employees) 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.

BUY-BACK, SALE OR REDEMPTION OF UNITS

During the year ended 31 December 2019, the REIT Manager (on behalf of New Century REIT) had bought-back a total of 293,000 Units at an aggregate consideration of HKD461,000 (equivalent to RMB415,000). All such Units were cancelled during the year ended 31 December 2019. There was no sale or redemption of the Units by the REIT Manager (on behalf of New Century REIT) or any of the Special Purpose Vehicles that are owned and controlled by New Century REIT. Further details are set out below:

Month	Units bought back	Price paid per units		Net aggregate consideration HK\$'000
		Highest HK\$	Lowest HK\$	
August 2019	85,000	1.60	1.50	131
September 2019	108,000	1.75	1.52	172
October 2019	70,000	1.68	1.50	111
November 2019	30,000	1.62	1.53	47
Total	293,000			461

Units buy-backs by the REIT Manager (on behalf of New Century REIT) during the Reporting Period were carried out pursuant to the general mandate to buy back Units granted by the Unitholders at the 2019 annual general meeting and were made in the interest of New Century REIT and the Unitholders as a whole.

Save as disclosed above, there was no buy-back, sale or redemption of the Units by the REIT Manager (on behalf of New Century REIT) or any of the Special Purpose Vehicles that are owned and controlled by New Century REIT.

DISTRIBUTION POLICY

In accordance with the Trust Deed, the REIT Manager's current distribution policy is to distribute to Unitholders at least 90% of total distributable income in each financial year.

LIST OF DIRECTORS

Please refer to the section headed “Board of Directors of the REIT Manager” in the Corporate Governance Report for details.

ROLES OF THE KEY BOARD MEMBERS

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

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2019, both the REIT Manager and New Century REIT have been in compliance with the relevant laws, applicable regulations of the PRC, Europe and Hong Kong that have a significant impact on both the REIT Manager and New Century REIT.

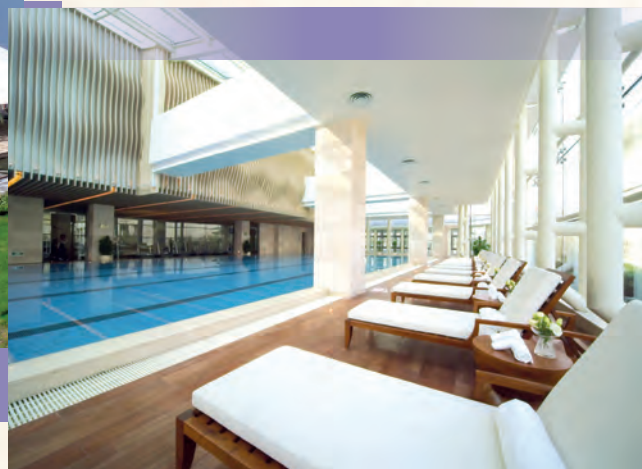
MAJOR REAL ESTATE AGENTS

During the Reporting Period, a commission of EUR1.2 million (or equivalent to approximately RMB9,367,000) was paid to Navic Investment BV, which acted as our real estate advisor for the disposal of Netherlands Hotel.

Save as disclosed above, New Century REIT did not engage any other real estate agents during the Reporting Period.



New Century Resort Qiandao Lake Hangzhou
- Swimming Pool



New Century Grand Hotel Kaifeng - Swimming Pool

REPORT OF THE REIT MANAGER

MAJOR CONTRACTORS

The top five contractors engaged by the Group and the respective value of services rendered by them and percentages of total value for the Reporting Period were as follows:

Contractors	Nature of services	Value of services	
		RMB'000	% to total value
杭州橫沖貿易有限公司 Hangzhou Hengchong Trading Co., Ltd.	Renovation of sightseeing elevator of New Century Hotel Xiaoshan Zhejiang	498	24.36%
浙江建環科技有限公司 Zhejiang Jianhuan Technology Co., Ltd.	Upgrading of cooling tower equipments of New Century Hotel Xiaoshan Zhejiang	385	18.83%
長春市浩森電氣安裝有限公司 Changchun Haosen Electrical Installation Co., Ltd.	Power construction in New Century Grand Hotel Changchun	382	18.67%
杭州明和建設工程有限公司 Hangzhou Minghe Construction Engineering Co., Ltd.	Biochemical pool peripheral retaining wall project of New Century Resort Qiandao Lake Hangzhou	290	14.19%
開封盛和建築安裝有限公司 Kaifeng Shenghe Construction and Installation Co., Ltd.	Roof tile maintenance contract of Kaifeng Hotel	258	12.62%
Total		1,813	88.67%

MAJOR TENANTS

During the Reporting Period, New Century REIT's top tenant, being Zhejiang New Century Hotel Management Co., Ltd and other members of its group, accounted for approximately 77.0% of New Century REIT's total revenue.

On behalf of the Board

New Century Asset Management Limited

(as the manager of New Century REIT)

HO Wai Chu

Executive Director and Chief Executive Officer

Hong Kong, 24 March 2020



New Century Grand Hotel Hangzhou - Guest Room

GROUP STRUCTURE

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

HOTEL BRANDS

Currently, New Century Hotel Management Group’s hotels are operated under 15 brands. Following are the major brands in which New Century Hotel Management Group’s hotels operating.



开元名都
GRAND NEW CENTURY

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



开元大酒店
NEW CENTURY HOTEL

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



开元度假村
NEW CENTURY RESORT

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



manju
开元曼居

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

GROUP STRUCTURE



New Century Grand Hotel Ningbo - Lobby Lounge

THE REIT MANAGER

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

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

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

The REIT Manager however does not directly manage the Hotel Properties. The Hotel Properties are leased by the Lessors to the Lessees under the Hotel Lease and Management Agreements, which are designed to provide New Century REIT with a visible and stable income stream minimising exposure to hotel industry risks by way of the Base Rent, while providing New Century REIT, by way of the variable Individual Rent, with the ability to share portion of any potential upside in revenue and gross operating profit based on the performance of the Hotel Properties.

THE TRUSTEE

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

CORPORATE GOVERNANCE REPORT

New Century REIT is committed to maintaining a high level of corporate governance practices and procedures. The REIT Manager has adopted a compliance manual for use in relation to the management and operation of New Century REIT (the “**Compliance Manual**”) which sets out the key processes, systems, measures and certain corporate governance policies and procedures to be applied for governing the management and operation of New Century REIT and for compliance with all applicable laws and regulations. During the year ended 31 December 2019, New Century REIT and the REIT Manager have applied the principles and complied with, to the extent appropriate, the code provisions in the Corporate Governance Code in Appendix 14 to the Listing Rules.

During the year ended 31 December 2019, both the REIT Manager and New Century REIT have in material terms complied with the provisions of the REIT Code, the relevant provisions of the SFO, the relevant provisions of the Listing Rules applicable to New Century REIT, the Trust Deed and the Compliance Manual. Set out below is a summary of the key components of the corporate governance policies that have been adopted having due regard to the requirements under Appendix 14 of the Listing Rules and have been followed by the REIT Manager and New Century REIT.

AUTHORISATION STRUCTURE

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

The REIT Manager has been authorised by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. As at the date of this report, Ms. Ho Wai Chu (the Chief Executive Officer and Executive Director of the REIT Manager) and Ms. Cheung Chi Shan (the Investment and Investor Relations Manager of the REIT Manager) are the responsible officers of the REIT Manager (the “**Responsible Officers**”) pursuant to the requirements under section 125 of the SFO and Rule 5.4 of the REIT Code. Ms. Ho Wai Chu is approved by the SFC as an approved person of the REIT Manager pursuant to sections 104 (2) and 105 (2) of the SFO.

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



New Century Grand Hotel Changchun - Lobby

CORPORATE GOVERNANCE REPORT

ROLES OF THE TRUSTEE AND THE REIT MANAGER

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

BOARD OF DIRECTORS OF THE REIT MANAGER

FUNCTIONS OF THE BOARD

The board of Directors of the REIT Manager (the "**Board**") principally oversees the day-to-day management of the REIT Manager's affairs and the conduct of its business and is responsible for the overall governance of the REIT Manager. The Board exercises its general powers within the limits defined by the articles of association of the REIT Manager, with a view to ensuring that management discharges its duties, and that sound internal control policies and risk management systems are maintained. The Board will also review major financial decisions and the performance of the REIT Manager. In accordance with the REIT Code, the REIT Manager is required to act in the best interests of the Unitholders, to whom it owes a fiduciary duty. The Board has delegated the performance and management of the daily operations of the REIT Manager and New Century REIT to the management of the REIT Manager.

BOARD COMPOSITION

As at the date of this report, the Board comprises seven members, including one Executive Director, three Non-executive Directors and three independent Non-executive Directors.

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

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

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

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

CORPORATE GOVERNANCE REPORT

The Board currently comprises the following members:

CHAIRMAN AND NON-EXECUTIVE DIRECTOR



Jin Wenjie

EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER



Ho Wai Chu

NON-EXECUTIVE DIRECTORS



Zhang Guanming



Tong JinQuan

INDEPENDENT NON-EXECUTIVE DIRECTORS



Angelini Giovanni



Yu Hon To David



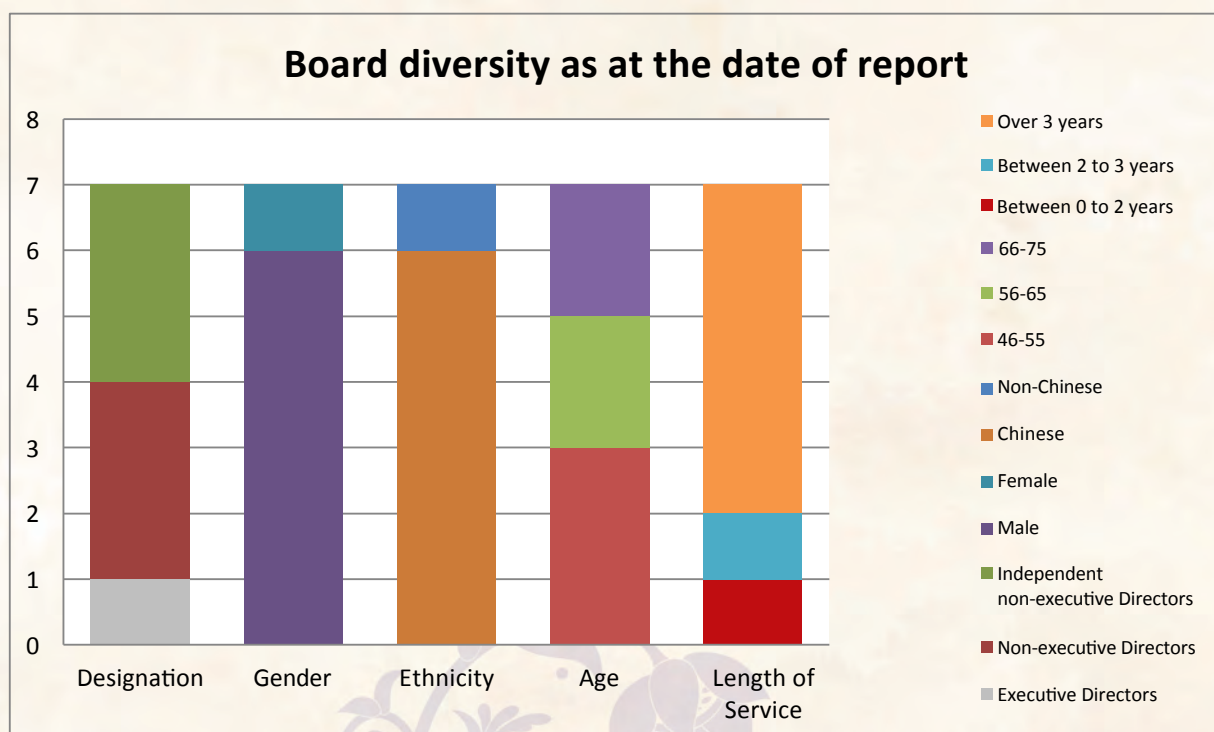
He Jianmin

CORPORATE GOVERNANCE REPORT

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

Mr. Cheung Yat Ming resigned as the Chief Executive Officer and Executive Director of the REIT Manager with effect from 17 February 2020 and on that date, he also ceased to be a Responsible Officer, an authorised representative, Chairman of the Disclosures Committee, Chairman of the Finance and Investment Committee of the REIT Manager and an approved person of New Century REIT. Ms. Ho Wai Chu (“**Ms. Ho**”) was appointed as the Chief Executive Officer, Executive Director, Chairman of the Disclosures Committee, Chairman of the Finance and Investment Committee, an authorised representative of the REIT Manager and an approved person of New Century REIT. with effect from 17 February 2020. Mr. Sit Wai, Deputy Chief Operating Officer of the REIT Manager, has been appointed as a member of the Finance and Investment Committee of the REIT Manager with effect from 17 February 2020. Please refer to the announcements dated 17 February 2020 and 19 February 2020 issued by New Century REIT for more details.

Ensuring that there is an appropriate balance of skills, knowledge and experience, ethnicity and gender on the Board is an important aspect of the REIT Manager’s corporate governance. Therefore, the composition of the Board is reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience. The Board and the Nomination Committee have approved the board diversity policy of the REIT Manager. Selection of candidates for the Board is based on a range of diverse considerations, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision is based on merit and potential contribution that the selected candidates will bring to the Board. The current mix of our Board members is balanced and diverse.



CORPORATE GOVERNANCE REPORT

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

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

MEETINGS

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

In addition to informal or ad hoc meetings and discussions, four formal Board meetings of the REIT Manager were held during the year ended 31 December 2019 and the attendance rates of the individual Board members were as follows:

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

Note 1: Mr. Cheung Yat Ming resigned as the Executive Director, Chief Executive Officer, Responsible Officer, Chairman of the Finance and Investment Committee and Chairman of the Disclosures Committee of the REIT Manager with effect from 17 February 2020. Ms. Ho Wai Chu was appointed as the Executive Director, Chief Executive Officer, Chairman of the Finance and Investment Committee and Chairman of the Disclosures Committee of the REIT Manager with effect from 17 February 2020.

APPOINTMENT AND REMOVAL OF DIRECTORS

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

CORPORATE GOVERNANCE REPORT

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

On a semi-annual basis, the internal audit manager conducts an independent assessment of the effectiveness of the risk management and internal controls system. The results of assessment are reported to Audit Committee and are further reported to the Board where required. The Audit Committee also reviews the qualifications, training and experience of the REIT Manager's staff who carry out accounting and financial reporting functions. The Board noted no significant areas of concern which should be drawn to the attention of the Unitholders.

Based on the internal audit reviews for the year ended 31 December 2019, the Board considers that the risk management and internal control system is effective and adequate. In addition, no significant irregularity or deficiency in risk management and internal controls has come to the attention of the Audit Committee during the year ended 31 December 2019.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors participated in training courses and other continuous professional development arrangements during the year under review to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The company secretary has kept records of the Directors' trainings.

During the year ended 31 December 2019, the Directors undertook the activities set out below as part of their ongoing training and professional development:

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

BOARD COMMITTEES

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

AUDIT COMMITTEE

The Audit Committee is appointed by the Board from among the Non-executive Directors (including independent Non-executive Directors). The members of the Audit Committee are all independent Non-executive Directors and at least one of these independent Non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise. As at the date of this report, the members of the Audit Committee are Mr. Yu Hon To David, Mr. Angelini Giovanni and Professor He Jianmin, who are independent Non-executive Directors. Mr. Yu Hon To David is the Chairman of the Audit Committee.

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

For the year ended 31 December 2019, the Audit Committee's main responsibilities also included:

- a) making recommendations on the appointment, reappointment and removal of the external auditors and reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process;
- b) developing and implementing policies on engaging external auditors to supply non-audit services;
- c) reviewing the financial and accounting policies and practices, and monitoring the integrity of the financial statements, annual and interim reports, and accounts of the REIT Manager and New Century REIT;
- d) monitoring and reviewing the completeness, accuracy, clarity and fairness of the financial statements of New Century REIT and the REIT Manager, reviewing the audited reports of New Century REIT and the REIT Manager provided by external auditors and reviewing significant financial reporting judgments contained in them (including both interim and annual financial statements);
- e) overseeing the financial control and internal control procedures of the REIT Manager and New Century REIT, including the following:
 - 1) reviewing and overseeing the financial control, internal control and risk management systems;
 - 2) discussing with management to ensure that management has performed its duty by having effective internal control and risk management systems, which includes the adequacy of resources, training programmes and staff qualifications and experiences etc.;
 - 3) considering major investigation findings on risk management and internal control matters and management's response;
 - 4) maintaining an independent and objective internal audit function and reviewing internal audit reports, coordinating between the internal and external auditors and monitoring the effectiveness of the internal audit function; and
 - 5) reviewing the external auditors' management letter;
- f) overseeing the relationship with the external auditors;
- g) reviewing and monitoring connected party transactions of New Century REIT;
- h) reviewing dealings of the Units by the REIT Manager and the Directors on a semi-annual basis;
- i) reviewing and monitoring on a regular basis the procedures in place to ensure compliance with applicable laws and regulations, the REIT Code and the Listing Rules; and
- j) to report to the Board on the matters in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

CORPORATE GOVERNANCE REPORT

In addition to informal or ad hoc meetings and discussions, the Audit Committee held three formal meetings during the year ended 31 December 2019 to (among others) consider and review the following: the annual results for the year ended 31 December 2018, the interim results for the six months ended 30 June 2019, corporate governance, connected party transactions, internal audit reports, reports from the external auditors and other compliance matters of New Century REIT. The attendance rates of the individual members of the Audit Committee during the year ended 31 December 2019 were as follows:

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

FINANCE AND INVESTMENT COMMITTEE

The Finance and Investment Committee is appointed by the Board and it comprises the Chief Executive Officer, the Investment and Investor Relations Manager and the Chief Operating Officer. As at the date of this report, the members of the Finance and Investment Committee are Ms. Ho Wai Chu (the Chief Executive Officer and Executive Director), Ms. Cheung Chi Shan (Investment and Investor Relations Manager) and Mr. Sit Wai (Deputy Chief Operating Officer and Acting Chief Operating Officer). Ms. Ho Wai Chu is the Chairman of the Finance and Investment Committee.

The Finance and Investment Committee is responsible for, among other matters, evaluating and making recommendations on proposed acquisitions and disposals of assets, reviewing budgets and reviewing actual expenses on all key expenditures and reviewing financial performance, forecasts and annual financial plan of the REIT Manager and New Century REIT. The Finance and Investment Committee also reviews and recommends changes to financial authorities, policies or procedures in areas such as accounting, taxes, treasury, distribution payout, investment appraisal, management and statutory reporting.

In addition to informal or ad hoc meetings and discussions, two formal Finance and Investment Committee meetings of the REIT Manager were held during the year ended 31 December 2019 for reviewing performance, budgets and investment opportunities of New Century REIT. The attendance rates of the individual members of the Finance and Investment Committee during the year ended 31 December 2019 were as follows:

Name of Finance and Investment Committee Members	Role	Attendance/ No. of Meetings
Cheung Yat Ming ^{Note 1}	Chairman of the Finance and Investment Committee	2/2
Ho Wai Chu ^{Note 2}	Member of the Finance and Investment Committee	2/2
Cheung Chi Shan	Member of the Finance and Investment Committee	2/2

Note 1: Mr. Cheung Yat Ming resigned as the Executive Director, Chief Executive Officer, Responsible Officer, Chairman of the Finance and Investment Committee and Chairman of the Disclosures Committee of the REIT Manager with effect from 17 February 2020.

Note 2: Ms. Ho Wai Chu was appointed as the Executive Director, Chief Executive Officer, Chairman of the Finance and Investment Committee and Chairman of the Disclosures Committee of the REIT Manager with effect from 17 February 2020. Furthermore, Mr. Sit Wai was appointed as a member of the Finance and Investment Committee of the REIT Manager with effect from 17 February 2020.

NOMINATION COMMITTEE

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

The Nomination Committee's responsibilities include:

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

The nomination policy lists out the key criteria in evaluating and selecting candidates for directorship nomination, including but not limited to: character and personality, professional qualifications, experience, time commitment to New Century REIT affairs, achieving diversity on the Board, independence, etc.; as well as the process and procedures for considering candidates for appointment or re-election as Directors so as to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of managing New Century REIT.

In addition to informal or ad hoc meetings and discussions, one Nomination Committee meeting of the REIT Manager was held during the year ended 31 December 2019 to review the composition of the Board, assess the independence of independent Non-executive Directors, review the criteria for identifying, assessing and evaluating candidates for directorship and review the rotation and succession policy of the Directors of New Century REIT. The attendance rates of the individual members of the Nomination Committee during the year 31 December 2019 were as follows:

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

CORPORATE GOVERNANCE REPORT

DISCLOSURES COMMITTEE

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

The Disclosures Committee's responsibilities include:

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

In addition to informal or ad hoc meetings and discussions, two Disclosures Committee meetings of the REIT Manager were held during the year ended 31 December 2019 to review the annual results and annual report for the year ended 31 December 2018, the interim results and interim report for the six months ended 30 June 2019 and other corporate disclosure issues of New Century REIT. The attendance rates of the individual members of the Disclosures Committee during the year ended 31 December 2019 were as follows:

Name of Disclosures Committee Members	Role	Attendance/ No. of Meetings
Cheung Yat Ming ^{Note 1}	Chairman of the Disclosures Committee	2/2
Zhang Guanming	Member of the Disclosures Committee	2/2
Yu Hon To David	Member of the Disclosures Committee	2/2

Note 1: Mr. Cheung Yat Ming resigned as the Executive Director, Chief Executive Officer, Responsible Officer, Chairman of the Finance and Investment Committee and Chairman of the Disclosures Committee of the REIT Manager with effect from 17 February 2020. Ms. Ho Wai Chu was appointed as the Executive Director, Chief Executive Officer, Chairman of the Finance and Investment Committee and Chairman of the Disclosures Committee of the REIT Manager with effect from 17 February 2020.

CONFLICTS OF INTEREST

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

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

Huge Harvest Group is mainly engaged in and/or may engage in, among other things, investment in, and the development and management of, hotel properties in the PRC. As such, New Century REIT may compete with Huge Harvest Group for potential acquisition of hotel properties in the PRC. As at the end of 2019, New Century Hotel Management Group has about 455 star-rated hotels in operation or under development (including the six hotels owned by New Century REIT). New Century REIT may compete with hotels operated by New Century Hotel Management and other subsidiaries and members of Huge Harvest Group for customers. The following contractual provisions are included in the Non-Competition Deed to minimise any possible conflicts of interest at the operational level:

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

CORPORATE GOVERNANCE REPORT

With regard to the Initial Hotel Properties, the following contractual provisions are included in the Hotel Lease and Management Agreements to minimise any possible conflicts of interest at the operational level:

- a) each Initial Hotel Property is operated and managed by a local branch or subsidiary of New Century Hotel Management situated at separate operating premises with segregated operational, management and sales and marketing teams. Employees of any such branch or subsidiary are dedicated to the management and operation of the particular Initial Hotel Property and are not at the same time involved in the management and operation of any other hotels managed by New Century Group;
- b) separate sets of accounts are maintained in respect of the management of the expenses of each Initial Hotel Properties (subject to sharing of corporate overheads based on square footage under management and property type);
- c) the Lessee is under confidentiality obligation to ensure that all non-public information with respect to the Initial Hotel Properties is kept under strict confidence and would not be disclosed to or used by any third party outside the New Century Group without prior consent of the REIT Manager;
- d) the Lessee implements the business proposal and budget approved by the REIT Manager every year and uses its best endeavours to achieve the revenue targets in such approved business proposal and budget; and
- e) if hotel management opportunities in relation to any of New Century REIT's properties become available to the Lessee which the Lessee, acting reasonably and in good faith, consider are or are likely to be in competition with any member of the New Century Group, the Lessee would either: (i) refer all such business proposals to the REIT Manager for vetting and confirmation before the Lessee proceeds with such proposals or opportunities; or (ii) sub-contract to a third party leasing agent independent of the New Century Group, to devise and implement the relevant business proposal.

For Kaifeng Hotel, the following contractual provisions are included in the Kaifeng Hotel Lease Agreement to minimise any possible conflicts of interest at the operational level:

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

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

GENERAL MEETINGS

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

Two or more Unitholders present in person or by proxy registered as holding in aggregate not less than 10% of the Units for the time being in issue and outstanding will form a quorum for the transaction of all business, except for the purpose of passing a special resolution. The quorum for passing a special resolution will be two or more Unitholders present in person or by proxy registered as holding in aggregate not less than 25% of the Units in issue and outstanding. The quorum for an adjourned meeting will be such number of Unitholders who are present in person or by proxy regardless of the number of Units held by them. Unitholders can put forward proposals or enquiries to the Board at general meetings by contacting the REIT Manager. Please refer to the paragraph headed “Unitholders’ Communication Policy” below on the contact details of the REIT Manager.

COMMUNICATION WITH UNITHOLDERS

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

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

CORPORATE GOVERNANCE REPORT

One annual general meeting was held during the year ended 31 December 2019. The attendance of individual members of the Board at this general meeting was as follows:

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

Note 1: Mr. Cheung Yat Ming resigned as the Executive Director, Chief Executive Officer, Responsible Officer, Chairman of the Finance and Investment Committee and Chairman of the Disclosures Committee of the REIT Manager with effect from 17 February 2020. Ms. Ho Wai Chu was appointed as the Executive Director, Chief Executive Officer, Chairman of the Finance and Investment Committee and Chairman of the Disclosures Committee of the REIT Manager with effect from 17 February 2020.

REPORTING AND TRANSPARENCY

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

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

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

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of a true and fair presentation of the consolidated financial statements for the year ended 31 December 2019. The statement of the auditor of New Century REIT about its reporting responsibilities with respect to the consolidated financial statements is set out in the Independent Auditor's Report.

AUDITOR'S REMUNERATION

The remuneration to PricewaterhouseCoopers, the external auditor of New Century REIT, in respect of the audit and non-audit services for the year ended 31 December 2019 were RMB2,152,000 and nil respectively.

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

To monitor and supervise any dealings of Units, the REIT Manager has adopted a code containing rules on dealings by the Directors and the REIT Manager on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the “**Model Code**”). Pursuant to the Model Code, all Directors and employees of the REIT Manager, subsidiaries of the REIT Manager or the SPVs of New Century REIT who, because of his/her office or employment in the REIT Manager, the relevant subsidiaries of the REIT Manager or the relevant SPVs of New Century REIT, is likely to be in possession of unpublished price sensitive information in relation to the securities of New Century REIT (“**Management Persons**” and each a “**Management Person**”) wishing to deal in the Units must first have regard to provisions in Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct as if those provisions applied to the securities of New Century REIT.

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

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

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

Specific enquiry has been made of all the Directors and the Management Persons, and all of them have confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2019.



New Century Resort Qiantao Lake Hangzhou - Café Hawaii

CORPORATE GOVERNANCE REPORT

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

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

MATTERS TO BE DECIDED BY UNITHOLDERS BY SPECIAL RESOLUTION

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

Decisions which require approval by way of Ordinary Resolution include, without limitation, (a) subdivision or consolidation of the Units; (b) any issue of the Units after the Listing Date which would increase the market capitalization of New Century REIT by more than 50%; (c) any issue of the Units during any financial year that would increase the total number of the Units from the number of the Units that were outstanding at the end of the previous financial year by more than 20% (or such other percentage of the outstanding Units as may, from time to time, be prescribed by the SFC); (d) except pursuant to an initial public offering, an issue of Units in lieu of the payment of fees to the REIT Manager pursuant to the Trust Deed, an issue of Units in respect of re-investment of distribution to Unitholders, or a rights issue, an issue of new Units to a connected person (other than as part of an offer made to all Unitholders on a pro rata basis); and (e) the election by the REIT Manager for the Acquisition Fee or the Divestment Fee, which is to be paid to the REIT Manager in the form of cash, to be paid in the form of the Units or partly in cash and partly in the form of the Units. The appointment of a new manager of New Century REIT by the Trustee upon the dismissal or retirement of the REIT Manager is (to the extent required by the REIT Code (as may be modified by any waivers or exemptions)) subject to the passing of an Ordinary Resolution by the Unitholders and the prior approval of the SFC. Unitholders may also, by way of Ordinary Resolution, dismiss the REIT Manager and any principal valuer appointed by the Trustee on behalf of New Century REIT in accordance with the Trust Deed.

INSIDE INFORMATION

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

NEW UNITS ISSUED

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

Reference is made to the announcements dated 24 May 2019 and 27 September 2019 issued by the REIT Manager. During the year ended 31 December 2019, an aggregate of 8,957,086 new Units were issued to the REIT Manager as payment of the 50% of the REIT Manager's base fee and variable fee for the periods from 1 July 2018 to 31 December 2018 and from 1 January 2019 to 30 June 2019.

The total number of Units in issue as at 31 December 2019 was 971,128,484 Units.

PUBLIC FLOAT OF THE UNITS

Based on information publicly available, as far as the REIT Manager is aware, not less than 25% of the issued and outstanding Units were held in public hands as at 31 December 2019.

CLOSURE OF THE REGISTER OF UNITHOLDERS

The record date for the final distribution will be 4 May 2020, Monday ("**Record Date**"). The register of Unitholders (the "**Register of Unitholders**") will be closed on 4 May 2020, Monday, during which period no transfer of Units will be effected. The final distribution is expected to be paid on or about 22 May 2020, Friday, to Unitholders whose names appear on the Register of Unitholders on the Record Date.

In order to qualify for the final distribution, all properly completed transfer forms (accompanied by the relevant Unit certificates) must be lodged for registration with New Century REIT's Unit Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 29 April 2020, Wednesday.

COMPLIANCE WITH THE COMPLIANCE MANUAL

During the year ended 31 December 2019, both the REIT Manager and New Century REIT have in material terms complied with the provisions of the Compliance Manual.

CORPORATE GOVERNANCE REPORT

TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE BY DIRECTORS

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

REVIEW OF ANNUAL REPORT

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

UNITHOLDERS' COMMUNICATION POLICY

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

The contact details of the REIT Manager are as follows:

New Century Asset Management Limited

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

Phone: (852) 2153-3588

Fax: (852) 3488-6403



New Century Grand Hotel Hangzhou - Grand Dynasty Hall



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THE REPORT

This is the 2019 Environmental, Social and Governance Report (the “**ESG Report**”) prepared by the REIT Manager. It covers the policies and non-financial sustainability performance related to the sustainable operations of New Century REIT and its subsidiaries (the “**Group**” or “**We**”).

Reporting Standard

The ESG Report has been prepared in accordance with the disclosure requirements of the Environmental, Social and Governance Reporting Guide (“**the Guide**”) set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Scope of Reporting

The ESG Report covers the information and data of the core business operations of New Century REIT related to environmental and social aspects from 1 January to 31 December 2019 (the “**Reporting Period**” or the “**Year**”). The environmental Key Performance Indicators (“**KPIs**”) from the Hong Kong office of the REIT Manager (“**Hong Kong Office**”) and historical data is compared where applicable.

Language of this report

This Report is available in two languages, including Traditional Chinese and English versions. Should there be any inconsistency between the two versions, the English version shall prevail.

2. PRINCIPLES OF CORPORATE SOCIAL RESPONSIBILITY

New Century REIT believes that comprehensive consideration and good image of corporate social responsibility can improve the business operations. The Group strives for improving the environment, society and governance practices with effective implementation of the ESG related strategies.

Stakeholder Engagement

We attach great importance to stakeholder engagement. Opinions and suggestions from stakeholders for operational development and sustainability practices are gathered on a regular basis. The communication channels with various internal and external stakeholders and related material topics are as follows:

Stakeholders	Communication channel	Material Topic
Unitholders and investors	Annual general meetings Interim and Annual report Announcements and circulars Results announcements	<ul style="list-style-type: none">• Economic growth of the Group• Brand building• Return on investment
Employees	Channels for employees to express their options (forms, suggestion boxes) Work performance review Meetings	<ul style="list-style-type: none">• Qualification of the employees• Benefits and sense of belonging• Work life balance• Promotion• Training and development• Communication with employees• Follow guidelines set by the Group

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholders	Communication channel	Material Topic
Lessees	Daily operation/communication Telephone/Emails	<ul style="list-style-type: none"> • Service quality • Product responsibility • Operational practices
Media	Interviews with the Chief Executive Officer Results announcement	<ul style="list-style-type: none"> • Operational practices • Development of the Group
Business partners	Meetings Visits	<ul style="list-style-type: none"> • Development of the Group • Products and services
Regulatory authorities	Telephone/emails	<ul style="list-style-type: none"> • Operations in compliance • Anti-corruption
Service providers	Meetings	<ul style="list-style-type: none"> • Environmentally and socially responsible products and services • Operations in compliance • Anti-corruption
Local communities	Seminars/talks/workshop Meetings	<ul style="list-style-type: none"> • Awareness of environmental and social aspects

The ESG issues throughout the Reporting Period can be summarized into four main categories. It includes “Operational Practices”, “Focus on Employees”, “Care for the Environment” and “Connection with the Society”.

3. OPERATIONAL PRACTICES

As an investor in real estate projects, the Group emphasizes operating in a manner that are fully compliant with relevant laws and regulations. It includes information protection (i.e. privacy, advertisements and labelling). Moreover, the Group has built up a solid relationship with lessees and suppliers for products and services responsibilities.

3.1 Ethical and Integrity Operations

The employees of the Group are required to strictly follow its set of guidelines to ensure ethical and integrity operations. The REIT Manager formulates and adopts the *Anti-Money Laundering and Counter-Terrorist Financing Policy Manual* and *Compliance Manual*. The policies are set to comply with the following laws and regulations,

- the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institution) Ordinance (Cap. 615) (the “**AMLO**”)
- Sections 25 and 25A of the Drug Trafficking (Recovery of Proceeds) Ordinance (Cap. 405) (the “**DTRPO**”);
- Sections 25 and 25A of the Organized and Serious Crimes Ordinance (Cap. 455) (the “**OSCO**”); and

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Sections 7, 8 and 12 of the United Nations (Anti-Terrorist Measures) Ordinance (Cap. 575) (the “UNATMO”), and
- other applicable Hong Kong and PRC laws and regulations

Employees are required to thoroughly read the above manuals to obtain a clear definition and take zero-tolerance approach of the money laundering and terrorist financing. Furthermore, the anti-money laundering and counter-terrorist financing systems are set up to take all reasonable measures to mitigate the risks of money laundering and terrorist financing. Trainings have been organized to raise the awareness of the employees.

The REIT Manager has also set up a whistle-blowing procedures for the employees to report the non-compliant behavior in a confidential way. Cases will be critically investigated in a fair manner and the persons involved may be subject to civil or criminal liability based on the seriousness of the issue.

During the Reporting Period, we found no legal cases regarding corruption within the Group.

3.2 Information Protection

Data privacy

We have to handle confidential, sensitive or personal information during our operations. The REIT Manager takes confidentiality seriously in accordance with the *Compliance Manual*. Employees are required to undertake to make appropriate disclosure and take great care of information based on their judgement. All computers are protected with passwords and the information contained thereon are only used for job-related purposes. Consent needs to be obtained before disclosing confidential information to the third parties. We have zero tolerance to the dishonest act such as theft, inappropriate information disclosure, untruthful information or data falsification resulting in serious consequences.

Advertisements

The REIT Manager is committed to providing complete, truthful and accurate information by strictly complying with the Trade Descriptions Ordinance and following with the procedures stated in the *Compliance Manual*. Before publishing advertising and promotional materials, the Chief Executive Officer, the Compliance Manager and the Investment and Investor Relations Manager are responsible to review the materials and seek prior approval of the SFC if needed.

Protection of Intellectual Property Rights and Labelling

We are devoted to protecting our own intellectual property rights, whilst respecting the intellectual property rights of others. With various trademark license agreements in place with the Group’s lessees and its associates, the REIT Manager is able to use the trademark of its lessees. New Century REIT has formulated proper policy and protocol to protect the Group’s intellectual property rights including, but not limited to, its patents, designs, technologies, trademarks and copyrights etc.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.3 Good Relationship with Lessees

We value the feedback from lessees to enhance the satisfaction level of our services. We keep close contact with them to understand their needs as well as provide consultation for improvements. The REIT Manager will handle and manage any complaints on a timely basis and provide recommendations and solutions to resolve the issues. During the Reporting Period, there were no complains raised by the lessees.

3.4 Supplier Management

Maintaining solid relationships with our service providers is of paramount importance to the Group, and such equal opportunities and fair assessment would be provided to each supplier during the selection process to ensure impartiality. The quality of products or services, reputation and cost are considered during the selection. The selected suppliers also need to operate in compliance with all applicable laws and regulations as well as in an environmentally and socially responsible way. We will also perform regular evaluations of suppliers to review their performance and consider the potentials for future cooperation.

3.5 Quality Assurance

The main revenue source of New Century REIT is the rental income received from lessees. The REIT Manager implements various measures, including but not limited to maintaining proper insurance policy and regular site visits, to ensure the Group's portfolio of hotel properties are in good condition. The Master Lease Agreements, Kaifeng Hotel Lease Agreement and other lease agreements are lease contract signed with clear terms and conditions to protect the interests of each party. During the Reporting Period, we did not have any services subject to recalls for safety and health reasons.

4. FOCUS ON EMPLOYEES

Employees are one of the most important assets to the Group and we are devoted to maintain mutual trust with them. We strictly comply with the Employment Ordinance of Hong Kong, the Labour Law of the PRC, the Labor Contract Law of the PRC and the Law of the PRC on the Protection of Minors for the employment and labour practices. We continue to improve the process of recruitment, remuneration, training, provisions of benefits and compensation to create a harmonious workplace.

4.1 Employment Standards

Fair Recruitment and Workplace

The REIT Manager formulated the *Staff Handbook and Guideline*, which includes the detail of recruitment, remuneration management, annual appraisal, benefits and compensations in accordance with the Employment Ordinance. The systematic recruitment process aims to determine whether the candidate meets the requirements of the position. Factors to consider during the recruitment process include, qualifications, experiences, attitudes and suitability of the applicants, regardless of race, color, sex, gender, pregnancy, religion, origin and citizenship. Personal particulars including qualification and identity information are collected only for internal use.

To build up equal opportunity and diversity, apart from having zero tolerance of any form of physical or verbal harassment, the REIT Manager also complies with relevant equal opportunities laws and regulations including the Sex Discrimination Ordinance, Disability Ordinance, Family Status Discrimination Ordinance and Race Discrimination Ordinance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We have established the *Compliance Manual* to ensure (i) every employee is treated fairly and equally and (ii) cultivation of cultural diversity. The REIT Manager has undertaken to avoid all forms of discrimination, harassment, victimization or vilification. Employees have a formal channel for raising concerns or launching complaints in confidence, without fear of retribution. No incident of discrimination was reported during the Reporting Period.

Labour Standards

The REIT Manager complies with the Employment of Children Regulations to prohibit the employment of child labour. We carry out identity checks during the interview and contract signing process as mitigation measures. The details of job description, place of work, working hours, rest days and wages are stated in the agreement to remind both employers and employees of their obligations in order to avoid possible disputes and set out clearly the rights and benefits of both parties.

During the Reporting Period, the REIT Manager had not employed any child and forced labour.

Dismissal

The REIT Manager pays close attention to the cases of dismissal. All employees are entitled to corresponding notice period for handover. Exit interviews would be conducted to understand the reasons for resignation of the employee and identify the areas of improvement for the REIT Manager.

4.2 Benefits of Employees

The REIT Manager is dedicated to providing attractive benefits to employees. Employees can enjoy statutory holidays, annual leave stated in the employment contract, paid sick leave, paternity leave, compassionate leave and marriage leave. Employees who work in Greater China participate in “Five Social Insurances and One Housing Fund” (「五金一險」) (i.e. endowment insurance, medical insurance, unemployment insurance, maternity insurance and housing provident fund) and to comply with the Provisional Measures for Social Insurance Administration. Furthermore, employees working in Hong Kong are enrolled in the Mandatory Provident Fund (MPF) Scheme in accordance with the rules and regulations of the MPF Schemes Ordinance. Apart from providing medical and dental insurance, the REIT Manager also provides travel insurance to employees during business travel.

The REIT Manager organizes annual performance reviews for all applicable employees for the salary adjustment. Discretionary bonus and stock options are also given based on the performance of the REIT Manager and the employee’s individual performance to recognize their contribution to the company through the working incentives.

4.3 Employee Development

The REIT Manager focuses on the career development of employees. Employees are encouraged to attend job-related courses or take part in seminars to enhance their knowledge and skills. Subsidies are provided for employees to attend eligible seminars or courses. Top management meet with employees regularly to understand their needs and assist them in maintaining work-life balance. All employees from the Group had attended scheduled training during the Reporting Period.



“New Century Little Migratory Bird” Summer Camp

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4.4 Health and Safety

To comply with the Employees' Compensation Ordinance regarding work injury cases and requirements under the Occupational Safety and Health Ordinance, workplace safety always comes first with respect to our working environment. Initiatives are set out with the aim of minimizing risks of our employees' health, which include:

- Prohibit smoking in the office, lift lobby and toilet while guests/visitors also need to adhere to the same rules within our office premises;
- Provide safety policies and procedures for employees to follow and strictly execute;
- Report any accidents to supervisors immediately for implementation of timely remedial actions;
- Place first aid boxes at readily accessible locations in the office for handling of minor injuries;
- Provide compensation if employees suffer from injury arising out of and in the course of employment; and
- Zero tolerance of harassment.

During the Reporting Period, there was no case of workplace injuries or fatalities across the Group.

5. CARE FOR THE ENVIRONMENT

The REIT Manager is devoted to achieving an efficient allocation of resources and minimizing adverse environmental impacts. We endeavor to operate in an environmentally friendly manner and fully comply with all relevant emissions, waste, and environmental legislation and regulations in the jurisdictions where we operate.

5.1 Management of Carbon Emissions

The Paris Agreement and Kyoto Protocol as well as the conferences about the climate change raise the awareness of this global issue. The objective of Paris Agreement is to limit the rise of global average temperature and review the reduction progress regularly. The Group recognizes the importance of the issue and therefore monitors and discloses the annual greenhouse gas (GHG) emissions from its operations. The data can be benchmarked and hence used to propose practical environmental initiatives for further environmental improvement.



New Century Grand Hotel Hangzhou
Earth Hour 2019

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The GHG inventory audit was conducted based on the ISO 14064-1 of the International Organization for Standardization and the Greenhouse Gas protocol developed by the World Resources Institute and the World Business Council for Sustainable Development. The environmental KPIs collection boundary is set at the Hong Kong Office of the REIT Manager since operation in PRC offices are found with minor resource consumption. The summary of GHG emissions of the Hong Kong Office during the Reporting Period was reported as follows:

Summary of GHG Emissions		Unit	2018	2019
Scope 1	Direct GHG emissions	Tonnes of CO ₂ equivalent (CO ₂ e)	0.0	0.0
Scope 2	Indirect GHG Emissions	Tonnes of CO ₂ e	8.7	9.9
Scope 3	Other Indirect GHG Emissions	Tonnes of CO ₂ e	1.1	12.3*
Total GHG Emissions		Tonnes of CO ₂ e	9.8	22.2
Total GHG emissions intensity (per floor area)		Tonnes of CO ₂ e/m ²	0.1	0.2

* We included the calculation of air travel emissions as 9.9 tonnes of CO₂e in 2019.

- Scope 1: The direct GHG emissions generated from sources owned and controlled by the Hong Kong Office.
- Scope 2: GHG emissions indirectly generated by electricity generation, heating and cooling or steam purchased by the Hong Kong Office.
- Scope 3: Emissions include GHG emissions indirectly generated by sources that are not owned or directly controlled by the Hong Kong Office but related to the Hong Kong Office's business activities.

Carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆) are included in the GHG emissions and can be classified as direct (Scope 1) and indirect (Scope 2 & Scope 3) emissions. During the Reporting Period, the total GHG emissions was 22.2 tonnes of CO₂e, with carbon intensities of 0.2 tonnes of CO₂e per floor area. The Hong Kong Office did not involve in any combustion of fuels in stationary or mobile sources and therefore we had no direct GHG emissions (Scope 1). The GHG emissions (Scope 2) from the generation of the purchased electricity, which accounted for 9.9 tonnes of CO₂e. Other indirect emissions (Scope 3) due to air travel, electricity used for producing fresh water, waste disposal and paper consumption were defined as Scope 3 and accounted for 12.3 tonnes of CO₂e. The significant increase in Scope 3 emissions in 2019 was because we included the emissions from air travel in 2019 but not in 2018.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Business Trips

Instead of comparing the total travel distance as was done in the past two financial years, the Scope 3 GHG emissions generated from air travel for 2019 was recorded as 9.9 tonnes of CO₂e. The REIT Manager records the seat class, number of passengers and airport name of origin and destination for calculating the emissions. The information is also useful for checking whether the business trips are unavoidable (i.e. alternative communication methods (e.g. conference call or video conference) are not applicable to the relevant operation). Employees can only book the flight from specified selected travel agencies and plan for best route after getting approval from the Chief Executive Officer and persons with authority. To commit and promote the initiatives of reduction of emissions derived from overseas business travel, the REIT Manager conducts most of its Board meetings through telephone conferences.

Air Emissions

As the Hong Kong Office was not involved in gaseous fuel consumption and did not operate leased or self-owned vehicles, there was neither nitrogen oxides (NO_x), sulphur oxides (SO_x) and Particulate Matter (PM) emitted nor violation of any applicable national laws, regulations and standards.

5.2 Environmentally-friendly Operations

The Group dedicates to operating its business in an environmentally-friendly manner in different aspects, including energy consumption, paper resources, waste and water:

Conserve the Energy

Energy is one of the major consumption arising from office operations. The working area of the Hong Kong office installs energy saving lighting devices and minimal spotlights are installed near the entrance. The lighting system is divided with separate switches based on lighting zones to increase the flexibility and develop the habit of turning off unnecessary lighting when not in use. To further reduce the use of energy and for safety reasons, employees are required to switch off and unplug all the devices with high energy consumption before long holidays.

The building in which the Hong Kong Office located adopts the Central Control and Monitoring System (CCMS) for the air-conditioning system to achieve better control in the room temperature, ventilation and humidity. Employees are allowed to wear causal clothes every Friday to further reduce the use of the air-conditioning system and hence energy use.

During the Reporting Period, the electricity consumption and relevant intensity of consumption were as stated below:

Indicators	Unit	2017	2018	2019
Electricity consumption	kWh	11,450.0	10,971.2	12,579.0
Intensity of Electricity Consumption (per m ²)	kWh/m ²	78.1	74.8	85.8

There was a slight increase in electricity intensity during the Reporting Period. We will continue to remind our employees about the importance of resource conservation to raise their environmental awareness.

New Century Eco-friendly Bicycle Day



New Century Grand Hotel Hangzhou



New Century Hotel Xiaoshan Zhejiang



New Century Resort Qiandao Lake Hangzhou



New Century Grand Hotel Ningbo



New Century Grand Hotel Changchun



New Century Grand Hotel Kaifeng

Conserve paper resources

During the Reporting Period, the Hong Kong Office consumed 118 reams of paper, with the intensity of 13.1 reams of paper/staff. The intensity has decreased by 3.3% compared with the previous year. The below initiatives had been adopted to achieve the improvement,

- Use both sides of papers and recycled paper for dropping notes;
- Set the printers to duplex and toner save mode;
- Print documents with smaller font size and margin;
- Use e-fax to sort and filter useful information;
- Centralize the waste paper, posters, letters and envelopes near the printers and send for further treatment; and
- Set up a target recycling rate of 40% (include other general wastes)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Reduce Waste

During the Reporting Period, the Hong Kong Office generated approximately 300.0 kg of non-hazardous waste, with its intensity at 33.3 kg/staff. The intensity remains the same as last year. The office building in which the Hong Kong Office is situated has plastic, cans and wasted batteries recycling bins to recycle the waste generated during operation. Moreover, we will perform stock count before purchasing to avoid wastage.

During the Reporting Period, the Hong Kong Office generated 4 batteries and 5 toner & ink cartridges of hazardous waste. All of them were handled by professional recycling companies to minimize the impact on the environment.

Conserve Water

In the Hong Kong Office, the water consumption from washrooms cannot be measured as they are shared with other lessees. The drinking water consumed in the Hong Kong Office was measured. During the Reporting Period, the Hong Kong office consumed 1,719.9 m³, with the intensity of 191.1 m³/staff. The facility management department of the office building will also fix dripping taps immediately when identified to reduce the wastage of water.

6. CONNECTION WITH THE SOCIETY

With active involvement in the community, our lessees could get to know more about the needs and opinions of the communities in which they operate and act in response to their needs to keep contributing to the society. During the Reporting Period, our lessees organized various activities to contribute to the community and some of them are listed below.



Complimentary Pavilions for Sanitation Workers to Take A Short Break



Public Benefit Activities Organized by New Century Grand Hotel Kaifeng

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

APPENDIX 1: SUSTAINABILITY DATA STATEMENT

Environmental	Unit	2018	2019
GHG Emissions			
Direct GHG emissions (Scope 1)	tonnes of CO ₂ e	0.0	0.0
Indirect GHG emissions (Scope 2)	tonnes of CO ₂ e	8.7	9.9
Other indirect GHG emissions (Scope 3)	tonnes of CO ₂ e	1.1	12.3*
Total GHG emissions (Scope 1, 2 & 3)	tonnes of CO ₂ e	9.8	22.2
Total GHG emissions intensity (per floor area)	tonnes of CO ₂ e/m ²	0.1	0.2
Energy Consumption			
Total electricity consumption	kWh	10,971.2	12,579.0
Total electricity consumption intensity (per floor area)	kWh/m ²	74.8	85.8
Drinking Water Consumption			
Total drinking water consumption	m ³	1,719.9	1,719.9
Total drinking water consumption intensity (per staff)	m ³ /staff	191.1	191.1
Non-hazardous Waste			
Disposed non-hazardous waste	tonnes	0.3	0.3
Total disposed non-hazardous waste intensity (per staff)	kg/staff	33.3	33.3
Recycled non-hazardous waste	tonnes	0.1	0.1
Recycling rate of non-hazardous waste	%	40	40
Hazardous Waste			
Production of hazardous waste	Batteries (piece)	5.0	4.0
	Toner and ink cartridges (piece)	4.0	5.0
Total production of hazardous waste intensity (per staff)	piece/staff	1.0	1.0
Non-Hazardous Waste			
Paper consumption	Reams	122.0	118.0
Paper consumption intensity	Reams/staff	13.6	13.1

* We included the emissions from air travel of 9.9 tonnes of CO₂e in 2019 but not in 2018.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

APPENDIX 2: INDEX TO THE ESG REPORTING GUIDE OF THE STOCK EXCHANGE

Indicator		Related Chapter	
A. Environmental			
A1 Emissions	General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	5. Care for the Environment
	A1.1	The types of emissions and respective emissions data.	5.1 Performance Management of Carbon Emissions
	A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	5.1 Performance Management of Carbon Emissions Appendix 1: Sustainability Data Statement
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	5.2 Environmentally-friendly Operations Appendix 1: Sustainability Data Statement
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	5.2 Environmentally-friendly Operations Appendix 1: Sustainability Data Statement
	A1.5	Description of measures to mitigate emissions and results achieved.	5.2 Environmentally-friendly Operations
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	5.2 Environmentally-friendly Operations
A2 Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	5.2 Environmentally-friendly Operations
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity.	5.2 Environmentally-friendly Operations Appendix 1: Sustainability Data Statement

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator			Related Chapter
A. Environmental			
	A2.2	Water consumption in total and intensity.	5.2 Environmentally-friendly Operations Appendix 1: Sustainability Data Statement
	A2.3	Description of energy use efficiency initiatives and results achieved.	5.2 Environmentally-friendly Operations
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	5.2 Environmentally-friendly Operations
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable to the REIT Manager's business
A3	General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	5.2 Environmentally-friendly Operations
The Environment and Natural Resources	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	5.2 Environmentally-friendly Operations
B. Social			
B1	General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4. Focus on Employees 4.1 Employment Standards 4.2 Benefits of Employees
Employment	B1.1	Total workforce by gender, employment type, age group and geographical region.	Will disclose in the future
	B1.2	Employee turnover rate by gender, age group and geographical region.	Will disclose in the future
B2	General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.4 Health and Safety
Health and Safety	B2.1	Number and rate of work-related fatalities.	4.4 Health and Safety
	B2.2	Lost days due to work injury.	4.4 Health and Safety
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	4.4 Health and Safety

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator			Related Chapter
B. Social			
B3 Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.3 Employee Development
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	4.3 Employee Development
	B3.2	The average training hours completed per employee by gender and employee category.	Will disclose in the future
B4 Labour Standards	General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	4.1 Employment Standards
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.1 Employment Standards
	B4.2	Description of steps taken to eliminate such practices when discovered.	4.1 Employment Standards
B5 Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	3.4 Supplier Management
	B5.1	Number of suppliers by geographical region.	Will disclose in the future
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	3.4 Supplier Management
B6 Product Responsibility	General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	3.2 Information Protection 3.3 Good Relationship Building with Lessees 3.5 Quality Assurance
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	3.5 Quality Assurance

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator			Related Chapter
B. Social			
	B6.2	Number of products and service related complaints received and how they are dealt with.	3.3 Good Relationship Building with Lessees
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	3.2 Information Protection
	B6.4	Description of quality assurance process and recall procedures.	3.5 Quality Assurance
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	3.2 Information Protection
B7 Anti-corruption	General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	3.1 Ethical and Integrity Operations
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	3.1 Ethical and Integrity Operations
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	3.1 Ethical and Integrity Operations
B8 Community Investment	General Disclosure	Policies on community engagement to understand the needs of communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6. Connection with the Society
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6. Connection with the Society
	B8.2	Resources contributed (e.g. money or time) to the focus area.	Will disclose in the future

CONNECTED PARTY TRANSACTIONS

Set out below is summary information in respect of connected party transactions for the year ended 31 December 2019 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 2016, the SFC granted an extension of the Modified and Extended Waiver, which covers the period from 1 January 2016 to 31 December 2019 (the "**2016 Extended Waiver**"). For further details of the 2016 Extended Waiver, please refer to the circular of New Century REIT dated 17 May 2016 and the poll results announcement of New Century REIT dated 1 June 2016.

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 refer to 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 2016 Extended Waiver granted by SFC on 1 June 2016 for the year ended 31 December 2019 was RMB18.8 million. New Century REIT had relevant lease transactions within the 2016 Extended Waiver of approximately RMB8.5 million for the year ended 31 December 2019, therefore New Century REIT is well within and has fully complied with the annual cap. For the year ended 31 December 2019, New Century REIT has complied with the relevant terms and conditions of the 2016 Extended Waiver and the Kaifeng Hotel Waiver.

With the approval of the Unitholders, on 5 June 2019, the SFC granted an extension of the Extended and Modified Waiver, which covers the period from 1 January 2020 to 31 December 2022.

CONNECTED PARTY TRANSACTIONS

INCOME

The following table sets out information on continuing connected party transactions from which New Century REIT derived its income for the year ended 31 December 2019:

Name of the Connected Person	Relationship with New Century REIT	Nature of the connected party transaction	Rental income received/receivable during the year ended 31 December 2019 (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 ¹	Leasing transaction	204,106
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 ²	Leasing transaction	22,000
開元旅業集團有限公司 (New Century Tourism Group Limited*)	Associate of significant holder and Director ³	Leasing transaction	1,999
杭州開元房地產集團有限公司 (Hangzhou New Century Real Estate Group Limited*)	Associate of significant holder and Director ⁴	Leasing transaction	1,861
杭州開元森泊旅遊投資有限公司 (Hangzhou New Century Senbo Tourism Investment Limited*)	Associate of significant holder and Director ⁴	Leasing transaction	361
杭州開元之江清洗連鎖有限公司 (Hangzhou New Century Zhijiang Cleaning Chain Limited*)	Associate of significant holder and Director ⁴	Leasing transaction	82
杭州開元裝飾工程有限公司 (Hangzhou New Century Decorating Limited*)	Associate of significant holder ²	Leasing transaction	122

CONNECTED PARTY TRANSACTIONS

RENTAL DEPOSITS

New Century REIT has refunded the following rental deposits to its connected persons for the year ended 31 December 2019:

Name of the Connected Person	Relationship with New Century REIT	Nature of the connected party transaction	Rental deposits refunded during the year ended 31 December 2019 (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 ¹	Leasing transaction	2

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.

EXPENSES

Save as disclosed above and in the subsection headed "Terms and Remuneration of Services Provided by the REIT Manager, the Trustee and the Principal Valuer" as set out below in this section, there are no other connected party transactions in which New Century REIT incurred expenses for the year ended 31 December 2019.

RECEIVABLES AND PAYABLES

There are trade and other receivable and payable balances, as well as advances, with connected persons brought forward from prior years and from leasing transactions occurred during the year ended 31 December 2019, which are set out in notes 27(c) of the Notes to the Consolidated Financial Statements on pages 173 to 174 of this report.

LOAN FACILITY

On 8 July 2019, Strong Tower, a wholly-owned subsidiary of New Century REIT, entered into a facility agreement with Huge Harvest, pursuant to which an unsecured loan facility with a commitment amount of HKD24,000,000 was granted by Huge Harvest to Strong Tower for a term until 10 July 2022 or (if earlier) the date on which a new term loan of HKD1,911,000,000 under a credit agreement dated 27 June 2019 is repaid in full. The loan facility is provided at an interest rate of the aggregate of (i) 3% per annum and (ii) the applicable HIBOR. For further details, please refer to New Century REIT's announcement dated 8 July 2019. During the year and as at 31 December 2019, no drawdown was made under said loan facility.

CONNECTED PARTY TRANSACTIONS

CONFIRMATION BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-executive Directors have confirmed that they have reviewed the terms of all the connected party transactions between New Century REIT and its connected persons conducted for the year ended 31 December 2019 and that they are satisfied that these transactions have been entered into:

- a) in the ordinary and usual course of business of New Century REIT;
- b) on normal commercial terms or better; and
- c) according to the agreement governing them and the REIT Manager's internal procedures, on terms that are fair and reasonable and in the interests of the Unitholders of New Century REIT as a whole.

REPORT FROM THE AUDITOR OF NEW CENTURY REIT

PricewaterhouseCoopers, auditor of New Century REIT, has been engaged to report on New Century REIT's continuing connected party transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by New Century REIT as set out in Note 27 of the Notes to the Consolidated Financial Statements on pages 171 to 175 of this report in accordance with the Waivers, the Modified and Extended Waiver, the 2016 Extended Waiver and the Kaifeng Hotel Waiver. A copy of the auditor's letter has been provided by New Century REIT to the SFC.

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

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

For the year ended 31 December 2019, the aggregate amount of fees (in the form of cash and/or units) paid/payable by New Century REIT to the Trustee and to the REIT Manager under the constitutive documents were RMB1,138,000 and RMB26,140,000 respectively. Particulars of services provided by the REIT Manager for the year ended 31 December 2019 is set out in Note 8 and Note 24 of the Notes to the Consolidated Financial Statement on page 145 and 167 to 169 of this report. The valuation fees paid/payable to Cushman & Wakefield Limited and its affiliates, the Principal Valuer of New Century REIT, for the year ended 31 December 2019 was RMB616,000.

RELATED PARTY TRANSACTIONS

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

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

CONNECTED PARTY TRANSACTIONS

SUMMARY OF MARKET RENTAL PACKAGE OF THE INITIAL HOTEL PROPERTIES IN RESPECT OF THE LEASE YEAR OF 2018, 2019 AND 2020 AND THE KAIFENG HOTEL FOR THE LEASE YEARS OF 2020 TO 2024

Reference is made to the announcements issued by the REIT Manager on 18 January 2018, 8 January 2019 and 10 January 2020 (“**Rental Announcements**”). Unless otherwise defined herein, capitalised terms used in this sub-section shall have the same meanings as those defined in the Rental Announcements.

The summary of the 2020 Market Rental Package Determination for the Initial Hotel Properties, together with a comparison of the corresponding amounts in respect of the Lease Year of 2018 and the Lease Year of 2019, is as follows:

Market Rental Package	Market Rental Package for Lease Year of 2018	Market Rental Package for Lease Year of 2019	Market Rental Package for Lease Year of 2020
Aggregate amount payable by the Lessee as Base Rent	RMB216 million	RMB200 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	20% of Revenue plus 34% of Gross Operating Profit
Amount of security deposit	RMB20 million	RMB20 million	RMB20 million
Amount to be covered by irrevocable bank guarantee(s)	RMB200 million	RMB200 million	RMB200 million

The summary of the 2020 to 2024 Market Rental Package Determination for the Kaifeng Hotel, together with a comparison of the corresponding amounts in the First Five-Year Term, is as follows :

Market Rental Package	Market Rental Package for First Five Year Term	Market Rental Package for Lease Years of 2020 to 2024
Aggregate amount payable by the Kaifeng Hotel Lessee as Base Rent	RMB22 million per Lease Year	RMB22 million per Lease Year
Variable Individual Rent for the Kaifeng Hotel (receivable by the Kaifeng Hotel Leasor)	20% of Revenue plus 34% of Gross Operating Profit	20% of Revenue plus 34% of Gross Operating Profit
Amount of security deposit	RMB22 million	RMB22 million

All other terms of the Hotel Lease and Management Agreements and the Kaifeng Hotel Lease Agreement, including but not limited to the guarantee provided by New Century Tourism in relation to the obligations of the Lessees under the Hotel Lease and Management Agreements and the Kaifeng Hotel Lease Agreement and also New Century Tourism’s undertaking to maintain a minimum net asset of RMB2 billion, remain the same as those during the Lease Year of 2018 and the Lease Year of 2019 and the First Five-Year Term, respectively.

CONNECTED PARTY TRANSACTIONS

Reference is made to the announcements issued by the REIT Manager on 13 March 2020 and 20 March 2020 respectively. Since the outbreak of the novel coronavirus pneumonia epidemic (the “**Epidemic**”), the provinces and municipalities in the PRC in which the Initial Hotel Properties and the Kaifeng Hotel are situated have activated level I (the highest-level response to major public health emergencies) and adopted various strict measures to curb the spread of the Epidemic. Therefore, the Lessees have substantively suspended operations of the Initial Hotel Properties and the Kaifeng Hotel since 25 January 2020. As a result of the Epidemic and the substantive suspension of operations, the force majeure clauses under the Master Hotel Lease and Management Agreement and the individual underlying hotel lease and management agreements and the Kaifeng Hotel Lease Agreement have been triggered, and accordingly the annual Base Rent for the Initial Hotel Properties and the Kaifeng Hotel will be adjusted proportionately for the duration of the period of suspension.

On 2 March 2020, all the provinces and municipalities in the PRC in which the Initial Hotel Properties are situated have lowered the response level to level II. Consequently, operations at the Initial Hotel Properties have resumed on 3 March 2020. Operations at the Initial Hotel Properties were suspended for 38 days, which resulted in a downward adjustment of the Base Rent for the Initial Hotel Properties for the year ending 31 December 2020 by RMB20.77 million in aggregate from RMB200 million to RMB179.23 million (representing an approximately 10.4% decrease).

On 19 March 2020, the Henan province in the PRC in which the Kaifeng Hotel is situated has lowered the response level to level II. Consequently, operations at the Kaifeng Hotel have resumed on 19 March 2020. Operations at the Kaifeng Hotel were suspended for 54 days, which resulted in a downward adjustment of the Base Rent for the Kaifeng Hotel for the year ending 31 December 2020 by approximately RMB3.25 million from RMB22 million to approximately RMB18.75 million (representing an approximately 14.8% decrease).

DISCLOSURE OF INTERESTS

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

UNITHOLDINGS OF SIGNIFICANT UNITHOLDERS

As at 31 December 2019, the interests and long positions in Units of the significant Unitholders (as defined in paragraph 8.1 of the REIT Code (other than the REIT Manager, its Directors or the chief executive of the REIT Manager)), as recorded in the register required to be kept by the REIT Manager pursuant to Schedule 3 of the Trust Deed and section 336 of the SFO, or so far as the REIT Manager is aware, were as follows:

Name of the Significant Unitholders	Total Number of Issued Units Held (long positions)	Approximate Percentage of the Issued Units as at 31 December 2019
Standard Chartered Trust (Singapore) Limited ¹	585,737,148	60.32%
SCTS Capital Pte Ltd. ²	585,737,148	60.32%
Poppytown Group Limited ³	585,737,148	60.32%
Huge Harvest International Limited ⁴	585,737,148	60.32%
Chen Miaolin ⁵	585,737,148	60.32%
Wealthy Fountain Holdings Inc. ⁶	139,450,000	14.36%
Shanghai Summit Pte. Ltd. ⁷	139,450,000	14.36%
Ding An Investments Limited	63,311,839	6.52%
Liu YongJuan ⁸	63,311,839	6.52%
Success Conquer Global Limited	49,026,800	5.05%

Notes:

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

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

As at 31 December 2019, 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.

- 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.
- 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.
- Huge Harvest International Limited is a significant Unitholder (within the meaning of the REIT Code) of New Century REIT. Of the 585,737,148 Units, Huge Harvest International Limited held 35,485,984 Units via New Century Asset Management Limited, representing 3.65% of the Units issued by New Century REIT, as at 31 December 2019.
- As at 31 December 2019, 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.

DISCLOSURE OF INTERESTS

Notes: (Continued)

6. Wealthy Fountain Holdings Inc. is a significant Unitholder (within the meaning of the REIT Code) of New Century REIT. Wealthy Fountain Holdings Inc. is 100% controlled by Shanghai Summit Pte. Ltd. (Note 7).
7. Shanghai Summit Pte. Ltd. holds 100% of the interests of Wealthy Fountain Holdings Inc. (Note 6). Hence, Shanghai Summit Pte. Ltd. has deemed interest in the Units held by Wealthy Fountain Holdings Inc. Mr. Tong JinQuan (Note 9), Non-executive Director of the REIT Manager, holds 100% of the interests of Shanghai Summit Pte. Ltd. Hence, Mr. Tong JinQuan has deemed interest in the Units held by Wealthy Fountain Holdings Inc.
8. Ms. Liu YongJuan holds 100% of the interests of Ding An Investments Limited. Hence, Ms. Liu YongJuan has deemed interest in the Units held by Ding An Investments Limited.

Save as disclosed above and based on the information available to the REIT Manager, no other significant unitholders had beneficial interests (or were deemed to be interested) in any Units or underlying Units or held any short position in the Units as at 31 December 2019 which were required to be notified to the REIT Manager and the Hong Kong Stock Exchange pursuant to Divisions 2, 3 and 4 of Part XV of the SFO.

UNITHOLDINGS OF THE REIT MANAGER, ITS DIRECTORS OR CHIEF EXECUTIVE

As at 31 December 2019, the interests and long positions in Units of the REIT Manager, its Directors or chief executive as recorded in the register required to be kept by the REIT Manager, pursuant to Schedule 3 of the Trust Deed and section 352 of the SFO, or as far as the REIT Manager is aware, were as follows:

Name of the REIT Manager, Director and chief executive of the REIT Manager	Total Number of Issued Units Held (long positions)	Approximate Percentage of the Issued Units as at 31 December 2019
Tong JinQuan ⁹	139,450,000	14.36%
New Century Asset Management Limited ¹⁰	35,485,984	3.65%
Jin Wenjie ¹¹	1,679,000	0.17%
Cheung Yat Ming ¹²	588,000	0.06%

Notes: (Continued)

9. Mr. Tong JinQuan, Non-executive Director of the REIT Manager, holds 100% of the interests in Shanghai Summit Pte. Ltd. (Note 7). Shanghai Summit Pte. Ltd. holds 100% of Wealthy Fountain Holdings Inc. (Note 6). Hence, Mr. Tong JinQuan has deemed interest in the Units held by Wealthy Fountain Holdings Inc.
10. New Century Asset Management Limited is the REIT Manager of New Century REIT. During the year, 4,470,745 and 4,486,341 new Units were issued to the REIT Manager on 24 May 2019 and 27 September 2019 as payment of 50% of the REIT Manager's fee for the period from 1 July 2018 to 31 December 2018 and from 1 January 2019 to 30 June 2019 respectively. As at 31 December 2019, the REIT Manager beneficially held 35,485,984 Units.
11. As at 31 December 2019, Mr. Jin Wenjie was the Chairman, Non-executive Director and the Chairman of the Nomination Committee of the REIT Manager.
12. As at 31 December 2019, Mr. Cheung Yat Ming was the Chief Executive Officer, Executive Director and a Responsible Officer of the REIT Manager. Mr. Cheung resigned as the Chief Executive Officer, Executive Director and a Responsible Officer of the REIT Manager with effect from 17 February 2020.
13. Ms. Ho Wai Chu was appointed as the Executive Director and Chief Executive Officer of the REIT Manager with effect from 17 February 2020. As at 31 December 2019, Ms. Ho Wai Chu held 336,000 Units of New Century REIT, representing 0.03% of the issued Units.

Save as disclosed above, none of the REIT Manager, its Directors or chief executive had beneficial interests (or were deemed to be interested) in any Units and underlying Units or held any short position in the Units as at 31 December 2019 which were required to be notified to the REIT Manager and the Hong Kong Stock Exchange pursuant to Divisions 7, 8 and 9 of Part XV of the SFO or to the REIT Manager only pursuant to the dealing policy set out in the Compliance Manual (as the case may be).

DIRECTORS' BIOGRAPHICAL INFORMATION

JIN WENJIE

Chairman and Non-executive Director

Mr. Jin Wenjie (金文杰), aged 50, has been appointed as the Chairman and a Non-executive Director of the REIT Manager since May 2017.

Mr. Jin has 29 years of experience in finance and real estate investment and management. Mr. Jin began his career as a research director at Zhenhai Refining & Chemical Company Limited (鎮海煉油化工股份有限公司) (previously listed on the Hong Kong Stock Exchange but now delisted) from July 1990 to January 1997. In February 1997, Mr. Jin joined Seapower Financial Services Group Limited (海裕金融有限公司) as a senior director until June 1998. Afterwards, he joined Dresdner Kleinwort Benson (China) Limited (德利佳信中國有限公司) as senior manager from July 1998 to March 2001, GC Capital (Asia) Limited (漢宇資本亞洲公司) as a director from May 2001 to September 2003, Goldbond Capital Asia Limited (金榜融資亞洲公司) as managing director from October 2003 to October 2007, and Piper Jaffray Asia Holdings Limited (美國派杰亞洲公司) as director and head of corporate finance in China from November 2007 to June 2008. After leaving Piper Jaffray Asia Holdings Limited, Mr. Jin joined Zhejiang New Century Hotel Management from August 2008 to January 2016 as deputy general manager. Mr. Jin has been the Chief Financial Officer of New Century Cayman, director and vice president of New Century Tourism since August 2011 and February 2016.

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

Mr. Jin currently serves as an Executive Director and Chairman of Zhejiang New Century Hotel Management (stock code: 1158), a company listed on the Hong Kong Stock Exchange.

HO WAI CHU

Executive Director and Chief Executive Officer (appointed with effect from 17 February 2020)

Ms. Ho Wai Chu (何慧珠), aged 54, has been appointed as the Chief Executive Officer and Executive Director of the REIT Manager with effect from 17 February 2020. She has been the Chief Operating Officer and a responsible officer of the REIT Manager since November 2013. She is also a director of the following special purpose vehicles of New Century REIT: SPV (BVI), SPV (HK), Sky Town, Zhejiang New Century Hotel, Xiaoshan Hotel Company, Qiandao Lake Resort, Ningbo New Century Grand, Changchun New Century Grand, Strong Tower, Full Wise HK, Kaifeng New Century Grand, New Century REIT Hong Kong I and New Century Europe.

Ms. Ho has extensive experience in auditing, accounting, financial and asset management. Before joining the REIT Manager, Ms. Ho was the financial controller of Mason Group Holdings Limited (previously known as Willie International Holdings Limited), a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 273) which is principally engaged in the business of property investment, investment in securities trading, money lending and investment holding. Ms. Ho started her career as an accountant at KPMG and has over 21 years of experience as the finance manager and chief accountant of several listed companies in Hong Kong. Ms. Ho holds a master's degree in Business Administration from the University of South Australia. Ms. Ho is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Ms. Ho is licensed by the SFC to carry out Type 9 (asset management) regulated activity.

DIRECTORS' BIOGRAPHICAL INFORMATION

ZHANG GUANMING

Non-executive Director

Mr. Zhang Guanming (張冠明), aged 54, has been a Non-executive director of the REIT Manager since June 2013. He is also a Director of the following Special Purpose Vehicles of New Century REIT: SPV (BVI), SPV (HK), Sky Town, Zhejiang New Century Hotel, Xiaoshan Hotel Company, Qiandao Lake Resort, Ningbo New Century Grand, Changchun New Century Grand, Strong Tower, Full Wise HK, Kaifeng New Century Grand, New Century REIT Hong Kong I and New Century Europe.

Mr. Zhang has over 24 years of experience in hotel operation and management and over 18 years of experience in real estate development. He is also one of the founders of the New Century Group and has been responsible for the administration, human resources management and corporate culture building of the New Century Group. Mr. Zhang holds various key positions in the New Century Group, including his role as a director and a vice president of New Century Tourism since January 2001, a director of Zhejiang New Century Hotel since September 2005 and a director of Hangzhou New Century Real Estate since July 2000. Mr. Zhang obtained his master's degree in business administration from Europäisches Institut für postgraduate Bildung an der Technischen Universität Dresden e.V. in October 2003.

TONG JINQUAN

Non-executive Director

Mr. Tong JinQuan (童錦泉), aged 65, has been a Non-executive Director of the REIT Manager since January 2015.

Mr. Tong has more than 20 years of experience in property investment, property development and property management in the People's Republic of China. He is the founder and Chairman of Shanghai Summit (Group) Co., Ltd. and its subsidiaries (the "Summit Group") (上海長峰(集團)有限公司) and the Chairman of Shanghai Changfeng Real Estate Development Co., Ltd. Having established Summit Group in 1994, Mr. Tong has been responsible for overseeing the growth of Summit Group, which holds and operates commercial properties such as hotels, serviced apartments, office buildings and a shopping mall in Shanghai, Shenyang and Chengdu.

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

DIRECTORS' BIOGRAPHICAL INFORMATION

YU HON TO DAVID

Independent Non-executive Director

Mr. Yu Hon To David (俞漢度), aged 72, has been an independent Non-executive Director of the REIT Manager since June 2013.

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

He currently serves as an independent Non-executive director of several companies listed on the Hong Kong Stock Exchange including:

- China Renewable Energy Investment Limited (formerly known as Hong Kong Energy (Holdings) Limited) (stock code: 987);
- China Resources Gas Group Limited (stock code: 1193);
- Haier Electronics Group Co., Ltd. (stock code: 1169);
- Keck Seng Investments (Hong Kong) Limited (stock code: 184);
- Media Chinese International Limited (stock code: 685), a company which is also listed in Malaysia, on Bursa Malaysia Securities Berhad (stock code: 5090);
- MS Group Holdings Limited (stock code: 1451);
- One Media Group Limited (stock code: 426); and
- Playmates Holdings Limited (stock code: 635).

Over the past three years, Mr. Yu previously also served as an independent Non-executive director of Synergis Holdings Limited (stock code: 2340) and resigned with effect from 1 January 2018.

ANGELINI GIOVANNI

Independent Non-executive Director

Mr. Angelini Giovanni, aged 74, has been an independent Non-executive Director of the REIT Manager since June 2013.

Mr. Angelini is a senior and well-respected professional within the hospitality industry and has over 54 years of experience acquired across three continents and in particular, in Asia, through his offices and directorships with quality hotels and organisations in Hong Kong, Singapore, Korea, Mexico, Bermuda and his native country, Italy. Mr. Angelini is presently based in Hong Kong and is an independent consultant in the travel and tourism industry. Prior to this, Mr. Angelini spent more than 16 years with Shangri-La Hotels and Resorts, where he was Chief Executive Officer and Managing Director of the Global Management Group and Executive Director of Shangri-La Asia Limited ("**Shangri-La**"), a company listed on the Hong Kong Stock Exchange, for over 9 years. Prior to working at Shangri-La, Mr. Angelini spent 15 years with Westin Hotels and Resorts ("**Westin**") and held several key positions, including Senior Vice President for Asia Pacific where he supervised the operation of hotels and development of activities within the region. Prior to working at Westin, Mr. Angelini was associated with a number of prestigious hotels and well-known groups including the Americana Hotels, the Hongkong and Shanghai Hotels and several other well-known hotels in North and Central America, Europe and Italy, where he completed his studies. Mr. Angelini is a member of many industry related organisations and quality management groups. He has received several lifetime achievements, including the "2006 Corporate Hotelier of the World" by HOTELS, the magazine of the worldwide hotel industry, an honorary degree of Doctor of Business Administration in Hospitality Management "Honoris Causa" by the Johnson & Wales University in the USA in 2004 and a knighthood from the Italian government. Mr. Angelini graduated from The Institute Volonta (University of Rome) with a degree in Business Administration.

DIRECTORS' BIOGRAPHICAL INFORMATION

HE JIANMIN

Independent Non-executive Director

Professor He Jianmin (何建民), aged 63, has been an independent Non-executive Director of the REIT Manager since January 2014.

Professor He has more than 28 years of experience in the fields of hospitality and tourism. Professor He has been a professor at the College of Business of Shanghai University of Finance & Economics (上海財經大學) since 2002. Professor He began his career in 1982 as a lecturer, assistant professor, deputy director and director of the hotel management department at the Shanghai Institute of Tourism (上海旅遊高等專科學校). Between 1993 and 2002, he took up various appointments at the Shanghai International Studies University (上海外國語大學), including associate professor, professor and director of the International Economics and Commerce department, and vice-president and president of the College of International Finance & Commerce. Professor He was appointed by the State Council Academic Degrees Committee (國務院學位委員會) as a member of the Consultative Committee for Master Education for National Tourism Management and is an expert consultant of the United Nations World Tourism Organisation. Professor He has been a leading researcher in many governmental research projects, including the Aim and Path in the Transformation and Development of the Economics of Shanghai Tourism (2011) (上海旅遊經濟轉型發展的目標與路徑研究(2011)) and the Proposals on the Development and Policies of National Tourism in light of the Shanghai Pilot Free Trade Zone (2014) (上海自由貿易試驗區對我國旅遊產業發展影響及政策建議(2014)). Professor He has also written many award winning publications over the years, including the Current State, Trends and Policies of Foreign Investment into Tourism in China (2010) (外資進入中國旅遊業的現狀、趨向及對策研究(2010)).

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

Over the past three years, Professor He previously also served as an independent Non-executive director.

Over the past three year, Professor He previously serves as an independent Non-executive director of Shanghai Jin Jiang Capital Company Limited (formerly known as Shanghai Jin Jiang International Hotels (Group) Company Limited) (Stock Code: 2006) and resigned with effect from 28 June 2019.

KEY PERSONNEL'S BIOGRAPHICAL INFORMATION

CHEUNG CHI SHAN

Investment and Investor Relations Manager

Ms. Cheung Chi Shan (張芷珊), aged 47, has been the Investment and Investor Relations Manager of the REIT Manager since August 2018 and a responsible officer since December 2018.

Ms. Cheung has more than 20 years of experience in real estate investment, business development as well as property market research. Prior to joining the REIT Manager, she was Senior Investment Manager of China New Town Holding Company Limited, subsidiary of China Development Bank Capital and CNTD (stock code: 1278) supervising its overseas real estate investment, fixed income investment together with market & policy research functions. She also has been completed various real estate acquisition and divestment when worked as Senior Business Development Manager of SOCAM Asset Management (HK) Co Ltd, a wholly-owned subsidiary of SOCAM Development (stock code: 983) and real estate analyst at Henderson (China) Investment Co Ltd.

Ms. Cheung obtained a Bachelor of Arts in Managerial Statistics from the City University of Hong Kong and a Postgraduate Diploma in Real Estate Investment Finance and Master of Science in Real Estate Investment Finance, both from Oxford Brookes University.

CHAN CHUN TUNG

Compliance Manager (appointed with effect from 11 February 2019) and Company Secretary (appointed with effect from 3 June 2019)

Mr. Chan Chun Tung (陳振東), aged 29, was appointed as the Compliance Manager of the REIT Manager with effect from 11 February 2019 and company secretary of the REIT Manager with effect from 3 June 2019.

Mr. Chan is experienced in auditing and compliance matters. Before joining the REIT Manager, he was an audit manager at PricewaterhouseCoppers, where he was involved in a number of audit and assurance projects advising corporate clients including listed REIT, listed companies and multinational companies.

Mr. Chan graduated from the University of Hong Kong and obtained a bachelor's degree of business administration in International Business and Global Management. He has been a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since March 2016.

CHOW HOI YUEN

Internal Audit Manager

Mr. Chow Hoi Yuen (周凱源), aged 40, has been the Internal Audit Manager of the REIT Manager since September 2018.

Mr. Chow has extensive experience in internal audit. Prior to joining REIT Manager, he has worked in various leading property developers including Nan Fung Group for more than 10 years, responsible for internal audit and compliance matters.

Mr. Chow graduated from Australian Catholic University with Bachelor of business accounting. He has been a Certified Public Accountant of the CPA Australia since 2010.

DING HAI JIANG

Property and Technical Manager

Mr. Ding Hai Jiang (丁海江), aged 42, has been the Property and Technical Manager of the REIT Manager since June 2013. Mr. Ding has extensive experience in the hotel industry and has worked in the New Century Group for over 10 years before joining the REIT Manager, being involved with facility management, procurement and supplies. Mr. Ding first joined Ningbo New Century Grand in the facilities department and was promoted in 2011 to supervisor of the facility management of Zhejiang New Century Hotel.

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

TRUSTEE'S REPORT

We hereby confirm that, in our opinion, the Manager of New Century Real Estate Investment Trust ("**New Century REIT**") has, in all material respects, managed New Century REIT in accordance with the provisions of the Trust Deed dated 10 June 2013 (as amended by Supplemental Trust Deed dated 20 June 2013 and Second Supplemental Trust Deed dated 15 June 2015) (the "**Trust Deed**") for the period from 1 January 2019 to 31 December 2019.

DB Trustees (Hong Kong) Limited

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

Hong Kong, 17 March 2020

VALUATION REPORT

New Century Asset Management Limited
(as REIT Manager and on behalf of New Century REIT)
Unit 4706, 47th Floor,
The Center
99 Queen's Road Central,
Hong Kong



16/F, 1063 King's Road, Quarry Bay, Hong Kong
香港鰂魚涌英皇道1063號16樓
Tel +852 2507 0507
Fax +852 2530 1502
cushmanwakefield.com.hk

DB Trustees (Hong Kong) Limited
(as Trustee of New Century REIT)
Level 52, International Commerce Centre
1 Austin Road West,
Kowloon,
Hong Kong

20 March 2020

Dear Sirs,

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

INSTRUCTIONS, PURPOSE & DATE OF VALUATION We refer to the instructions from the Manager of New Century REIT (the "**REIT Manager**") for us to prepare market valuations of the captioned Properties located in the People's Republic of China (the "**PRC**") (as detailed in the attached summary of valuations). We confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing your company with our opinion of the market values of the Properties as at 31 December 2019 (the "**valuation date**") for financial reporting purpose.

VALUER'S INTEREST We hereby certify Cushman & Wakefield Limited ("**C&W**") is independent of the scheme, the trustee, the management company and each of the significant holders of the scheme, as per the Code on Real Estate Investment Trust issued by the Securities and Futures Commission in Hong Kong (the "**SFC**").

BASIS OF VALUATION Our valuation of each Property represents its market value which in accordance with The HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Our valuations of the Properties are each on an entirety interest basis.

COMPLIANCE In valuing the Properties, we have complied with the requirements set out in The HKIS Valuation Standards 2017, as well as Chapter 6.8 of the Code on Real Estate Investment Trusts (the "**REIT Code**").

VALUATION REPORT

VALUATION ASSUMPTIONS

Our valuation of each Property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

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

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

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

We have assumed the design and construction of the Properties are in compliance with the local planning regulations and have been approved by the relevant authorities.

METHOD OF VALUATION

We have assessed the value of the Properties by Discounted Cash Flow (“**DCF**”) Method.

DCF involves discounting future net cash flow after operation-related and property-related capital taxes (i.e. net operating income) of each property for a certain forecast period and the anticipated net operating income receivable thereafter being capitalised at appropriate terminal capitalisation rates until the end of the respective unexpired land use term to its present value by using an appropriate discount rate which reflect the rates of return required by a third-party investor for an investment of similar use type. In determining the discount rates which reflect the inherent risks associated with investment in the individual properties, we take into consideration compensation for risks inherent in future cash flows, inflation, revenue growth, our understanding of the return expected by investors for similar properties as well as the level of discount rates used in valuations of similar types of properties. The discount rates adopted are reasonable and in line with the market norm having regard to the relevant analyses. We have prepared the cash flow forecast for 10 years with reference to the current and anticipated market conditions.

In addition, we have also taken into account the Hotel Lease and Management Agreements of the Properties.

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

SOURCE OF INFORMATION

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

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

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

TITLE INVESTIGATION

We have been provided with copies of the title documents relating to the Properties but have not carried out any land title searches. Moreover, we have not inspected the original documents to verify ownership or to ascertain any amendments which may not appear on the copies handed to us. We are unable to ascertain the title of the Properties. We have therefore relied on the advice given by the REIT Manager regarding its interests in the Properties. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

SITE INSPECTION

Rainy Yu (Senior Associate Director), Lily Lei (Senior Valuer) and Monica Wang (Manager) inspected the exterior and, where possible, the interior of the Properties in May 2019. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the Properties are free of rot, infestation or other structural defects. No test was carried out on any of the services. Our valuations are prepared on the assumption that these aspects are satisfactory.

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

VALUATION REPORT

CURRENCY	Unless otherwise stated, all monetary sums stated in this valuation report are in Renminbi (“ RMB ”), the official currency of the PRC.
OTHER DISCLOSURES	C&W’s current rotation policy of signatory for valuation of the same assets for the same client is a maximum period of 7 years.
INTENDED USE AND USER OF REPORT	This valuation report is issued for the use of the New Century REIT for financial reporting purpose only.
NON-PUBLICATION AND CAVEAT	<p>Neither the whole nor any part of this letter, summary of valuations and valuation report or any reference thereto may be included in any document, circular or statement without our prior written approval of the form and context in which they will appear, except for the purposes of disclosure of our valuations in New Century REIT’s annual reports and auditing accounts in which the Properties are included.</p> <p>Finally and in accordance with our standard practice, we must state that this letter, summary of valuations and valuation report are for the use only of the party to whom they are addressed and no responsibility is accepted to any third party for the whole or any part of their contents.</p>

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

Yours faithfully,
for and on behalf of

Cushman & Wakefield Limited

Philip C.Y. Tsang

Registered Professional Surveyor (General Practice)

Registered China Real Estate Appraiser

MSc, MHKIS, MRICS

Director, Valuation and Advisory Services

Note: Philip C.Y. Tsang is a member of Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors, a China Real Estate Appraiser and a Registered Professional Surveyor who has over 26 years’ experience in the valuation of properties in the PRC.

SUMMARY OF VALUATIONS

Property	Market value in existing state as at 31 December 2019 (RMB)	Interest attributable to New Century REIT (%)	Market value in existing state attributable to New Century REIT as at 31 December 2019 (RMB)
1. New Century Grand Hotel Hangzhou, No. 818 Middle Shixin Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC	1,967,000,000	100	1,967,000,000
2. New Century Hotel Xiaoshan Zhejiang, No. 77 Renmin Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC	608,000,000	95.46	580,396,800
3. New Century Resort Qiandao Lake Hangzhou, Qilin Peninsula, Qiandao Lake, Chun'an County, Hangzhou, Zhejiang Province, the PRC	363,000,000	100	363,000,000
4. New Century Grand Hotel Ningbo, No. 666 Middle Shounan Road, Yinzhou District, Ningbo, Zhejiang Province, the PRC	810,000,000	100	810,000,000
5. New Century Grand Hotel Changchun, No. 2299 Jingyangda Road, Lvyuan District, Changchun, Jilin Province, the PRC	444,000,000	100	444,000,000
6. New Century Grand Hotel Kaifeng, No.1 Zhengkai Road, New District, Kaifeng, Henan Province, the PRC	420,000,000	100	420,000,000
Grand-Total:	4,612,000,000		4,584,396,800

VALUATION REPORT

VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2019										
1.	New Century Grand Hotel Hangzhou, No. 818 Middle Shixin Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC	<p>New Century Grand Hotel Hangzhou is a 45-storey hotel building erected upon 2-level basement standing on parcel of land with site area of 11,169.80 sq m.</p> <p>New Century Grand Hotel Hangzhou, a five-star hotel, was completed in 2005 and operated since January 2005. New Century Grand Hotel Hangzhou currently provides 699 guest rooms, 712 car parking spaces (including loading/unloading spaces), food and beverage outlets, a wine bar, a fitness centre with indoor swimming pool, a show bar, a spa, banquet and function rooms and a business centre.</p> <p>Pursuant to Building Ownership Reports and Certificates for Completion and Acceptance of Construction Works, New Century Grand Hotel Hangzhou has a total gross floor area of 130,104.94 sq m.</p> <table border="1"> <thead> <tr> <th>Portion</th> <th>Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Hotel</td> <td>98,060.58</td> </tr> <tr> <td>Office</td> <td>4,347.78</td> </tr> <tr> <td>Basement</td> <td>27,696.58</td> </tr> <tr> <td>Total</td> <td>130,104.94</td> </tr> </tbody> </table> <p>As advised by the REIT Manager, New Century Grand Hotel Hangzhou has a total operating area of approximately 101,961 sq m.</p> <p>The land use rights of the Property have been granted to 浙江開元酒店投資管理集團有限公司 (Zhejiang New Century Hotel Investment & Management Group Co., Ltd.) for a term of 40 years due to expire on 22 December 2043 for commercial use.</p>	Portion	Gross Floor Area (sq m)	Hotel	98,060.58	Office	4,347.78	Basement	27,696.58	Total	130,104.94	<p>As at the valuation date, the Property was operated as a hotel under a Hotel Lease and Management Agreement for a term of 10 years due to expire in July 2023 for a rent of 20% of the total operating revenue plus 34% of the gross operating profit.</p> <p>The occupancy rate of the hotel for the year of 2019 was 67.63%.</p> <p>Apart from the general hotel operation, a total leasable floor area of 14,449.66 sq m has been occupied by various tenants under various cooperation agreements for terms of 0.8 to 9.9 years at a total monthly service charge of approximately RMB1,521,021 for commercial or office uses while a leasable floor area of 48.09 sq m was vacant and available for lease.</p> <p>Based on the net rental income of 2019, the estimated net yield of the Property is 4.7%.</p>	RMB1,967,000,000 (RENMINBI ONE BILLION AND NINE HUNDRED AND SIXTY-SEVEN MILLION)
Portion	Gross Floor Area (sq m)													
Hotel	98,060.58													
Office	4,347.78													
Basement	27,696.58													
Total	130,104.94													

VALUATION REPORT

Notes:

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

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

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

Food and Beverage Outlet	Style	Total Seating Area (sq m)	Maximum Seating Capacity
Long Bar	Bar	198	90
Yigar Bar	Bar	275	70
Rose Garden Lounge	Bar	210	36
Prestige Club Lounge	Bar	343	48
Café Mediterranean	Western	884	220
Montalcino Grill	Italian	280	68
Four Season Chamber	Chinese	722	84
Cookfun Town	Chinese boxes	856 (23 boxes)	234
Grand Garden	Chinese boxes	1,591 (14 boxes)	178

Function and Banquet Facilities	Number of Rooms	Total Seating Area (sq m)	Maximum Seating Capacity
New Century Hall	1	1,000	900
Grand Dynasty Hall	1	1,360	1,400
Tianhong Hall	1	95	80
Tianhe Hall	1	95	80
Tianren Hall	1	90	30
Mingsi Hall	1	70	60
Mingde Hall	1	70	60
Mingrui Hall	1	108	90
Minghou Hall	1	108	30
He Hall	1	280	200
Gui Hall	1	95	80
Grand Hall	7	1,265	712

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

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

VALUATION REPORT

- (3) Pursuant to 38 State-owned Land Use Rights Certificates issued by the Hangzhou Municipal People's Government on 6 December 2013, the land use rights of the Property with a total site area of 11,169.80 sq m have been vested in 浙江開元酒店投資管理集團有限公司 (Zhejiang New Century Hotel Investment & Management Group Co., Ltd.) for a term of 40 years until 22 December 2043 for commercial use with details as follows:

Certificate No.	Gross Floor Area (sq m)	Certificate No.	Gross Floor Area (sq m)
007093	400.5	007115	158.1
007094	158.1	007116	158.1
007096	114	007117	158.1
007097	147.7	007118	158.1
007099	957.3	007119	158.1
007100	152.7	007120	158.1
007101	158.1	007121	158.1
007102	158.1	007122	158.1
007103	1,346	007123	158.1
007104	7.5	007124	1,046.3
007105	135	007125	158.1
007106	158.1	007126	999.9
007107	158.1	007127	158.1
007108	158.1	007128	158.1
007109	158.1	007129	158.1
007110	36.4	007130	696
007111	158.1	007131	158.1
007113	158.1	007132	1,178
007114	158.1	007133	158.1
Total:			11,169.80

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

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

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

VALUATION REPORT

- (5) Pursuant to a Certificate for Completion and Acceptance of Construction Works dated 23 August 2005, the construction works of the Property with a total gross floor area of 130,104.94 sq m are in compliance with the requirements of urban planning and are examined and accepted.
- (6) The Property is currently subject to mortgages in favor of CMB Wing Lung Bank Limited, Shanghai Sub-branch (招商永隆銀行有限公司上海支行).
- (7) Pursuant to Business Licence No. 913300007338122847 dated 10 May 2016, 浙江開元酒店投資管理集團 (Zhejiang New Century Hotel Investment & Management Group Co., Ltd.) was established as a limited company with a registered capital of RMB811,000,000 for a valid operation period from 30 November 2001 to 19 November 2027.
- (8) We have prepared our valuation on the following assumptions:
- 浙江開元酒店投資管理集團有限公司 (Zhejiang New Century Hotel Investment & Management Group Co., Ltd.) is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;
 - all land premium, costs of public utilities, ancillary infrastructure fees and compensation for resettlement have been fully settled;
 - the design and construction of the Property are in compliance with the local planning regulations and have been approved by the relevant authorities; and
 - the Property may be disposed of freely to the purchasers at nil encumbrances.
- (9) The status of the title and grant of major approvals and licences in accordance with the information provided by the REIT Manager are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

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

(a)	Average daily room rate (“ADR”)	:	RMB520 for year 1
(b)	Annual growth in ADR	:	Stabilized at 4%
(c)	Occupancy rate on available room basis	:	Year 1 – 71%; Stabilized at 75%
(d)	F&B revenue	:	Year 1 – 51% of gross revenue; Stabilized at 57% of gross revenue
(e)	FF&E provision	:	2% of gross revenue
(f)	Discount rate	:	8.75%
(g)	Terminal growth rate	:	4%

- (11) Market Overview

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

By the end of 2018, the resident population of Hangzhou was 9.81 million, an increase of 338 thousand over the previous year. Economic development in Hangzhou continued to thrive in 2019, with GDP increased 6.8% year-on-year to RMB1,537.3 billion, buoyed by the burgeoning service industry sector which contributed to approximately 66.17% of total GDP. According to the International Congress and Convention Association (ICCA) ranking, Hangzhou was the 5th Convention City among all mainland cities behind Beijing, Shanghai, Guangzhou and Xi’an.

VALUATION REPORT

Tourism Statistics, Hangzhou, 2009-2019

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	CAGR (2009- 2019)
Domestic Visitors Arrivals ('000s)	50,937	63,049	71,810	82,368	94,090	106,060	120,400	137,000	158,844	179,828	207,003	15.1%
Domestic Tourism Receipts (RMB mil)	70,890	91,090	106,380	125,320	146,990	174,388	201,974	236,264	280,210	333,560	395,400	18.8%
International Visitor Arrivals ('000s)	2,304	2,757	3,063	3,311	3,160	3,270	3,420	3,632	4,022	4,205	1,133*	(6.9%)
Tourism Foreign Exchange Revenue (USD mil)	1,380	1,690	1,960	2,202	2,160	2,318	2,931	3,149	3,543	3,830	740*	(6.0%)

Source: Statistical Yearbook of Hangzhou, various years. 2018 and 2019 figures from web page of Hangzhou Statistics Bureau

* Statistical scale for calculating the international visitor arrivals and tourism foreign exchange revenue has been adjusted since 2019.

New Century Grand Hotel Hangzhou is located in Xiaoshan CBD, only 18 km drive to Xiaoshan International Airport and very close to the express way. The hotel is within 30-minute drive to the West Lake, 44 km to the historic city Shaoxing and 2.5 hours' drive to Shanghai and Ningbo. The Hangzhou Metro Line 2 has been completed and operated in November 2014. The People Square Station of Metro Line 2 is located in front of the hotel, which provides great convenience to the guests of the hotel. It takes approximately 20 minutes to travel from the hotel to the downtown area of the city by subway.

According to data from China National Tourism Administration, during 2019 Q3, occupancy rate of five-star rated hotels in Hangzhou was approximately 64.75%. Average daily room rate was approximately RMB600.58. Hangzhou saw a substantial supply growth with at least five upscale hotels opened in 2019. These hotels include Grand New Century Hotel Zhejiang Radio & TV (浙江廣電開元名都大酒店) and Grand Mercure Hotel Hangzhou Qiantang (杭州錢塘美爵酒店) in January, Conrad Hangzhou (杭州康萊德酒店) and The Amber House Hangzhou (杭州安樸酒店) in March, Landison Hushan Resort Hangzhou (杭州湖山雷迪森莊園) in April, Radisson Blu Hangzhou Xintiandi (杭州新天地麗笙酒店) in August, Canopy by Hilton Hangzhou Jinsha Lake (杭州金沙湖和達希爾頓嘉悅里酒店) in November.

VALUATION REPORT

2.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2019
	New Century Hotel Xiaoshan Zhejiang, No. 77 Renmin Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC	<p>The Property comprises several buildings of 1 to 18 storeys erected on a parcel of land with a total site area of 9,721.30 sq m.</p> <p>New Century Hotel Xiaoshan Zhejiang, a four-star hotel, was completed in 1988 and operated since January 1988. New Century Hotel Xiaoshan Zhejiang currently provides 375 guest rooms, 34 above-ground car parking and 66 mechanical parking spaces, food and beverage outlets, a wine bar, a fitness centre, banquet and function rooms and a business centre.</p> <p>Pursuant to the Building Ownership Certificates, New Century Hotel Xiaoshan Zhejiang has a total above-ground gross floor area of 39,835.47 sq m.</p> <p>As advised by the REIT Manager, New Century Hotel Xiaoshan Zhejiang has a total operating area of approximately 32,486 sq m.</p> <p>The land use rights of the property have been granted to 浙江銳至投資股份有限公司 (Zhejiang Spearhead Investment). Portion of the site with a site area of 8,361 sq m is held with land use rights for a term of 40 years due to expire on 30 December 2035 for tourism use. The remaining portion of the site with a site area of 1,360.30 sq m is held with land use rights for a term of 40 years due to expire on 13 August 2037 for entertainment use.</p>	<p>As at the valuation date, the Property was operated as a hotel under a Hotel Lease and Management Agreement for a term of 10 years due to expire in July 2023 for a rent of 20% of the total operating revenue plus 34% of the gross operating profit.</p> <p>The occupancy rate of the hotel for the year of 2019 was 65.13%.</p> <p>Apart from the general hotel operation, a total leasable floor area of 4,825.78 sq m has been occupied by various tenants under various cooperation agreements for terms of 1 to 20 years at a total monthly service charge of approximately RMB679,019 for commercial use.</p> <p>Based on the net rental income of 2019, the estimated net yield of the Property is 6.2%.</p>	<p>RMB608,000,000 (RENMINBI SIX HUNDRED AND EIGHT MILLION)</p> <p>(95.46% interest attributable to New Century REIT: RMB580,396,800)</p>

VALUATION REPORT

Notes:

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

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

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

Food and Beverage Outlet	Style	Total Seating Area (sq m)	Maximum Seating Capacity
New Triangle Café	Western	850.46	150
Gentleman Bar	Bar	330.2	53
Dreaming Bar	Bar	175.46	36
Jinxianyuan Restaurant	Chinese	650	230
Penoy Banquet Room	Chinese boxes	443.5 (12 boxes)	36
Jingdu Banquet Room	Chinese boxes	766.3 (27 boxes)	262

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

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

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

(3) Pursuant to 2 State-owned Land Use Rights Certificates issued by the Hangzhou Municipal People's Government, the land use rights of the Property have been vested in 浙江銳至投資股份有限公司 (Zhejiang Spearhead Investment), a 95.46%-owned subsidiary of New Century REIT, for terms of 40 years due to expire on 30 December 2035 for tourism use and 13 August 2037 for entertainment use respectively with details as follows:

Certificate No.	Site Area (sq m)	Address	Land Use	Expiry Date
(2016) 0100018	8,361.00	No. 66 Shixin Road	Tourism	30 December 2035
(2016) 0100019	1,360.30	No. 136 South Shixin Road	Entertainment	13 August 2037
Total	9,721.30			

VALUATION REPORT

- (4) Pursuant to 8 Building Ownership Certificates issued by the Hangzhou Housing Security and Real Estate Administration Bureau, the building ownership of the Property comprising a total gross floor area of 39,835.47 sq m, has been vested in 浙江銳至投資股份有限公司 (Zhejiang Spearhead Investment Limited) with details as follows:

Certificate No.	Gross Floor Area (sq m)	Use	Issue Date
16475031	4,330.30	Commercial	13 June 2016
16475085	83.32	Others	14 June 2016
16475084	148.12	Others	14 June 2016
16475354	521.18	Others	14 June 2016
16475355	1,543.02	Commercial	14 June 2016
16475360	14,704.33	Commercial	14 June 2016
16475356	10,727.71	Commercial	14 June 2016
16475358	7,777.49	Commercial	14 June 2016
Total	39,835.47		

- (5) Pursuant to the information provided by the REIT Manager, the Property is currently subject to mortgages in favor of CMB Wing Lung Bank Limited, Shanghai Sub-branch (招商永隆銀行有限公司上海支行).

- (6) Pursuant to Business Licence No. 9133010025393029XR dated 1 November 2016, 浙江銳至投資股份有限公司 (Zhejiang Spearhead Investment Limited) was established as a limited company with a registered capital of RMB102,571,739 for a valid operation period commencing on 8 September 1994.

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

- 浙江銳至投資股份有限公司 (Zhejiang Spearhead Investment Limited) is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;
- all land premium, costs of public utilities, ancillary infrastructure fees and compensation for resettlement have been fully settled;
- the design and construction of the Property are in compliance with the local planning regulations and have been approved by the relevant authorities; and
- the Property may be disposed of freely to the purchasers at nil encumbrances.

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

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

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

(a)	Average daily room rate ("ADR")	:	RMB365 for year 1
(b)	Annual growth in ADR	:	Stabilized at 4%
(c)	Occupancy rate on available room basis	:	Year 1 – 73%; Stabilized at 74%
(d)	F&B revenue	:	Year 1 – 64% of gross revenue; Stabilized at 68% of gross revenue
(e)	FF&E provision	:	2% of gross revenue
(f)	Discount rate	:	8.75%
(g)	Terminal growth rate	:	4%

VALUATION REPORT

(10) Market Overview

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

By the end of 2018, the resident population of Hangzhou was 9.81 million, an increase of 338 thousand over the previous year. Economic development in Hangzhou continued to thrive in 2019, with GDP increased 6.8% year-on-year to RMB1,537.3 billion, buoyed by the burgeoning service industry sector which contributed to approximately 66.17% of total GDP. According to the International Congress and Convention Association (ICCA) ranking, Hangzhou was the 5th Convention City among all mainland cities behind Beijing, Shanghai, Guangzhou and Xi'an.

Tourism Statistics, Hangzhou, 2009-2019

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	CAGR (2009- 2019)
Domestic Visitors Arrivals ('000s)	50,937	63,049	71,810	82,368	94,090	106,060	120,400	137,000	158,844	179,828	207,003	15.1%
Domestic Tourism Receipts (RMB mil)	70,890	91,090	106,380	125,320	146,990	174,388	201,974	236,264	280,210	333,560	395,440	18.8%
International Visitor Arrivals ('000s)	2,304	2,757	3,063	3,311	3,160	3,270	3,420	3,632	4,022	4,205	1,133*	(6.9%)
Tourism Foreign Exchange Revenue (USD mil)	1,380	1,690	1,960	2,202	2,160	2,318	2,931	3,149	3,543	3,830	740*	(6.0%)

Source: Statistical Yearbook of Hangzhou, various years. 2018 and 2019 figures from web page of Hangzhou Statistics Bureau

* Statistical scale for calculating the international visitor arrivals and tourism foreign exchange revenue has been adjusted since 2019.

New Century Hotel Xiaoshan Zhejiang, located in the most prosperous business center of Xiaoshan District, is only 18 km drive to Xiaoshan International Airport and very close to the express way. The hotel is within 30-minute drive to the West Lake, 44 km to the historic city Shaoxing and 2.5 hours' drive to Shanghai and Ningbo. The Hangzhou Metro Line 2 has been completed and operated in November 2014. The Renmin Road Station of Metro Line 2 is located in front of the hotel, which provides great convenience to the guests of the hotel. It takes approximately 20 minutes to travel from the hotel to the downtown area of the city by subway.

According to data from China National Tourism Administration, during 2019 Q3, occupancy rate of five-star rated hotels in Hangzhou was approximately 64.75%. Average daily room rate was approximately RMB600.58. Hangzhou saw a substantial supply growth with at least five upscale hotels opened in 2019. These hotels include Grand New Century Hotel Zhejiang Radio & TV (浙江廣電開元名都大酒店) and Grand Mercure Hotel Hangzhou Qiantang (杭州錢塘美爵酒店) in January, Conrad Hangzhou (杭州康萊德酒店) and The Amber House Hangzhou (杭州安樸酒店) in March, Landison Hushan Resort Hangzhou (杭州湖山雷迪森莊園) in April, Radisson Blu Hangzhou Xintiandi (杭州新天地麗笙酒店) in August, Canopy by Hilton Hangzhou Jinsha Lake (杭州金沙湖和達希爾頓嘉悅里酒店) in November.

VALUATION REPORT

3.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2019										
	New Century Resort Qiandao Lake Hangzhou, Qilin Peninsula, Qiandao Lake, Chun'an County, Hangzhou, Zhejiang Province, the PRC	<p>New Century Resort Qiandao Lake Hangzhou comprises a 6-storey hotel building, 2 villas of 3 storeys and a 3-storey staff dormitory erected on a parcel of land with a site area of 69,355.84 sq m.</p> <p>New Century Resort Qiandao Lake Hangzhou, a five-star hotel, was completed in February 2004 and has been operated since April 2004. New Century Resort Qiandao Lake Hangzhou currently provides 227 guest rooms, 108 car parking spaces (including loading/unloading spaces), food and beverage outlets, a fitness centre with swimming pool, banquet and function rooms, children yard and a business centre.</p> <p>Pursuant to the Building Ownership Certificates, New Century Resort Qiandao Lake Hangzhou has a total gross floor area of 39,402.37 sq m with details as follows:</p>	<p>As at the valuation date, the Property was operated as a hotel under a Hotel Lease and Management Agreement for a term of 10 years due to expire in July 2023 for a rent of 20% of the total operating revenue plus 34% of the gross operating profit.</p> <p>The occupancy rate of the hotel for the year of 2019 was 72.78%.</p> <p>Apart from the general hotel operation, a total leasable floor area of 1,300 sq m has been occupied by the tenant under the cooperation agreements for terms of 3 years at a total monthly service charge of approximately RMB36,400 for commercial use.</p> <p>Based on the net rental income of 2019, the estimated net yield of the Property is 4.9%.</p>	<p>RMB363,000,000 (RENMINBI THREE HUNDRED AND SIXTY-THREE MILLION)</p>										
		<table border="1"> <thead> <tr> <th data-bbox="453 886 520 907">Portion</th> <th data-bbox="719 886 874 935">Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td data-bbox="453 965 571 987">Hotel building</td> <td data-bbox="783 965 874 987">35,744.90</td> </tr> <tr> <td data-bbox="453 993 496 1015">Villas</td> <td data-bbox="810 993 874 1015">967.94</td> </tr> <tr> <td data-bbox="453 1021 580 1043">Staff dormitory</td> <td data-bbox="794 1021 874 1043">2,689.53</td> </tr> <tr> <td data-bbox="453 1086 496 1108">Total</td> <td data-bbox="783 1086 874 1108">39,402.37</td> </tr> </tbody> </table>	Portion	Gross Floor Area (sq m)	Hotel building	35,744.90	Villas	967.94	Staff dormitory	2,689.53	Total	39,402.37		
Portion	Gross Floor Area (sq m)													
Hotel building	35,744.90													
Villas	967.94													
Staff dormitory	2,689.53													
Total	39,402.37													
		<p>As advised by the REIT Manager, New Century Resort Qiandao Lake Hangzhou has a total operating area of approximately 30,000 sq m.</p>												
		<p>The land use rights of the Property have been granted to 淳安千島湖開元銳至投資有限公司 (Chun'an Qiandao Lake New Century Spearhead Investment Limited) for terms of 40 years until 31 July 2041 for commercial use and 70 years until 31 July 2071 for residential use respectively.</p>												

VALUATION REPORT

Notes:

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

Room Type	Size (sq m)	Number of Rooms
Villa Standard Room/Villa Deluxe Room	35	9
Standard Room/Deluxe Room	33-35	196
Standard Suite	40	4
Deluxe Suite	68	6
Business Suite	69	7
New Century Suite	106	4
President Suite	552	1
Total		227

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

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

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

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

Other Amenities	Level	Total Area (sq m)
a chess/poker room	Level 2	260
a beauty salon	Level 1	12
an indoor & outdoor swimming pool	Level 1/outdoor	1,050
a table tennis room	Level 1	150
a fitness room	Level 1	150
a foot SPA	Level 1	580
a night club	Level 2	260
13 karaoke rooms	Level 2	200
a snooker room	Level 1	90
a tennis court	outdoor	720
an outdoor sand volleyball court	outdoor	500
an outdoor water golf	outdoor	150
a shop	Level 5	35

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

VALUATION REPORT

- (3) Pursuant to a management agreement (受託管理業主別墅協議), 3 villas with a total gross floor area of 1,303 sq m, situated at Nos. 32, 33 and 35 New Century Resort Qiandao Lake Hangzhou were leased from an independent third party to 浙江開元酒店管理有限公司千島湖開元度假村 (Zhejiang New Century Hotel Management Qiandao Lake New Century Resort Development Co., Ltd.) for a term of 2 years from 1 July 2018 to 30 June 2020.
- (4) Pursuant to 2 Certificates for the Use of State-owned Land Chun An Guo Yong (2016) DI Nos. 002371 and 002375 issued by the Chun'an County People's Government on 21 June 2016, the land use rights of the Property having a site area of 10,759.58 sq m have been vested in 淳安千島湖開元銳至投資有限公司 (Chun'an Qiandao Lake New Century Spearhead Investment Limited) for terms of 70 years until 31 July 2071 for residential use.
- (5) Pursuant to 2 Building Ownership Certificates – Chun An Quan Zheng Qian Dao Hu Zhen Zi Di Nos. 268131 and 268132 issued by the Chun'an County Real Estate Administration Office on 13 June 2016, the building ownership of the Property having a gross floor area of 3,241.66 sq m has been vested in 淳安千島湖開元銳至投資有限公司 (Chun'an Qiandao Lake New Century Spearhead Investment Limited) for terms of 70 years for residential use respectively.
- (6) Pursuant to Certificate for Real Estate Ownership-Zhe (2019) Chun An Xian Qu Bu Dong Chan Di No. 0007776 issued by the Chun An Municipal Bureau of National Land and Resources on 25 September 2019, the land use rights of the Property having a site area of 58,596.26 sq m and the building ownership of the Property having a gross floor area of 36,160.71 sq m have been vested in 淳安千島湖開元銳至投資有限公司 (Chun'an Qiandao Lake New Century Spearhead Investment Limited) for a term of 40 years until 31 July 2041 for commercial use.
- (7) Pursuant to the information provided by the REIT Manager, the Property is currently subject to mortgages in favor of CMB Wing Lung Bank Limited, Shanghai Sub-branch (招商永隆銀行有限公司上海支行).
- (8) Pursuant to Business Licence No. 913301277289120026 dated 9 May 2016, 淳安千島湖開元銳至投資有限公司 (Chun'an Qiandao Lake New Century Spearhead Investment Limited) was established on 9 May 2016 as a limited company with a registered capital of RMB30,000,000 for an operation period commencing on 15 January 2001 and due to expire on 15 January 2021.
- (9) We have prepared our valuation on the following assumptions:
- 淳安千島湖開元銳至投資有限公司 (Chun'an Qiandao Lake New Century Spearhead Investment Limited) is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;
 - all land premium, costs of public utilities, ancillary infrastructure fees and compensation for resettlement have been fully settled;
 - the design and construction of the Property are in compliance with the local planning regulations and have been approved by the relevant authorities; and
 - the Property may be disposed of freely to the purchasers at nil encumbrances.
- (10) The status of the title and grant of major approvals and licences in accordance with the information provided by the REIT Manager are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

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

(a)	Average daily room rate ("ADR")	:	RMB670 for year 1
(b)	Annual growth in ADR	:	Stabilized at 4%
(c)	Occupancy rate on available room basis	:	Year 1 – 74%; Stabilized at 76%
(d)	F&B revenue	:	Year 1 – 25% of gross revenue; Stabilized at 25% of gross revenue
(e)	FF&E provision	:	2% of gross revenue
(f)	Discount rate	:	8.75%
(g)	Terminal growth rate	:	4%

VALUATION REPORT

(12) Market Overview

Chun'an County is the largest county under the administration of Hangzhou City, Zhejiang Province of China. It has a site area of approximately 4,427 sq km. By the end of 2018, the registered population of Chun'an reached 459,653. Chun'an County borders Changshan (常山) to the south, Xiuning (休寧) to the west, Tonglu (桐廬) to the east and Lin'an (臨安) to the north. The famous scenic spot Qiandao Lake is located in Chun'an County and attracts a lot of tourists.

The Property is located at the lakeside of the Qiandao Lake in Qiandao Lake Town, which is the capital town of Chun'an County. The town has a site area of approximately 356 sq km and a population of approximately 108,000. The natural lake and mountain resources attract tourists and contribute to the high rapid growth of the hotel industry. The accessibility to the town is via the highways G25 and G60. The construction works of high-speed railway from Hangzhou to Huangshan began in July 2014 and the railway officially commenced operation on 25 December 2018. In particular, the Qiandao Lake has a dedicated stop called Qiandao Lake Station. With the opening of the high-speed railway, it takes only approximately 1.5 hours to travel from Hangzhou to Qiandao Lake and is expected to attract more tourists and boost leisure demand and in turn hotel room demand.

The tourism sector of Chun'an County continued to be upbeat with decent growth. According to the Statistics Bureau of Chun'an County, total number of visitors' arrival increased 10.7% y-o-y to approximately 17.05 million in 2018, whereas gross receipts increased 21.5% y-o-y to RMB19.16 billion during the same period. Agritourism (鄉村旅遊) recorded another strong growth year in 2018, with visitor's arrival increased 24.4% y-o-y to 7.94 million, and gross receipts increased 39.7% y-o-y to RMB1.03 billion respectively.

Tourism Statistics, Chung'an, 2008-2018

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	CAGR
Tourism Arrivals (million)	2.62	3.00	3.54	4.06	7.97	9.09	10.05	11.22	12.67	15.41	17.05	20.6%
Gross Receipts (RMB billion)	3.07	3.81	4.54	5.31	7.02	8.12	9.03	10.49	11.99	15.77	19.16	20.1%

Source: Qiandao Lake Scenic Tourism Bureau

In the past three years, several high-end hotels have come into operation, which translated into a high rapid room supply and helped cause a bit drop in ADR, but the tourism sector of Qiandao Lake continued its rapid growth stage with booming room demand, therefore, the REVPAR will keep steady.

4.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2019								
	New Century Grand Hotel Ningbo, No. 666 Middle Shounan Road, Yinzhou District, Ningbo, Zhejiang Province, the PRC	New Century Grand Hotel Ningbo is a 22-storey hotel building erected upon a one-tier basement standing on a parcel of land with a site area of 27,389.50 sq m. New Century Grand Hotel Ningbo, a five-star hotel, was completed in October 2007 and has been operated since December 2007. New Century Grand Hotel Ningbo currently provides 392 guest rooms, 300 car parking spaces, food and beverage outlets, business centre, banquet and function rooms, an indoor swimming pool, a fitness room, a billiards room, a karaoke club, a tennis court, a table tennis room, a SPA, a beauty salon, a foot SPA, a chess/poker room and a shopping area. Pursuant to the Certificate of Real Estate Ownership, New Century Grand Hotel Ningbo has a total gross floor area of 66,107.27 sq m with details as follows:	As at the valuation date, the Property was operated as a hotel under a Hotel Lease and Management Agreement for a term of 10 years due to expire in July 2023 for a rent of 20% of the total operating revenue plus 34% of the gross operating profit. The occupancy rate of the hotel for the year of 2019 was 69.63%. Apart from the general hotel operation, a total leasable area of 3,517 sq m has been occupied by various tenants under various cooperation agreements for terms of 3 to 10 years at a total monthly service charge of approximately RMB199,167 for commercial use. Based on the net rental income of 2019, the estimated net yield of the Property is 4.7%.	RMB810,000,000 (RENMINBI EIGHT HUNDRED AND TEN MILLION)								
		<table border="1"> <thead> <tr> <th data-bbox="453 911 520 933">Portion</th> <th data-bbox="719 911 874 961">Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td data-bbox="453 993 501 1015">Hotel</td> <td data-bbox="783 993 874 1015">54,226.18</td> </tr> <tr> <td data-bbox="453 1021 539 1043">Basement</td> <td data-bbox="783 1021 874 1043">11,881.09</td> </tr> <tr> <td data-bbox="453 1084 501 1106">Total</td> <td data-bbox="783 1084 874 1106">66,107.27</td> </tr> </tbody> </table>	Portion	Gross Floor Area (sq m)	Hotel	54,226.18	Basement	11,881.09	Total	66,107.27		
Portion	Gross Floor Area (sq m)											
Hotel	54,226.18											
Basement	11,881.09											
Total	66,107.27											
		As advised by the REIT Manager, New Century Grand Hotel Ningbo has a total operating area of approximately 57,311 sq m.										
		The land use rights of the Property have been granted to 寧波開元銳至投資有限公司 (Ningbo New Century Spearhead Investment Limited) for a term of 40 years until 9 March 2045 for commercial use.										

VALUATION REPORT

Notes:

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

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

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

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

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

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

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

VALUATION REPORT

- (3) Pursuant to Certificate for Real Estate Ownership-Zhe (2016) Yin Zhou Qu Bu Dong Chan Di No. 0017613 issued by the Ningbo Municipal Bureau of National Land and Resources on 29 August 2016, the land use rights of the Property having a site area of 27,389.50 sq m and the building ownership of the Property having a gross floor area of 66,107.27 sq m have been vested in 寧波開元銳至投資有限公司 (Ningbo New Century Spearhead Investment Limited) for a term of 40 years until 9 March 2045 for commercial use.
- (4) Pursuant to the information provided by the REIT Manager, the Property is currently subject to mortgages in favour of CMB Wing Lung Bank Limited, Shanghai Sub-branch (招商永隆銀行有限公司上海支行).
- (5) Pursuant to Business Licence No. 91330212756268509F, 寧波開元銳至投資有限公司 (Ningbo New Century Spearhead Investment Limited) was established on 1 December 2004 as a limited company with a registered capital of RMB170,488,723 for an operation period commencing on 25 April 2007 and due to expire on 30 November 2024.

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

- (a) 寧波開元銳至投資有限公司 (Ningbo New Century Spearhead Investment Limited) is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;
- (b) all land premium, costs of public utilities, ancillary infrastructure fees and compensation for resettlement have been fully settled;
- (c) the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant authorities; and
- (d) the Property may be disposed of freely to the purchasers at nil encumbrances.

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

Certificate for Real Estate Ownership	Yes
Business Licence	Yes

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

(a)	Average daily room rate ("ADR")	:	RMB553 for year 1
(b)	Annual growth in ADR	:	Stabilized at 4%
(c)	Occupancy rate on available room basis	:	Year 1 – 73%; Stabilized at 75%
(d)	F&B revenue	:	Year 1 – 43% of gross revenue; Stabilized at 43% of gross revenue
(e)	FF&E provision	:	2% of gross revenue
(f)	Discount rate	:	8.75%
(g)	Terminal growth rate	:	4%

VALUATION REPORT

(9) Market Overview

Ningbo is located in the middle of the coastal line of the Chinese Mainland and in the southern part of the Yangtze River Delta, which enjoys the most developed economy in China. It lies within the two-hour transportation network among Shanghai, Ningbo and Hangzhou through Hangzhou Bay Bridge. With manufacturing and international trade as its leading industries, Ningbo has experienced positive growth and constant infrastructural improvements over the past years. By the end of 2018, the city has a registered population of 6.03 million.

Domestic visitor arrivals increased 13.9% y-o-y to approximately 124.27 million in 2018, whereas domestic tourism receipts increased 19.9% y-o-y to approximately RMB197.76 billion during the same period. Domestic tourism continued its rising trend in 2019, with visitor arrivals increased 12.2% y-o-y, and tourism receipts up 16.4% y-o-y to RMB230.31 billion.

Tourism Statistics, Ningbo, 2009-2019

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	CAGR (2009- 2019)
Domestic Visitors Arrivals ('000s)	39,620	46,240	51,808	57,483	62,258	68,746	79,203	91,984	109,093	124,273	139,467	13.4%
Domestic Tourism Receipts (RMB mil)	49,730	61,070	70,870	81,640	90,420	102,030	118,390	118,550	164,910	197,760	230,310	16.6%
Total Tourism Revenue (RMB mil)	53,050	65,080	75,130	86,280	95,350	106,810	123,330	144,640	171,590	200,570	233,090	16.0%

Source: Statistical Yearbook of Ningbo, various years. 2018 and 2019 figures from web page of Ningbo Statistics Bureau

According to data from China National Tourism Administration, during 2019 Q3, occupancy rate of five-star rated hotels in Ningbo was approximately 61.97%. Average daily room rate was approximately RMB490.99.

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

VALUATION REPORT

5.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2019										
	New Century Grand Hotel Changchun, No. 2299 Jinyangda Road, Lvyuan District, Changchun, Jilin Province, the PRC	<p>New Century Grand Hotel Changchun is a 13-storey hotel building erected upon a one-tier basement standing on a parcel of land with a site area of 9,795 sq m.</p> <p>New Century Grand Hotel Changchun, a five-star hotel, was completed in October 2008 and has been operated since December 2008. New Century Grand Hotel Changchun currently provides 326 guest rooms, 130 car parking spaces (including loading/unloading spaces), food and beverage outlets, meeting rooms, a fitness centre with indoor swimming pool, banquet and function rooms and a business centre.</p> <p>Pursuant to the Building Ownership Certificates, New Century Grand Hotel Changchun has a total gross floor area of 45,624.74 sq m with details as follows:-</p> <table border="1" data-bbox="453 886 890 1112"> <thead> <tr> <th data-bbox="453 886 520 907">Portion</th> <th data-bbox="719 886 874 935">Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td data-bbox="453 965 501 987">Hotel</td> <td data-bbox="783 965 874 987">38,753.40</td> </tr> <tr> <td data-bbox="453 993 539 1015">Dormitory</td> <td data-bbox="783 993 874 1015">3,764.34</td> </tr> <tr> <td data-bbox="453 1021 539 1043">Basement</td> <td data-bbox="783 1021 874 1043">3,107.00</td> </tr> <tr> <td data-bbox="453 1086 501 1108">Total</td> <td data-bbox="783 1086 874 1108">45,624.74</td> </tr> </tbody> </table>	Portion	Gross Floor Area (sq m)	Hotel	38,753.40	Dormitory	3,764.34	Basement	3,107.00	Total	45,624.74	<p>As at the valuation date, the Property was operated as a hotel under a Hotel Lease and Management Agreement for a term of 10 years due to expire in July 2023 for a rent of 20% of the total operating revenue plus 34% of the gross operating profit.</p> <p>The occupancy rate of the hotel for the year of 2019 was 66.08%.</p> <p>Based on the net rental income of 2019, the estimated net yield of the Property is 3.4%</p>	RMB444,000,000 (RENMINBI FOUR HUNDRED AND FORTY-FOUR MILLION)
Portion	Gross Floor Area (sq m)													
Hotel	38,753.40													
Dormitory	3,764.34													
Basement	3,107.00													
Total	45,624.74													
		As advised by the REIT Manager, New Century Grand Hotel Changchun has a total operating area of approximately 31,985 sq m.												
		The land use rights of the Property have been granted to 長春開元銳至投資管理有限公司 (Changchun New Century Spearhead Investment Limited) for a term of 40 years until 14 October 2043 for hotel and catering use and 28 December 2046 for other commercial use.												

VALUATION REPORT

Notes:

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

Room Type	Size (sq m)	Number of Rooms (Typical Floors)	Number of Rooms (Executive Floors)
Standard Room/Deluxe Room	35	161	32
Executive Room	35-48	99	7
Deluxe Suite	60	–	2
Business Suite	70	14	–
President Suite	208	–	1
Apartment Room	35	7	–
Apartment Suite	70	3	–
Total		284	42

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

Food and Beverage Outlet	Level	Style	Total Seating Area (sq m)	Maximum Seating Capacity
Ibiza Bar	Level 1	Bar	383	67
Yue Bar	Level 9	Bar	300	38
German Bar	Level 1 Mezz	Bar	197	80
Prestige Club Lounge	Level 15	Bar	216.5	36
Weiyuan Cake Shop	Level 1	Bakery	–	–
Xidu Court	Level 3	Chinese boxes	693.5 (18 boxes)	176
Junlanxuan	Level 3	Chinese	250	60
Dome Cafe	Level 1	Western	700	160

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

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

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

VALUATION REPORT

- (3) Pursuant to 2 State-owned Land Use Rights Certificates issued by the Changchun Municipal People's Government, the land use rights of the Property have been vested in 長春開元銳至投資管理有限公司 (Changchun New Century Spearhead Investment Limited) for terms of 40 years due to expire on 28 December 2046 for other commercial use and 14 October 2043 for hotel and catering use respectively with details as follows:-

Certificate No.	Site Area (sq m)	Address	Land Use	Expiry Date
(2016) 060017208	6,688.00	Jinjiang Hotel, Chuncheng Avenue, Lvyuan District	Hotel and catering	14 October 2043
(2016) 060017207	3,107.00	Dormitory at Jinjiang Hotel, Lvyuan District	Other commercial use	28 December 2046
Total	9,795.00			

- (4) Pursuant to 2 Building Ownership Certificates – FQZCFQZD Nos. 201608100966 and 201608100967 issued by the Changchun Municipal Housing Security and Management Bureau on 10 August 2016, the building ownership of the Property having a gross floor area of 45,624.74 sq m has been vested in 長春開元銳至投資管理有限公司 (Changchun New Century Spearhead Investment Limited) for business use and dormitory use respectively.
- (5) Pursuant to the information provided by the REIT Manager, the Property is currently subject to mortgages in favor of CMB Wing Lung Bank Limited, Shanghai Sub-branch (招商永隆銀行有限公司上海支行).
- (6) Pursuant to Business Licence No. 912201016616466264 dated 29 April 2016, 長春開元銳至投資管理有限公司 (Changchun New Century Spearhead Investment Limited) was established on 13 November 2007 as a limited company with a registered capital of RMB120,000,000 for an operation period commencing on 13 November 2007 and due to expire on 31 October 2021.
- (7) We have prepared our valuation on the following assumptions:
- 長春開元銳至投資管理有限公司 (Changchun New Century Spearhead Investment Limited) is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;
 - all land premium, costs of public utilities, ancillary infrastructure fees and compensation for resettlement have been fully settled;
 - the design and construction of the Property are in compliance with the local planning regulations and have been approved by the relevant authorities; and
 - the Property may be disposed of freely to the purchasers at nil encumbrances.
- (8) The status of the title and grant of major approvals and licences in accordance with the information provided by the REIT Manager are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION REPORT

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

(a)	Average daily room rate ("ADR")	:	RMB542 for year 1
(b)	Annual growth in ADR	:	Stabilized at 4%
(c)	Occupancy rate on available room basis	:	Year 1 – 62%; Stabilized at 73%
(d)	F&B revenue	:	Year 1 – 44% of gross revenue; Stabilized at 46% of gross revenue
(e)	FF&E provision	:	2% of gross revenue
(f)	Discount rate	:	8.75%
(g)	Terminal growth rate	:	4%

(10) Market Overview

Changchun is the capital and largest city of Jilin Province, located in the northeast part of China, in the center of the Songliao Plain. It is administered as a sub-provincial city with a registered population of 7.489 million in 2018. Known as China's Automobile City, Changchun is an important industrial base with a particular focus on the automotive sector.

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

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

Tourism Statistics, Changchun, 2008-2018

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	CAGR
Domestic Visitors Arrivals ('000s)	18,966	22,465	26,126	30,842	36,202	41,917	49,058	56,833	66,552	77,813	89,428	16.8%
International Visitor Arrivals	217,000	217,000	250,000	301,600	356,600	378,000	394,500	430,476	452,000	465,000	456,000	7.7%
Tourism Foreign Exchange Revenue (USD mil)	106.80	116.25	137.48	169.74	233.79	243.06	289.00	318.50	343.98	356.02	300.61	10.9%
Total Tourism Revenue (RMB mil)	22,830	28,450	35,040	43,165	54,830	68,580	85,120	107,288	134,110	161,830	190,350	23.6%

Source: Municipal Government of Changchun, data from Changchun Economic and Social Development Statistics in 2018

According to data from China National Tourism Administration, during 2019 Q3, the citywide occupancy rate of high-end star-rated hotels was about 67.23%. As for average daily rate, it was approximately RMB445 per room per day for high star hotels in Changchun.

VALUATION REPORT

6.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2018								
	New Century Grand Hotel Kaifeng, No.1 Zhengkai Road, New District, Kaifeng, Henan Province, the PRC	<p>New Century Grand Hotel Kaifeng is a 7-storey hotel building standing on a parcel of land with a site area of approximately 44,289.38 sq m.</p> <p>New Century Grand Hotel Kaifeng, a five-star hotel, was completed in 2007. New Century Grand Hotel Kaifeng currently provides 356 guest rooms, 227 car parking spaces, food and beverage outlets, business centre, banquet and function rooms, a chess/poker room, a sauna centre, a SPA, a beauty salon, an indoor swimming pool, a KTV, a fitness centre and a shopping area.</p> <p>According to Real Estate Title Certificate BFDCQZ No. 279060, New Century Grand Hotel Kaifeng has a total gross floor area of approximately 53,511.80 sq m.</p>	<p>As at the valuation date, the Property was operated as a hotel under a Hotel Lease and Management Agreement for a term of 10 years due to expire in June 2025 for a rent of 20% of the total operating revenue plus 34% of the gross operating profit.</p> <p>The occupancy rate of the hotel for the year of 2019 was 58.75%.</p> <p>Apart from the general hotel operation, a total leasable area of 6,685 sq m has been occupied by various tenants under various lease agreements for terms of 1 to 20 years at a total monthly rent of approximately RMB293,000.</p> <p>Based on the net rental income of 2019, the estimated net yield of the property is 4.9%.</p>	RMB420,000,000 (RENMINBI FOUR HUNDRED AND TWENTY MILLION)								
		<table border="1"> <thead> <tr> <th data-bbox="453 864 491 879">Use</th> <th data-bbox="719 836 874 907">Approximate Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td data-bbox="453 944 501 959">Hotel</td> <td data-bbox="783 944 874 959">51,611.80</td> </tr> <tr> <td data-bbox="453 972 539 987">Basement</td> <td data-bbox="794 972 874 987">1,900.00</td> </tr> <tr> <td data-bbox="453 1030 501 1045">Total</td> <td data-bbox="783 1030 874 1045">53,511.80</td> </tr> </tbody> </table> <p>The land use rights of the Property have been granted to 開封開元名都大酒店有限公司 (New Century Grand Hotel Kaifeng Limited) for a term until 30 October 2044 for F&B and hotel use.</p>	Use	Approximate Gross Floor Area (sq m)	Hotel	51,611.80	Basement	1,900.00	Total	53,511.80		
Use	Approximate Gross Floor Area (sq m)											
Hotel	51,611.80											
Basement	1,900.00											
Total	53,511.80											

VALUATION REPORT

Notes:

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

Room Type	Size (sq m)	Number of Rooms
Twin Room	47-55	240
Double Room	47-55	92
Deluxe Suite	82-120	18
New Century Suite	82-120	5
Presidential Suite	1,183	1
Total		356

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

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

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

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

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

(a)	Owner	:	開封開元名都大酒店有限公司 (New Century Grand Hotel Kaifeng Limited)
(b)	Location	:	South of Daliang Road
(c)	Total Site Area	:	44,289.38 sq m
(d)	Use	:	Hotel
(e)	Land Use Term	:	Expiring on 30 October 2044
(f)	Gross Floor Area	:	53,511.80 sq m

(4) Pursuant to Business Licence No. 914102000890404034 issued on 26 November 2018, 開封開元名都大酒店有限公司 (New Century Grand Hotel Kaifeng Limited) was established on 25 December 2013 as a limited company with a registered capital of RMB50,000,000 for an operation period commencing on 25 December 2013 and due to expire on 24 December 2033.

(5) Pursuant to the information provided by REIT Manager, the Property is currently subject to mortgages in favor of CMB Wing Lung Bank Limited, Shanghai Sub-branch (招商永隆銀行有限公司上海支行).

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

- (a) 開封開元名都大酒店有限公司 (New Century Grand Hotel Kaifeng Limited) is in possession of a proper legal title to the Property and is entitled to transfer the Property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;
- (b) all land premium, costs of public utilities, ancillary infrastructure fees and compensation for resettlement have been fully settled;
- (c) the design and construction of the Property are in compliance with the local planning regulations and have been approved by the relevant authorities; and
- (d) the Property may be disposed of freely to the purchasers at nil encumbrances.

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

Real Estate Title Certificate	Yes
Business Licence	Yes

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

(a)	Average daily room rate ("ADR")	:	RMB585 for year 1
(b)	Annual growth in ADR	:	Stabilized at 4%
(c)	Occupancy rate on available room basis	:	Year 1 – 60%; Stabilized at 68%
(d)	F&B revenue	:	Year 1 – 37% of gross revenue; Stabilized at 39% of gross revenue
(e)	FF&E provision	:	2% of gross revenue
(f)	Discount rate	:	9.25%
(g)	Terminal growth rate	:	4%

VALUATION REPORT

(9) Market Overview

Kaifeng is a prefecture-level city in east-central Henan Province. Historically it was once the capital of the Northern Song Dynasty. Located along the southern bank of the Yellow River, it borders the provincial capital of Zhengzhou to the west, Xinxiang to the northwest, Shangqiu to the east, Zhoukou to the southeast, Xuchang to the southwest, and Shandong Province to the northeast. Kaifeng covers a total area of 6,444 sq km administering five districts and five counties. According to the Kaifeng Statistics Bureau, the total population at the end of 2017 was approximately 5.23 million of which 4.55 million were permanent residents of Kaifeng.

The Property is located in the development zone of Kaifeng. It is close to the Zheng-Kai Highway which ensures easy access to the key areas of the city. It takes only half an hour to Zhengzhou City, 50 minutes to Xinzheng International Airport and 15 minutes to any scenic spots of Kaifeng by car. The largest hotel demand generator for Kaifeng is corporate guests. Overall, the long history and the splendid culture have made the city famous as the ancient capital of the seven dynasties in Chinese history. There are 213 sights and antiquities in Kaifeng, such as Qingming Riverside Landscape Garden, Baogong Temple, Tie Tower, Fan Tower, Imperial Street of Song Dynasty and so on, which benefits and promotes the tourism development of the city considerably. The year 2018 saw 68.07 million domestic and inbound visitors to Kaifeng, increased by 16.1% y-o-y. The revenue from domestic and inbound tourism totalled RMB60.22 billion, a year-on-year increase of 24.6%.

Tourism Statistics, Kaifeng, 2008-2018

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	CAGR
Domestic and Inbound Visitor Arrivals (million)	25.29	30.95	34.69	39.02	44.16	49.90	39.70	44.92	51.07	58.63	68.07	10.41%
Total Gross Tourism Receipts (RMB billion)	8.34	10.81	12.84	15.52	18.05	20.78	19.26	24.51	39.86	48.32	60.22	21.86%

Source: Kaifeng Statistics Bureau

There are 2 five-star hotels and 1 four-star hotels in operation as of the end of 2019. The market has appeared to be relatively stable for recent years.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of New Century Real Estate Investment Trust

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

Opinion

What we have audited

The consolidated financial statements of New Century Real Estate Investment Trust (the “**New Century REIT**”) and its subsidiaries (together, the “**Group**”) set out on pages 115 to 177, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated distribution statement for the year then ended;
- the consolidated statement of changes in net assets attributable to unitholders and equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRS**”).

Basis for Opinion

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

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

PricewaterhouseCoopers, 22/F Prince’s Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

INDEPENDENT AUDITOR'S REPORT

Independence

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

Key Audit Matters

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

The key audit matter identified in our audit relates to "Valuation of investment properties":

Key Audit Matter	How our audit addressed the Key Audit Matter
<i>Valuation of investment properties</i>	
Refer to Note 4(a) "Estimation of fair value of investment properties" and Note 12 "Investment properties" to the consolidated financial statements.	Our audit procedures in relation to management's valuation of Investment Properties included the following:
The valuation of the Group's investment properties is a key component of the net asset value attributable to the unitholders and underpins the Group's results for the year. The aggregate value of the Group's investment properties as at 31 December 2019 recorded in the consolidated balance sheet was RMB4,612 million including a fair value loss of approximately RMB120 million for the year.	We understood, evaluated and validated the policies, processes and controls adopted by management in relation to the valuation of investment properties.
The valuation of the Group's investment properties is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rentals for that particular property.	We assessed the Principal Valuer's qualifications and expertise and read its terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work.
The management used the valuation supported by the valuation report issued by a principal valuer (the "Principal Valuer") which were engaged by the Group.	We read the Principal Valuer's valuation reports which confirmed that the valuation was prepared in accordance with the respective valuation standards and in compliance with the Code on Real Estate Investment Trusts issued by the Hong Kong Securities and Futures Commission (the "REIT Code").

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
<i>Valuation of investment properties (continued)</i>	
<p>In determining the property valuation, the Principal Valuer took into account property-specific information such as the current lease agreements and rental income in the valuation process as described in Note 12 to the consolidated financial statements. Discounted cash flow (“DCF”) approach was adopted in the property valuation. The key inputs and assumptions used in the valuation models included future rental cash inflows, discount rates, maintenance costs and terminal growth rate.</p>	<p>We involved our experts during the audit of this area. We discussed with the management of New Century Asset Management Limited (the “REIT Manager”) and the Principal Valuer to understand the reasonableness of the valuation methodologies and the models and key assumptions used by the Principal Valuer. We compared the estimates and assumptions used by the Principal Valuer against published industry benchmarks and comparable market transactions. We evaluated whether there was any inappropriate assumptions in light of the evidence provided by the Principal Valuer.</p>
<p>Given the investment properties represent the majority of the total assets of the Group and the valuation of the investment properties involves significant judgement and estimations uncertainty on the key assumptions, it warrants specific audit focus and attention in this area.</p>	<p>We performed the test on the data used by the Principal Valuer in valuation, including key terms of lease agreements, rental income schedules and etc., by agreeing to relative supporting documents.</p>
	<p>Based on our audit procedures performed, we considered that the methodology used in preparing the valuation were appropriate and the key assumptions used in the valuation were supportable in light of available and comparable market evidences.</p>

INDEPENDENT AUDITOR'S REPORT

Other Information

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

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

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

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

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

The REIT Manager is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS, and for such internal control as the REIT Manager determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

In addition, the REIT Manager is required to ensure that the consolidated financial statements have been properly prepared in accordance with the relevant provisions of the trust deed dated 10 June 2013 and as amended by the supplemental trust deeds dated 20 June 2013 and 15 June 2015 (the "Trust Deed"), and the relevant disclosure provisions of Appendix C of the REIT Code.

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

INDEPENDENT AUDITOR'S REPORT

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. In addition, we are required to assess whether the consolidated financial statements of the Group have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the REIT Manager.
- conclude on the appropriateness of the REIT Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2020

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

	Notes	Year ended 31 December	
		2019 RMB'000	2018 RMB'000
Revenue	6	254,881	275,956
Operating expenses	7	(55,135)	(53,860)
Other gains/(losses) – net	9	62,914	(10,245)
Change in fair values of investment properties	12	(120,094)	83,759
Operating profit		142,566	295,610
Finance income	10	4,913	14,770
Finance costs	10	(155,379)	(192,432)
Finance costs – net		(150,466)	(177,662)
(Loss)/profit before taxation and transactions with unitholders		(7,900)	117,948
Income tax expense	11	(28,784)	(92,259)
(Loss)/profit after taxation for the year, before transactions with unitholders		(36,684)	25,689
(Loss)/profit attributable to unitholders		(37,502)	24,258
Profit attributable to non-controlling interests		818	1,431
		(36,684)	25,689

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

	Attributable to			
	Unitholders before transactions with unitholders RMB'000	Transactions with unitholders (Note (i)) RMB'000	Unitholders after transactions with unitholders RMB'000	Non-controlling interests RMB'000
Profit/(loss) for the year ended 31 December 2018	24,258	(24,907)	(649)	1,431
Other comprehensive income:				
<i>Item that may be reclassified subsequently to consolidated income statement:</i>				
Exchange gains on translation of financial statements	649	–	649	–
Total comprehensive income/(loss) for the year ended 31 December 2018 (Note (ii))	24,907	(24,907)	–	1,431
(Loss)/profit for the year ended 31 December 2019	(37,502)	36,825	(677)	818
Other comprehensive income:				
<i>Item that may be reclassified subsequently to consolidated income statement:</i>				
Exchange gains on translation of financial statements	677	–	677	–
Total comprehensive (loss)/income for the year ended 31 December 2019 (Note (ii))	(36,825)	36,825	–	818

Notes:

- (i) Transactions with unitholders comprise total (loss)/profit and other comprehensive (loss)/income attributable to unitholders for the year.
- (ii) In accordance with the trust deed dated 10 June 2013 and as amended by the supplemental trust deeds dated 20 June 2013 and 15 June 2015 (the "Trust Deed"), New Century Real Estate Investment Trust ("New Century REIT") is required to distribute to unitholders not less than 90% of total distributable income for each financial year. Accordingly, the units contain contractual obligations of the trust to pay cash distributions and also upon termination of the trust, to share all net cash proceeds derived from the sales or realisation of the assets of the trust less any liabilities, in accordance with their proportionate interests in the trust at the date of the termination. The unitholders' funds are therefore classified as a financial liability rather than equity in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB"). Consistent with unitholders' 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 consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

	Notes	As at 31 December	
		2019 RMB'000	2018 RMB'000
Non-current assets			
Investment properties	12	4,612,000	4,979,073
Goodwill	13	7,987	7,987
Other long-term assets	14	13,036	–
		4,633,023	4,987,060
Current assets			
Trade and other receivables and prepayments	15	7,531	17,703
Amounts due from related parties	27(c)	30,836	22,534
Derivative financial instruments	18	6,497	14,223
Restricted cash	16	504,978	261,741
Cash and cash equivalents	16	194,062	332,373
		743,904	648,574
Total Assets		5,376,927	5,635,634
Current liabilities			
Trade and other payables	17	46,605	38,057
Amounts due to related parties	27(c)	56,702	58,020
Current income tax liabilities		14,641	29,050
Derivative financial instruments	18	–	8
Deferred income	19	2,741	3,147
Borrowings	20	294,434	2,096,048
		415,123	2,224,330
Net current assets/(liabilities)		328,781	(1,575,756)
Total assets less current liabilities		4,961,804	3,411,304

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

	Notes	As at 31 December	
		2019 RMB'000	2018 RMB'000
Non-current liabilities, other than net assets attributable to unitholders			
Borrowings	20	1,805,789	113,787
Deferred income tax liabilities	21	896,462	929,159
		2,702,251	1,042,946
Total liabilities, excluding net assets attributable to unitholders		3,117,374	3,267,276
Non-controlling interests		29,473	34,248
Net assets attributable to unitholders	22	2,230,080	2,334,110
Units in issue ('000)	22	971,128	962,464
Net assets attributable to unitholders per unit	22	RMB2.2964	RMB2.4251

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

The consolidated financial statements on pages 115 to 177 were approved by the board of directors of the REIT Manager on 24 March 2020 and were signed on its behalf.

Jin Wenjie
Chairman

Ho Wai Chu
Executive Director

CONSOLIDATED DISTRIBUTION STATEMENT

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
(Loss)/profit attributable to unitholders	(37,502)	24,258
Adjustments for the total distributable income:		
– Unrealised net foreign exchange losses (<i>Note 9 and 10</i>)	32,848	87,793
– Deferred taxation in respect of investment properties and tax losses attributable to unitholders	(15,467)	36,503
– Amortisation of transaction costs of the bank borrowings (<i>Note 10</i>)	28,531	23,347
– REIT Manager fee payable in units in lieu of cash (<i>Note 8</i>)	12,301	13,161
– Fair value losses on outstanding derivative financial instruments (<i>Note 9</i>)	7,718	8,151
– Fair value change on investment properties attributable to unitholders	119,055	(84,168)
– Gain on disposal of a subsidiary (<i>Note 24</i>)	(69,653)	–
– Gains on waived account payable balances (<i>Note 9</i>)	–	(767)
– Accumulated realised foreign exchange losses on the bank borrowings which were repaid during the year (<i>v</i>)	(8,954)	–
– Accumulated realised fair value losses upon the settlement of derivative financial instruments (<i>v</i>)	–	(57,303)
Total distributable income for the year (<i>i</i>)	68,877	50,975
Interim distribution period		
Interim distributable income/(adjusted loss)	37,584	(5,127)
Pay-out ratio (<i>ii</i>)	90%	90%
Distributable income for interim period	33,826	–
Add: Special Distribution for interim period (<i>iii</i>)	–	50,000
Total distribution for interim period	33,826	50,000
Final distribution period		
Total distributable income for the year	68,877	50,975
Less: total distributable income for interim period	(37,584)	–
Distributable income for second half year	31,293	50,975
Pay-out ratio (<i>ii</i>)	90%	90%
Distributable income declared and to be paid for second half year	28,163	45,878
Total distribution declared for second half year	28,163	45,878
Distribution per unit (RMB) (<i>iv</i>)		
– Interim distribution per unit	RMB0.0350	RMB0.0522
– Final distribution per unit	RMB0.0290	RMB0.0477
	RMB0.0640	RMB0.0999

CONSOLIDATED DISTRIBUTION STATEMENT

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

Notes:

- (i) Under the terms of the Trust Deed, the total distributable income is the consolidated profit or loss after income tax attributable to unitholders adjusted to eliminate the effects of certain non-cash and other adjustments which have been recorded in the consolidated income statement for the relevant year.
- (ii) In accordance with the Trust Deed, New Century REIT is required to distribute to unitholders not less than 90% of its total distributable income for each financial year.

The REIT Manager has resolved to distribute 90% of New Century REIT's total distributable income for the year ended 31 December 2019 (2018: 90%).

- (iii) No special distribution was declared and approved by the board of directors of the REIT Manager for the year ended 31 December 2019 ("**Special Distribution**") (2018: Special Distribution of RMB50,000,000 for interim period was declared and approved on 23 August 2018).
- (iv) The interim distribution per unit of RMB0.0350 for the period from 1 January 2019 to 30 June 2019 is calculated by dividing total interim distribution paid to unitholders of RMB33,826,000 by 966,935,143 units in issue as at 30 June 2019. The final distribution per unit of RMB0.0290 for the period from 1 July 2019 to 31 December 2019 is calculated by dividing total final distribution to be paid to unitholders of RMB28,163,000 by 971,128,484 units in issue as at 31 December 2019.

The interim distribution per unit of RMB0.0522 for the period from 1 January 2018 to 30 June 2018 is calculated by dividing total interim distribution paid to unitholders of RMB50,000,000 by 958,500,829 units in issue as at 30 June 2018. The final distribution per unit of RMB0.0477 for the period from 1 July 2018 to 31 December 2018 is calculated by dividing total final distribution to be paid to unitholders of RMB45,878,000 by 962,464,398 units in issue as at 31 December 2018.

- (v) The accumulated unrealised foreign exchanges losses upon the bank borrowings and the accumulated unrealised fair value losses upon the outstanding derivative financial instruments adjusted previously in the consolidated distribution statement have been realised and added back in the year when they repaid or settled.

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

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

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

	<i>Notes</i>	Net assets attributable to unitholders RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at 1 January 2018		2,404,023	32,817	2,436,840
Profit for the year		24,258	1,431	25,689
Issuance of new units	22	6,449	–	6,449
Distributions paid to unitholders	22	(101,269)	–	(101,269)
Exchange gains on translation of financial statements	22	649	–	649
As at 31 December 2018		2,334,110	34,248	2,368,358
As at 1 January 2019		2,334,110	34,248	2,368,358
(Loss)/profit for the year		(37,502)	818	(36,684)
Issuance of new units	22	12,914	–	12,914
Units bought back for cancellation	22	(415)	–	(415)
Distributions paid to unitholders	22	(79,704)	–	(79,704)
Dividends declared to non-controlling interests		–	(5,593)	(5,593)
Exchange gains on translation of financial statements	22	677	–	677
As at 31 December 2019		2,230,080	29,473	2,259,553

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

	Notes	Year ended 31 December	
		2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	25(a)	200,936	232,725
Interest paid		(87,325)	(73,732)
Income tax paid		(53,208)	(52,598)
Net cash generated from operating activities		60,403	106,395
Cash flows from investing activities			
Additions of investment properties		(2,735)	(3,465)
Net cash inflow from disposal of a subsidiary	24	280,769	–
Net cash generated from/(used in) investing activities		278,034	(3,465)
Cash flows from financing activities			
Changes of restricted cash pledged for borrowings	16	(243,237)	(106,224)
Interest received from restricted cash		8,249	–
Proceeds from bank borrowings		2,058,928	134,689
Repayment of bank borrowings		(2,226,215)	(5,908)
Net proceeds from issuance of units	22	12,914	6,449
Distributions paid to unitholders	22	(79,704)	(101,269)
Dividends paid to non-controlling interests		(4,441)	(104)
Units bought back for cancellation	22	(415)	–
Settlement of capped forward foreign exchange contracts		–	(60,608)
Payment of other financing costs		(6,175)	(4,050)
Net cash used in financing activities		(480,096)	(137,025)
Net decrease in cash and cash equivalents		(141,659)	(34,095)
Cash and cash equivalents at beginning of the year	16	332,373	360,826
Exchange gains on cash and cash equivalents		3,348	5,642
Cash and cash equivalents at end of the year	16	194,062	332,373

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

1 GENERAL INFORMATION

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

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

The address of the registered office of the REIT Manager is Unit 4706, 47th Floor, The Center, 99 Queen’s Road Central, Hong Kong.

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

These consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Group. These consolidated financial statements have been approved for issue by the board of directors of the REIT Manager on 24 March 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors of the REIT Manager to exercise their judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2019, and have been adopted by the Group:

IFRS 16	Leases
IFRIC 23	Uncertainty over income tax treatments
Amendments to IAS 19	Plan amendment, curtailment or settlement
Amendments to IFRS 9	Prepayment features with negative compensation
Amendments to IAS 28	Long-term interests in associates and joint ventures
Annual improvements IFRS Standards 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

The Group had adopted the IFRS 16 – “Leases” and after the assessment on the impact of the adoption, the Group did not need to make any adjustments to the accounting for assets held as lessor. The other amendments and interpretations did not have any significant financial impact on the results and financial position of the Group.

(ii) *New standards and amendments of IFRSs issued but are not yet effective for the financial year beginning on 1 January 2019 and have not been early adopted by the Group*

		Effective for annual periods beginning on or after
Amendments to IAS 1 and IAS 8	Definition of material	1 January 2020
Amendments to IFRS 3	Definition of business	1 January 2020
Revised conceptual framework	Revised conceptual framework for financial reporting	1 January 2020
IFRS 17	Insurance contracts	1 January 2022

The Group has assessed the impact of adopting these new standards, amendments and interpretations. According to the preliminary assessment, these standards, amendments and interpretations are not expected to have a material impact on the Group’s operating results and financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

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

(a) Business Combinations

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

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

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in the consolidated income statement. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

(a) *Business Combinations (continued)*

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

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

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

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

(c) *Disposal of subsidiaries*

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

2.3 Segment reporting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income ("**FVOCI**") are recognised in other comprehensive income.

(c) *Group companies*

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (continued)

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.5 Investment property

Investment property, principally comprising leasehold land, freehold land, buildings and related equipment, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement.

2.6 Intangible assets

Goodwill

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment of non-financial assets

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

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

2.8.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (continued)

2.8.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“**FVPL**”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- (i) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.
- (ii) FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated income statement.
- (iii) FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (continued)

2.8.3 Measurement (continued)

(b) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.8.4 Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, and the identified impairment loss was immaterial, while cash and cash equivalents are also subject to the impairment requirements of IFRS 9 and the identified loss was immaterial.

2.9 Offsetting financial instruments

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

2.10 Derivative financial instruments and hedging activities

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

In 2019 and 2018, the Group did not designate any derivatives as hedging instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Trade and other receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value and subsequently measured at amortised cost using the effective interest method. See Note 2.8.4 and Note 15 for the Group's impairment policies.

2.12 Cash and cash equivalents

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

2.13 Restricted cash

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

2.14 Trade and other payables

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

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

2.15 Borrowings and borrowing cost

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Borrowings and borrowing cost (continued)

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

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

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

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

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

2.16 Current and deferred income tax

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

(a) Current income tax

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Current and deferred income tax (continued)

(b) Deferred income tax

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

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(c) Investment allowances and similar tax incentives

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Provisions

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

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

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

2.18 Revenue recognition

Revenue are recognised when or as the control of the service or good is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point of time.

Rental income (Note 6)

Rental income is measured on the following bases:

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

2.19 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 9 below.

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 10 below. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Dividend income

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

2.21 Government grants

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

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the REIT Manager, who manages and monitors these risk exposures to ensure appropriate measures are implemented in a timely and effective manner.

(a) Market risk

(i) Foreign exchange risk

The Group's exposure to foreign exchange risk relates principally to its cash and cash equivalents and bank borrowings, denominated primarily in United States dollar ("USD") and Hong Kong dollar ("HKD").

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

As at 31 December 2019, if RMB had weakened/strengthened by 1% against USD with all other variables held constant, post-tax profit for the year ended 31 December 2019 would have been approximately RMB20,000 (2018: RMB17,937,000) higher/lower respectively, mainly as a result of foreign exchange gains/losses on translation of USD denominated cash and cash equivalents.

As at 31 December 2019, if RMB had weakened/strengthened by 1% against HKD with all other variables held constant, post-tax profit for the year ended 31 December 2019 would have been approximately RMB17,899,000 lower/higher (2018: RMB2,000), mainly as a result of foreign exchange losses/gains on translation of HKD denominated bank borrowings, which are partially offsetting by HKD denominated cash and cash equivalents.

(ii) Cash flow interest rate risk

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

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

As at 31 December 2019, if the interest rates on borrowings have been 25 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately RMB686,000 (2018: RMB1,319,000) lower/higher respectively, mainly as result of higher/lower interest expense of borrowings with floating rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents, restricted cash, amount due from related parties, derivative financial instruments, as well as trade and other receivables included in the consolidated balance sheet.

Credit risk is managed on a group basis. As at 31 December 2019 and 2018, all cash and cash equivalents and restricted cash were deposited in the major financial institutions in China, Hong Kong and Europe, which the directors of the REIT Manager believe are of high credit quality. The Group categorises its major counterparties into the following Groups:

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

The bank deposits balances as at 31 December 2019 and 2018 which are placed with these institutions are shown as below:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Group 1	693,889	573,662
Group 2	5,141	18,480
Group 3	–	1,962
	699,030	594,104

While cash and cash equivalents and restricted cash are also subject to impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group established policies in place to ensure that the investment properties is leased to the customers with an appropriate credit term and the Group assesses the credit worthiness and financial strength of its customers as well as considering prior dealing history with the customers. The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the corresponding historical credit losses experienced is immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk

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

As at 31 December 2019, the Group had access to the undrawn loan facility of HKD510 million (equivalent to RMB456.9 million) (as at 31 December 2018: USD71 million (equivalent to RMB487.3 million))(Note 20).

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
As at 31 December 2019					
Bank borrowings	314,147	72,286	1,757,893	-	2,144,326
Interest payable on borrowings	103,646	94,128	70,242	-	268,016
Trade and other payables and amounts due to related parties	69,624	-	-	-	69,624
	487,417	166,414	1,828,135	-	2,481,966
As at 31 December 2018					
Bank borrowings	2,108,417	-	114,374	-	2,222,791
Interest payable on borrowings	52,560	3,372	1,668	-	57,600
Derivative financial instruments	8	-	-	-	8
Trade and other payables and amounts due to related parties	66,453	-	-	-	66,453
	2,227,438	3,372	116,042	-	2,346,852

The interest payments on borrowings are calculated based on borrowings held as at 31 December 2019 and 2018 without taking into account future borrowings. Floating-rate interests are estimated using the relevant interest rates as at 31 December 2019 and 2018 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

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

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

The gearing ratio is calculated based on the gross borrowings excluding transaction costs over total asset value as at 31 December 2019 and 2018 are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Total gross borrowings excluding transaction costs (<i>Note 20</i>)	2,144,326	2,222,791
Total asset value	5,376,927	5,635,634
Gearing ratio	39.88%	39.44%

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value as at 31 December 2019 and 2018 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- **Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1;
- **Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data 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; and
- **Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

See Note 12 for disclosures of the investment properties that are measured at fair value. The following table presents the Group's financial assets and liabilities that are measured at fair value as at 31 December 2019 and 2018.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2019				
Assets				
Financial assets at FVPL				
Derivative financial instruments	-	6,497	-	6,497
Liabilities				
Financial liabilities at FVPL				
Derivative financial instruments	-	-	-	-
As at 31 December 2018				
Assets				
Financial assets at FVPL				
Derivative financial instruments	-	14,223	-	14,223
Liabilities				
Financial liabilities at FVPL				
Derivative financial instruments	-	8	-	8

There were no transfers among different levels during the years ended 31 December 2019 and 2018.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

Specific valuation techniques used to value financial instruments include:

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Estimation of fair value of investment properties

The fair value of investment properties is determined at each reporting date by independent valuers by using valuation technique. The independent valuers have relied on the discounted cash flow analysis, income capitalisation approach as their primary methods, cross-referenced to the direct comparison method where applicable. Details of the judgement and assumptions have been disclosed in Note 12.

(b) Current income taxes and deferred tax

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

5 SEGMENT INFORMATION

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

The sole principal activity of the Group is the leasing of hotel properties. Geographically, as at 31 December 2019, all hotel properties are located in China. The hotel property located in Netherlands was disposed in November 2019. As the subsidiaries in Europe do not meet the quantitative thresholds required by IFRS 8 for reportable segment, the senior executive management concludes that the Group has a single reportable segment and no further analysis for segment information is presented.

6 REVENUE

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Rental income from the Initial Hotel Properties (a)	192,325	213,977
Rental income from the Kaifeng Hotel (a)	21,156	21,332
Rental income from the Netherlands Hotel (a)	14,366	15,590
Other rental income (b)	27,034	25,057
	254,881	275,956

- (a) For the year ended 31 December 2019, the rental income received from all 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"), New Century Grand Hotel Kaifeng (開封開元名都大酒店, the "Kaifeng Hotel") and Holiday Inn Eindhoven (the "Netherlands Hotel") of RMB227,847,000 was derived from the minimum Base Rent of RMB236,366,000 less value-added taxes of RMB8,519,000.

The rental income of the Netherlands Hotel represented the pro-rata Base Rent for the period from 1 January 2019 to 28 November 2019, being the disposal date of New Century Netherlands I B.V. which owns the Netherlands Hotel ("Disposal Date") (Note 24).

For the year ended 31 December 2018, the Group received the Total Rent of the hotel properties, including the Initial Hotel Properties and the Kaifeng Hotel and the Base Rent for the Netherlands Hotel in a sum of RMB260,289,000 (before value-added taxes of RMB9,390,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

6 REVENUE (CONTINUED)

(a) (continued)

The table below is a summary of the major lease agreements of the Group for the year ended 31 December 2019:

Description	Effective periods of the lease agreements	Total Rent calculation method	Base Rent for 2019 (including value-added taxes, if any)	Base Rent adjustment
The Initial Hotel Properties	From 10 July 2013 to 9 July 2023	20% of the total revenue plus 34% of the gross operating profit	RMB200,000,000	The Base Rent of each hotel property for the first five years remains unchanged. After the first five year, the Base Rent of the subsequent periods will be the market Base Rent (the "Market Base Rent") determined by an independent professional property valuer. If the Market Base Rent of each hotel property as determined is lower than 85% of the average annual rent received from the lessee for the first four years (the "Reference Average Rent"), the Base Rent of each hotel property for each year during the subsequent periods should be 85% of the Reference Average Rent of each hotel property, instead of the Market Base Rent.
The Kaifeng Hotel	From 1 August 2015 to 31 July 2025		RMB22,000,000	
The Netherlands Hotel	From 22 March 2012 to 21 March 2037	24% of the total revenue	EUR1,844,136 (time apportioned the Base Rent of EUR2,030,242)	The Base Rent will be adjusted annually based on the consumer price index published by the Central Bureau of Statistics of the Netherlands which is capped at 3% per annum.

(b) Other rental income represents the rental income from the lease of commercial space, primarily office, shopping and recreational areas in hotel properties and was recognised on a straight-line basis over the periods of the respective leases, of which comprised the rental income from Zhejiang New Century Hotel Management Co., Ltd. and other members of its group (together, the "Hotel Group") of RMB4,106,000 before value-added taxes of RMB196,000 (2018: RMB4,054,000 before value-added taxes of RMB194,000).

7 OPERATING EXPENSES

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
REIT Manager fee (Notes 8 and 27(b))	24,603	26,321
Urban real estate and land use tax	17,910	18,981
Legal and other professional fees	5,586	1,922
Business and other taxes, surcharges and stamp duty	2,244	2,346
Auditors' remuneration	1,758	1,763
Trustee fee (Note 27(b))	1,066	1,127
Valuation fees	565	597
Maintenance and repairs	559	–
Miscellaneous	844	803
Total operating expenses	55,135	53,860

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

8 REIT MANAGER FEE

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Base Fee	15,993	16,907
Variable Fee	8,610	9,414
	24,603	26,321

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; and
- a variable fee (the “**Variable Fee**”) of 4% per annum of net property income, which is defined in the Trust Deed for each of the year.

The Base Fee and Variable Fee for the year ended 31 December 2019 have been and will be paid to the REIT Manager with 50% in form of cash and 50% in form of units based on the prevailing market price at the time of the issuance of such units (2018: same as 2019). The REIT Manager fee payable in form of units in lieu of cash was added back to consolidated distribution statement.

A divestment fee (the “**Divestment Fee**”) is calculated by 0.5% of the sales price of any real estate disposed by New Century REIT. In 2019, Divestment Fee with a total amount of RMB1,537,000 has been paid to the REIT Manager in form of cash (Note 24).

9 OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Gain on disposal of a subsidiary (Note 24)	69,653	–
Government grants (a)	2,439	881
Unrealised fair value losses on derivative financial instruments (Note 18)	(7,718)	(8,151)
Net realised foreign exchange losses	(205)	–
Net unrealised foreign exchange gains	13	–
Fair value losses on settlement of capped forward foreign exchange contracts	–	(3,305)
Gains on waived account payable balances	–	767
Others	(1,268)	(437)
	62,914	(10,245)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

9 OTHER GAINS/(LOSSES) – NET (CONTINUED)

(a) Government grants

Government grants mainly represented subsidy income from the government. There are no unfulfilled conditions or other contingencies attaching to these grants. The Group did not benefit directly from any other forms of government assistance.

10 FINANCE COSTS – NET

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Finance income		
– Interest income derived from bank deposits	4,913	14,770
Finance costs		
– Interest expenses on bank borrowings	(85,710)	(78,160)
– Unrealised net foreign exchange losses on financing activities	(32,861)	(87,793)
– Amortisation of transaction costs of the bank borrowings	(28,531)	(23,347)
– Realised net foreign exchange losses on financing activities	(5,003)	(1,395)
– Other financing costs	(3,274)	(1,737)
	(155,379)	(192,432)
Finance costs – net	(150,466)	(177,662)

11 INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Current income tax		
– Corporate income tax	39,979	56,622
Deferred income tax		
– Corporate income tax (Note 21)	(11,195)	35,637
Tax charge	28,784	92,259

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

11 INCOME TAX EXPENSE (CONTINUED)

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
(Loss)/profit before taxation	(7,900)	117,948
Tax calculated at statutory tax rates applicable to each entity	42,351	82,496
Expense not deductible for tax purpose	686	127
Tax losses for which no deferred income tax assets was recognised	650	129
Withholding tax on earnings of subsidiaries	4,140	12,095
Tax exempt income for the disposal of a subsidiary	(18,809)	–
Utilisation of previous unrecognised tax losses	(234)	(688)
Adjustments for withholding tax of prior period	–	(1,900)
Tax charge	28,784	92,259

(a) Hong Kong profits tax

Enterprises incorporated in Hong Kong are subject to profits tax rate of 16.5% (2018: 16.5%). No Hong Kong profits tax has been provided for as the Group has no assessable profits in Hong Kong for the years ended 31 December 2019 and 2018.

(b) Netherlands corporate income tax

Enterprises incorporated in the Netherlands are subject to income tax rate of 19% (2018: 20%) for the first EUR200,000 taxable income and 25% (2018: 25%) for the taxable income exceeds EUR200,000. No Netherlands corporate income tax has been provided for the years ended 31 December 2019 and 2018, as the Netherlands subsidiary has no taxable income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

11 INCOME TAX EXPENSE (CONTINUED)

(c) Luxembourg corporate income tax

Enterprises incorporated in Luxembourg are subject to income tax rate of 15% for the first EUR175,000 taxable income, EUR26,250 plus 31% of the taxable income from EUR175,000 to EUR200,000 and 17% for the taxable income exceeds EUR200,000 (2018: 15% for the first EUR25,000 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). Including solidarity surtax at 7% (2018: 7%) on corporate income tax and municipal business tax of 6.75% (2018: 6.75%), the total tax rate for Luxembourg for the year ended 31 December 2019 is 22.80% or 24.94% (2018: 22.80% or 26.01%). No Luxembourg corporate income tax has been provided for as the Luxembourg subsidiary has no taxable income for the years ended 31 December 2019 and 2018.

In addition, pursuant to Luxembourg corporate income tax law, there is no taxation on the capital gains derived by a disposal of equity investment by virtue of application of the participation exemption. The capital gains refer to the balance of equity transfer price after deducting the cost of equity investment.

(d) China corporate income tax

Enterprises incorporated in China are subject to income tax rate of 25% (2018: 25%).

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 with the effective period of three years. 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 with the effective period of three years. Whereby the local tax authority of China had granted a 5% tax adjustment payment in 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

12 INVESTMENT PROPERTIES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Investment properties	4,612,000	4,979,073

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. In 2019, the Group disposed the investment property located in the Netherlands (Note 24).

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At fair value		
Opening balance	4,979,073	4,890,598
Fair value (losses)/gains (a)	(120,094)	83,759
Additions	2,172	3,391
Exchange differences recognised in other comprehensive income	–	1,325
Exchange differences recognised in the consolidated income statement	(3,616)	–
Disposal of a subsidiary (Note 24)	(245,535)	–
Closing balance	4,612,000	4,979,073

- (a) The independent valuation of the Group's investment properties in China was performed by the principal valuer, Cushman & Wakefield Limited, to determine the fair value of the investment properties as at 31 December 2019 (2018: the Group's investment properties in China and the Netherlands were performed by the principal valuers, Savills Valuation and Professional Services Limited and Savills Consultancy B.V. (together, "Savills") respectively).

As at 31 December 2019, bank borrowings are secured by the Initial Hotel Properties and the Kaifeng Hotel with the total carrying amount of RMB4,612,000,000 (2018: secured by Initial Hotel Properties, the Kaifeng Hotel and the Netherlands Hotel with a total carrying amount of RMB4,979,073,000) (Note 20).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

12 INVESTMENT PROPERTIES (CONTINUED)

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

Description	Fair value measurements as at 31 December 2019 using		
	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
	Recurring fair value measurements		
Investment properties:			
– Initial Hotel Properties	–	–	4,192,000
– Kaifeng Hotel	–	–	420,000
	–	–	4,612,000

Description	Fair value measurements as at 31 December 2018 using		
	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
	Recurring fair value measurements		
Investment properties:			
– Initial Hotel Properties	–	–	4,300,000
– Kaifeng Hotel	–	–	430,000
– Netherlands Hotel	–	–	249,073
	–	–	4,979,073

There were no transfers between Levels 1, 2 and 3 during the years ended 31 December 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

12 INVESTMENT PROPERTIES (CONTINUED)

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

	Year ended 31 December 2019		
	China RMB'000	Netherlands RMB'000	Total RMB'000
As at 1 January 2019	4,730,000	249,073	4,979,073
Additions	2,172	–	2,172
Disposal of a subsidiary (Note 24)	–	(245,535)	(245,535)
Fair value (losses)/gains	(120,172)	78	(120,094)
Exchange differences recognised in the consolidated income statement	–	(3,616)	(3,616)
As at 31 December 2019	4,612,000	–	4,612,000

	Year ended 31 December 2018		
	China RMB'000	Netherlands RMB'000	Total RMB'000
As at 1 January 2018	4,679,000	211,598	4,890,598
Additions	3,391	–	3,391
Fair value gains	47,609	36,150	83,759
Exchange differences recognised in other comprehensive income	–	1,325	1,325
As at 31 December 2018	4,730,000	249,073	4,979,073

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2019 by the qualified independent professional valuer, Cushman & Wakefield Limited, which holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

12 INVESTMENT PROPERTIES (CONTINUED)

Valuation processes of the Group (continued)

At each financial year end, the REIT Manager:

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

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

Valuation techniques

- (a) For the Initial Hotel Properties and the Kaifeng Hotel, the valuation was determined using discounted cash flow 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; and
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 years ended 31 December 2019 and 2018.

- (b) For the Netherlands Hotel, the valuation was determined using income capitalisation approach 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; and
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.

In November 2019, the Group disposed the Netherlands Hotel and valuation was performed on the disposal of Netherlands Hotel.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

12 INVESTMENT PROPERTIES (CONTINUED)

Valuation techniques (continued)

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

Description	Fair value as at 31 December 2019 (RMB'000)	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value	
The Initial Hotel Properties and the Kaifeng Hotel	4,612,000	Discounted cash flow	Rental value	<p>For rental income from the Initial Hotel Properties and the Kaifeng Hotel:</p> <p>Base Rent of the Initial Hotel Properties and the Kaifeng Hotel are both pre-determined fixed amounts per annum. Total Rent of the Initial Hotel Properties and the Kaifeng Hotel are calculated as 20% of the lessees' total revenue, plus 34% of the lessees' gross operating profit from operating the Initial Hotel Properties and the Kaifeng Hotel, respectively. If the Total Rent is less than the Base Rent for that year, the lessee shall pay the difference.</p> <p>For other rental income:</p> <p>Total monthly rental range from RMB36,400 to RMB1,521,021</p>	The higher the input value, the higher the fair value	
			Average daily room rate ("ADR")	2020 – Range from RMB365 to RMB670		
			Annual growth in ADR	Stabilised at 4%		
			Occupancy rate on available room basis	2020 – Range from 60% to 74% Stabilised at range from 68% to 76%		
			Food and beverage revenue ("F&B")	2020 – Range from 25% to 64% of gross revenue Stabilised at range from 25% to 68%		
			Terminal growth rate	4%		
			Furniture, fixtures and equipment ("FF&E") provision	2% of gross revenue		The higher the input rate, the lower the fair value
			Discount rate	The Kaifeng Hotel: 9.25%; and the Initial Hotel Properties: 8.75%		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

12 INVESTMENT PROPERTIES (CONTINUED)

Valuation techniques (continued)

Description	Fair value as at 31 December 2018 (RMB'000)	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
The Initial Hotel Properties and the Kaifeng Hotel	4,730,000	Discounted cash flow	Rental value	For rental income from the Initial Hotel Properties and the Kaifeng Hotel: Base Rent of the Initial Hotel Properties and the Kaifeng Hotel are both pre-determined fixed amounts per annum. Total Rent of the Initial Hotel Properties and the Kaifeng Hotel are calculated as 20% of the lessees' total revenue, plus 34% of the lessees' gross operating profit from operating the Initial Hotel Properties and the Kaifeng Hotel, respectively. If the Total Rent is less than the Base Rent for that year, the lessee shall pay the difference. For other rental income: Total monthly rental range from RMB9,000 to RMB1,270,000	The higher the input value, the higher the fair value
			ADR	2019 – Range from RMB371 to RMB901	
			Annual growth in ADR	Stabilised at 4%	
			Occupancy rate on available room basis	2019 – Range from 59% to 67% Stabilised at range from 67% to 74%	
			F&B	2019 – Range from 31% to 72% of gross revenue Stabilised at range from 32% to 74%	
			Terminal growth rate	4%	
			FF&E provision	2% of gross revenue	
Discount rate	The Kaifeng Hotel: 9.25%; and the Initial Hotel Properties: 8.75%	The higher the input rate, the lower the fair value			
The Netherlands Hotel	249,073	Income capitalisation	Rental income	For rental income from the Netherlands Hotel: Base Rent of the Netherlands Hotel is a fixed amount adjusted annually based on consumer price index published by the Central Bureau of Statistics of the Netherlands which is capped at 3% per annum. Total Rent of the Netherlands Hotel is calculated as 24% of the lessee's total operating revenue. If the Total Rent of the Netherlands Hotel is less than the Base Rent of the Netherlands Hotel for that year, the lessee shall pay the difference.	The higher the input value, the higher the fair value
			Capitalisation rate	4.75% to the core rent; 20% to the top slice component of the rent passing	

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

13 GOODWILL

	Goodwill RMB'000
Year ended 31 December 2019 and 2018	
Opening and closing net book amount	7,987
As at 31 December 2019 and 2018	
Cost	7,987
Accumulated impairment	–
Net book amount	7,987

Impairment tests for goodwill

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

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

Key assumptions used for rental income	– Annual growth rate in ADR	4%
	– Occupancy rate on available room basis	68%
Long term growth rate per annum		4%
Discount rate per annum		9.25%

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

Based on the assessment, no goodwill was impaired as at 31 December 2019 and 2018.

14 OTHER LONG-TERM ASSETS

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Escrow deposit (a) (Note 24)	11,723	–
Fees paid for undrawn bank facilities	1,313	–
	13,036	–

(a) It represents an escrow deposit of EUR1,500,000 (equivalent to RMB11,600,000 as at the Disposal Date and RMB11,723,000 as at 31 December 2019) in a notary's account, to serve as a tax indemnity relating to the disposal of New Century Netherlands I B.V. for an escrow period of 18 months after the Disposal Date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

15 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade receivables (a)	2,621	1,955
Other receivables	3,130	8,616
Prepayments	1,780	7,132
Trade and other receivables and prepayments – net	7,531	17,703

As at 31 December 2019 and 2018, the carrying amount of the trade and other receivables of the Group, except for the prepayments which are not financial assets, approximated to their carrying amounts.

- (a) As at 31 December 2019 and 2018, the trade receivables represented the rental income receivables from the lessees. The aging analysis of trade receivables as at 31 December 2019 and 2018 was as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade receivables, gross		
– Within 30 days	2,621	1,955

Credit period granted to customers is normally 30 days. No interest is charged on the trade receivables. The Group applies the simplified approach, which requires expected lifetime losses to be recognised from the initial recognition of the receivables. For the years ended 31 December 2019 and 2018, the Group believes that there were no significant financial difficulty of their customers and based on the past experience, there were no significant change in the credit quality of their customers. The identified impairment loss was zero.

As at 31 December 2019, all (2018: 99%) carrying amounts of the Group's trade receivables are denominated in RMB.

As at 31 December 2019 and 2018, all trade receivables were pledged as collateral for the Group's bank borrowings (Note 20).

16 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Cash at bank and on hand (a)	699,040	594,114
Less: Restricted cash (b)	(504,978)	(261,741)
Cash and cash equivalents	194,062	332,373

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

16 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (CONTINUED)

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Cash at bank and in hand:		
• RMB	336,988	462,257
• USD	2,026	109,518
• HKD	121,460	162
• EUR	238,566	22,177
	699,040	594,114

- (a) All cash at bank are deposits with original maturity within 3 months. The Group earns interest on cash at bank, including restricted cash, at floating bank deposit rates.
- (b) Restricted cash represents guarantee deposits held in reserve accounts and bank deposits to the banks as security deposits under loan facilities (Note 20).

17 TRADE AND OTHER PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade payables (a)	941	1,493
Other payables	34,435	27,157
Advances from customers	1,532	3,046
Accrued taxes other than income tax	7,718	5,534
Dividends payable	1,979	827
	46,605	38,057

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade payables		
– Within 90 days	86	10
– Over 90 days and within 360 days	40	806
– Over 360 days and within 720 days	255	35
– Over 720 days	560	642
	941	1,493

As at 31 December 2019 and 2018, all trade and other payables of the Group were non-interest bearing. Their fair values approximated their carrying amounts due to their short maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

18 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December 2019		As at 31 December 2018	
	Assets	Liabilities	Assets	Liabilities
	RMB'000	RMB'000	RMB'000	RMB'000
Interest rate swaps (a)	6,497	–	14,223	–
Interest rate cap (b)	–	–	–	8
	6,497	–	14,223	8

The Group has entered into various derivative financial instruments including interest rate swaps and interest rate cap with commercial banks. Nevertheless, they were not accounted for as hedging instruments as the conditions for hedge accounting were not met for the years ended 31 December 2019 and 2018. Gains and losses arising from the fair value change and the settlement of these derivative financial instruments were recognised in the consolidated income statement in “Other gains/(losses) – net” (Note 9).

- (a) The interest rate swaps have the economic effect of converting interest rate of borrowings from floating rates to fixed rates. As at 31 December 2019, the notional principal amounts of the outstanding interest rate swaps were HKD250,000,000 and HKD1,661,000,000 with the fixed interest rates of 4.87% and 4.845% per annum respectively. (As at 31 December 2018: USD230,000,000 with the fixed interest rate of 3.11% per annum).
- (b) The interest rate cap has the economic effect of keeping floating interest rate of borrowing within the cap rate. In May 2019, the interest rate cap was unwinded upon the early repayment of bank borrowings. (As at 31 December 2018: the notional principal amount of the outstanding interest rate cap was EUR13,117,500 and the interest rate was capped at 4.4% per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

19 DEFERRED INCOME

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Government grants relating to assets	2,741	3,147

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Opening balance	3,147	3,553
Credited to the consolidated income statement	(406)	(406)
Closing balance	2,741	3,147

20 BORROWINGS

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Non-current		
Principal of bank borrowings – secured (a)	1,902,465	1,886,494
Less: transaction costs	(44,103)	(12,956)
Current portion of non-current bank borrowings	(52,573)	(1,759,751)
	1,805,789	113,787
Current		
Bank borrowings – secured (a)	241,861	336,297
Current portion of non-current bank borrowings	52,573	1,759,751
	294,434	2,096,048

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

20 BORROWINGS (CONTINUED)

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
HKD	1,911,291	–
RMB	188,932	192,847
USD	–	1,903,201
EUR	–	113,787
	2,100,223	2,209,835

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

	6 months or less RMB'000	Between 6 and 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
As at 31 December 2019	243,445	50,989	1,805,789	2,100,223
As at 31 December 2018	453,038	1,756,797	–	2,209,835

The maturity of borrowings is as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
On demand or within 1 year	294,434	2,096,048
Between 1 and 2 years	55,759	–
Between 2 and 3 years	1,750,030	113,787
	2,100,223	2,209,835

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

20 BORROWINGS (CONTINUED)

The weighted average effective interest rates during the years ended 31 December 2019 and 2018 were as follows:

	Year ended 31 December	
	2019	2018
Borrowings – current		
– USD	3.95%	4.69%
– HKD	3.90%	–
– RMB	–	6.10%
Borrowings – non-current		
– HKD	6.22%	–
– RMB	6.25%	–
– EUR	3.79%	3.13%

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

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Carrying amounts		
Bank borrowings	1,805,789	113,787
Fair values		
Bank borrowings	1,782,192	111,166

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

20 BORROWINGS (CONTINUED)

(a) Bank borrowings – secured

As at 31 December 2019, the bank borrowings of RMB241,861,000 (As at 31 December 2018: RMB199,033,000) were secured by bank deposits of RMB262,500,000 (As at 31 December 2018: RMB203,010,000) (Note 16).

As at 31 December 2019, the bank borrowings of RMB1,902,465,000 were secured and guaranteed by the following:

- Secured by investment properties (Note 12), the guaranteed deposits (Note 16) and trade receivables (Notes 15 and 27(c)(i)) (As at 31 December 2018: same as at 31 December 2019);
- Secured by 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 and Sky Town Investments Limited, subsidiaries of the Group (As at 31 December 2018: same as at 31 December 2019 plus the equity interest of New Century Netherlands I B.V.);
- Guaranteed by Zhejiang New Century Hotel, Spearhead Investments Limited and Sky Town Investments Limited, subsidiaries of the Group (As at 31 December 2018: same as at 31 December 2019 plus by New Century Europe I S.à.r.l.).

The Group had the following undrawn bank borrowing facilities:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
USD facilities – expiring beyond one year	–	487,287
HKD/USD facilities – expiring beyond one year	456,848	–

In April 2019, the Group entered into a new HKD/USD revolving loan facility, pursuant to which the Group obtained an offshore revolving loan facility of HKD780,000,000 or its equivalent in USD with a period of 3 years (“New Revolving Loan Facility”) to replace the original USD revolving loan facility. As at 31 December 2019, HKD270,000,000 (equivalent to RMB241,861,000) of this New Revolving Loan Facility had been drawn down.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

21 DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITIES

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Deferred income tax liabilities:		
– to be recovered after more than 12 months	891,653	928,915
– to be recovered within 12 months	4,809	244
	896,462	929,159

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Opening balance	929,159	899,059
(Credited)/charged to the consolidated income statement (<i>Note 11</i>)	(11,195)	35,637
Disposal of a subsidiary (<i>Note 24</i>)	(21,208)	–
Charged to other comprehensive income – exchange reserve	–	88
Credited to the consolidated income statement – exchange reserve	(294)	–
Payment during the year	–	(5,625)
Closing balance	896,462	929,159

Movements in deferred income tax assets and liabilities during the years ended 31 December 2019 and 2018, without taking into consideration the offsetting of balance within the same tax jurisdiction, are as follows:

Deferred income tax assets	Tax losses	Deferred	Derivative	Total
	RMB'000	Income	financial	RMB'000
		RMB'000	instruments	RMB'000
			RMB'000	
As at 31 December 2017	1,131	888	28	2,047
Charged to the consolidated income statement	(385)	(102)	(26)	(513)
Credited to other comprehensive income				
– exchange reserve	5	–	–	5
As at 31 December 2018	751	786	2	1,539
Charged to the consolidated income statement	(417)	(100)	(2)	(519)
Disposal of a subsidiary	(273)	–	–	(273)
Charged to the consolidated income statement – exchange reserve	(61)	–	–	(61)
As at 31 December 2019	–	686	–	686

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

21 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 costs of the bank borrowings RMB'000	Withholding tax in respect of unremitted earnings of subsidiaries RMB'000	Others RMB'000	Total RMB'000
As at 31 December 2017	893,619	776	5,625	1,086	901,106
Charged/(credited) to the consolidated income statement	36,045	(446)	-	(475)	35,124
Payment during the year	-	-	(5,625)	-	(5,625)
Charged to other comprehensive income - exchange reserve	92	1	-	-	93
As at 31 December 2018	929,756	331	-	611	930,698
(Credited)/charged to the consolidated income statement	(16,114)	184	4,140	76	(11,714)
Disposal of a subsidiary	(21,481)	-	-	-	(21,481)
Credited to the consolidated income statement - exchange reserve	(354)	(1)	-	-	(355)
As at 31 December 2019	891,807	514	4,140	687	897,148

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB6,539,000 (2018: RMB6,075,000) in respect of losses amounting to RMB26,754,000 (2018: RMB24,343,000) that can be carried forward against future taxable income. The negative impact of tax rate change on the unrecognised deferred income tax assets for tax losses was RMB232,000 (2018: RMB684,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

22 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	Number of units	Net assets attributable to unitholders RMB'000
Year ended 31 December 2018		
Opening balance	958,500,829	2,404,023
Issuance of new units (a)	3,963,569	6,449
Profit for the year	–	24,258
Distributions paid to unitholders during the year (e)	–	(101,269)
Other comprehensive income – exchange reserve	–	649
As at 31 December 2018	962,464,398	2,334,110
Year ended 31 December 2019		
Opening balance	962,464,398	2,334,110
Issuance of new units (b)	8,957,086	12,914
Units bought back for cancellation (c)	(293,000)	(415)
Loss for the year	–	(37,502)
Distributions paid to unitholders during the year (f)	–	(79,704)
Other comprehensive income – exchange reserve	–	677
As at 31 December 2019	971,128,484	2,230,080

(a) New Century REIT issued 3,963,569 units during the year ended 31 December 2018:

On 28 September 2018, 3,963,569 units were issued to the REIT Manager at an issue price of HKD1.8581 per unit (equivalent to RMB6,449,000) as payment of 50% of the REIT Manager fee for the six months ended 30 June 2018;

(b) New Century REIT issued 8,957,086 units during the year ended 31 December 2019:

On 24 May 2019, 4,470,745 units were issued to the REIT Manager at an issue price of HKD1.7088 per unit (equivalent to RMB6,712,000) as payment of 50% of the REIT Manager fee for the six months ended 31 December 2018;

On 27 September 2019, 4,486,341 units were issued to the REIT Manager at an issue price of HKD1.5315 per unit (equivalent to RMB6,202,000) as payment of 50% of the REIT Manager fee for the six months ended 30 June 2019;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

22 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (CONTINUED)

- (c) From August to November 2019, New Century REIT had repurchased and cancelled a total of 293,000 units on The Stock Exchange of Hong Kong Limited at the prevailing market price with the aggregate consideration of HKD461,000 (equivalent to RMB415,000). Details of the units bought back during the year ended 31 December 2019 were as follows:

Month	Units bought back	Price paid per units		Net aggregate consideration HK\$'000
		Highest HK\$	Lowest HK\$	
August 2019	85,000	1.60	1.50	131
September 2019	108,000	1.75	1.52	172
October 2019	70,000	1.68	1.50	111
November 2019	30,000	1.62	1.53	47
Total	293,000			461

All units bought back were cancelled during the year ended 31 December 2019.

- (d) As at 31 December 2019, the net assets attributable to unitholders per unit of RMB2.2964 is calculated by dividing the net assets attributable to unitholders of RMB2,230,080,000 by the number of units in issue of 971,128,484 (2018: the net assets attributable to unitholders per unit of RMB2.4251 is calculated by dividing the net assets attributable to unitholders of RMB2,334,110,000 by the number of units in issue of 962,464,398).
- (e) The distributions with amount of RMB101,269,000 paid during the year ended 31 December 2018 comprises:
- Final distribution for the period from 1 July 2017 to 31 December 2017 with a total amount of RMB51,269,000, which was paid to unitholders on 25 May 2018; and
 - Interim distribution (including special distribution) for the period from 1 January 2018 to 30 June 2018 with a total amount of RMB50,000,000 which was paid to unitholders on 28 September 2018.
- (f) The distributions with amount of RMB79,704,000 paid during the year ended 31 December 2019 comprises:
- Final distribution for the period from 1 July 2018 to 31 December 2018 with a total amount of RMB45,878,000, which was paid to unitholders on 24 May 2019; and
 - Interim distribution for the period from 1 January 2019 to 30 June 2019 with a total amount of RMB33,826,000 which was paid to unitholders on 27 September 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

23 (LOSS)/EARNINGS PER UNIT BASED UPON (LOSS)/PROFIT AFTER INCOME TAX BEFORE TRANSACTIONS WITH UNITHOLDERS ATTRIBUTABLE TO UNITHOLDERS

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

	Year ended 31 December	
	2019	2018
(Loss)/profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	(37,502)	24,258
Weighted average number of units in issue ('000)	966,318	959,532
Basic (loss)/earnings per unit (RMB)	(0.0388)	0.0253

The diluted (loss)/earnings per unit is same as the basic (loss)/earnings per unit as there were no diluted instruments in issue during the years ended 31 December 2019 and 2018.

24 DISPOSAL OF A SUBSIDIARY

On 28 November 2019, New Century REIT disposed of the entire registered capital of New Century Netherlands I B.V. (the “**Disposal Company**”), which owns the Netherlands Hotel. The difference between the carrying value of net assets disposed of and the total consideration in relation to the disposal was included in “Other gains/(losses) – net” (Note 9) of the consolidated income statement for the year ended 31 December 2019.

The expenses incurred directly related to the disposal of RMB13,263,000 (the “**Disposal Cost**”), among which comprises divestment fee to the REIT Manager and the Trustee with amounts of RMB1,537,000 and RMB72,000 respectively and the valuation fee to Cushman & Wakefield Limited of RMB51,000 (Note 27(b)), were netted against the total cash consideration for the disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

24 DISPOSAL OF A SUBSIDIARY (CONTINUED)

The following table summarises the carrying value of net assets disposed of at the Disposal Date and the consideration received, as well as the net cash flow arising from the disposal (using the exchange rate of EUR vs RMB as at the completion date: 7.7334).

	Carrying value RMB'000
Net assets of the Disposal Company at the Disposal Date	
Investment property (<i>Note 12</i>)	245,535
Trade and other receivables and prepayments	492
Cash and cash equivalents	2,392
Amounts due to related parties	(505)
Current income tax liabilities	(494)
Trade and other payables	(1,993)
Loan due to related parties (<i>i</i>)	(148,675)
Deferred income tax liabilities (<i>Note 21</i>)	(21,208)
Net assets disposed	75,544
Total consideration for the disposal	158,619
Less: Disposal Cost	(13,263)
Net consideration for the disposal	145,356
Less: net assets disposed	(75,544)
Less: accumulated realised exchange differences on translation of financial statements	(159)
Gain on disposal of a subsidiary (<i>Note 9</i>)	69,653
Net cash inflow arising on the disposal:	
Net consideration for the disposal	145,356
Settlement of loan and amounts due to related parties by the buyer	149,180
Add: excess payment repayable from the buyer	225
Subtotal	294,761
Less: escrow deposit (<i>Note 14</i>)	(11,600)
Cash and cash equivalents in the Disposal Company	(2,392)
Total	280,769

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

24 DISPOSAL OF A SUBSIDIARY (CONTINUED)

The Disposal Company was acquired by New Century REIT on 8 August 2016, on which the fair value of the investment property held by the Disposal Company was amounted to RMB195,668,000. The accumulated fair value gains of investment property of RMB53,405,000, and the related deferred tax liabilities of RMB19,281,000 for the prior years were added back and then deducted the same in the consolidated distribution statement for the year ended 31 December 2019 as pursuant to the Trust Deed, the realised gain on the disposal of properties of New Century REIT should be adjusted from the consolidated distribution statement. As a result, no such items were included in the total distributable income for the year ended 31 December 2019.

- (i) It represented an intercompany loan due to Spearhead Global Limited with an outstanding principal of EUR19,225,000 (equivalent to RMB148,675,000) at an interest rate of 2.90% per annum. The related interest payables on the Disposal Date was EUR43,000 (equivalent to RMB331,000). All were settled upon disposal by the buyer.

25 CASH FLOWS INFORMATION

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
(Loss)/profit before taxation and transactions with unitholders	(7,900)	117,948
Adjustments for:		
– Fair value changes on investment properties (Note 12)	120,094	(83,759)
– Interest expenses on bank borrowings (Note 10)	85,710	78,160
– Unrealised net foreign exchange losses (Note 9 and 10)	32,848	87,793
– Amortisation of transaction costs of bank borrowings (Note 10)	28,531	23,347
– Fair value losses on derivative financial instruments (Note 9)	7,718	8,151
– Realised net foreign exchange losses on financing activities (Note 10)	5,003	1,395
– Other financing costs (Note 10)	3,274	1,737
– Fair value losses on the settlement of capped forward foreign exchange contracts (Note 9)	–	3,305
– Gains on waived account payable balances (Note 9)	–	(767)
– Realised exchange reserves related to the disposal of a subsidiary (Note 24)	(159)	–
– Amortisation of deferred income (Note 19)	(406)	(406)
– Interest income on restricted cash	(2,879)	(7,589)
– Gain on disposal of a subsidiary (Note 9)	(69,653)	–
	202,181	229,315
Changes in working capital:		
– Decrease in trade and other receivables and prepayments	2,037	1,670
– Increase in trade and other payables	6,327	2,455
– Increase in amounts due from related parties	(8,302)	(474)
– Decrease in amounts due to related parties	(1,307)	(241)
	200,936	232,725

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

25 CASH FLOWS INFORMATION (CONTINUED)

(b) Net cash and liabilities relating to financing activities

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Cash and cash equivalents	194,062	332,373
Restricted cash	504,978	261,741
Borrowings – repayable within one year	(294,434)	(2,096,048)
Borrowings – repayable after one year	(1,805,789)	(113,787)
Dividend payable	(1,979)	(827)
	(1,403,162)	(1,616,548)
Cash and restricted cash	699,040	594,114
Borrowings – fixed interest rates	(1,858,362)	(1,566,903)
Borrowings – variable interest rates	(241,861)	(642,932)
Dividend payable	(1,979)	(827)
	(1,403,162)	(1,616,548)

	Other assets		Liabilities from financing activities			Total RMB'000
	Cash and cash equivalents RMB'000	Restricted cash RMB'000	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Dividend payable RMB'000	
As at 1 January 2018	360,826	155,517	(187,494)	(1,777,177)	(931)	(1,449,259)
Cash flows	(34,095)	106,224	(128,781)	–	104	(56,548)
Non-cash change						
Foreign exchange adjustments	5,568	–	(18,650)	(74,787)	–	(87,869)
Amortisation of transaction costs of the bank borrowings	–	–	(1,372)	(20,924)	–	(22,296)
Exchange differences on translation of financial statements	74	–	–	(650)	–	(576)
Reclassification	–	–	(1,759,751)	1,759,751	–	–
As at 31 December 2018	332,373	261,741	(2,096,048)	(113,787)	(827)	(1,616,548)
Cash flows	(141,659)	243,237	1,875,701	(1,708,414)	4,441	273,306
Non-cash change						
Dividend declared	–	–	–	–	(5,593)	(5,593)
Foreign exchange adjustments	3,348	–	(9,287)	(26,294)	–	(32,233)
Amortisation of transaction costs of the bank borrowings	–	–	(12,227)	(9,867)	–	(22,094)
Reclassification	–	–	(52,573)	52,573	–	–
As at 31 December 2019	194,062	504,978	(294,434)	(1,805,789)	(1,979)	(1,403,162)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

26 COMMITMENTS

Capital commitments

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
In respect of investment properties, contracted but not provided for	2,462	185

27 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with connected and related parties during the year:

(a) Nature of relationship with connected/related parties

The table set forth below summarises the names of the connected/related parties and nature of their relationship with the Group as at 31 December 2019.

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 ("Huge Harvest")	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 (i)	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
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
The REIT Manager	The manager of New Century REIT
The Trustee	The trustee of New Century REIT
Cushman & Wakefield Limited	The current principal valuer of New Century REIT for the years from 2019 to 2021
Savills	The former principal valuer of New Century REIT for the years from 2016 to 2018

- (i) On 14 August 2019, Hangzhou New Century Zhijiang Cleaning Chain Limited ceased to be a connected and related party of New Century REIT as it is no longer an associated corporation of significant holder of New Century REIT and Director.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

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

(b) Transactions with connected/related parties

Rental income received/receivable from:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
The Hotel Group (i)	204,106	226,569
New Century Grand Hotel Kaifeng Business Company Limited	22,000	22,183
New Century Tourism Group Limited	1,999	1,999
Hangzhou New Century Real Estate Group Limited	1,861	1,861
Hangzhou New Century Senbo Tourism Investment Limited	361	361
Hangzhou New Century Decorating Limited	122	122
Hangzhou New Century Zhijiang Cleaning Chain Limited	82	133
	230,531	253,228

- (i) The net rental income from the Hotel Group for the year ended 31 December 2019 amounted to RMB196,235,000 (2018: RMB217,837,000) which was calculated by gross rental income of RMB204,106,000 (2018: RMB226,569,000) netting of value-added taxes of RMB7,871,000 (2018: RMB8,732,000).

Rental deposit (refund to)/received from:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
The Hotel Group	(2)	109

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

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

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

Other connected party transactions:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
REIT Manager fee paid/payable to the REIT Manager <i>(Note 7 and 24)</i>	26,140	26,321
Trustee fee paid/payable to the Trustee <i>(Note 7 and 24)</i>	1,138	1,127
Valuation fee paid/payable to Cushman & Wakefield Limited <i>(Note 7 and 24)</i>	616	–
Valuation and property management fee paid/payable to Savills	–	700
	27,894	28,148

(c) Balances with connected/related parties

Trade receivables due from:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
The Hotel Group <i>(i)</i>	28,689	21,148
New Century Grand Hotel Kaifeng Business Company Limited <i>(i)</i>	2,113	1,351
	30,802	22,499

(i) As at 31 December 2019 and 2018, all the trade receivables due from related parties were pledged as collateral for the Group's bank borrowings (Note 20).

Other receivables due from:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
The REIT Manager	34	35

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

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

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

Other payables due to:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
New Century Grand Hotel Kaifeng Business Company Limited	22,000	22,000
The Hotel Group	21,026	21,028
The REIT Manager	12,200	13,424
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 Decorating Limited	31	31
Hangzhou New Century Zhijiang Cleaning Chain Limited	–	34
Subtotal of other payables due to related parties	56,224	57,484
The Trustee (ii)	530	582
Cushman & Wakefield Limited (ii)	268	–
Savills (ii)	–	340
	57,022	58,406

(ii) Other payables due to the Trustee, Cushman & Wakefield Limited and Savills are recorded in "Trade and other payables" of the consolidated balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

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

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

Advances from customers:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
The Hotel Group	155	163
New Century Tourism Group Limited	148	167
Hangzhou New Century Real Estate Group Limited	138	155
Hangzhou New Century Senbo Tourism Investment Limited	27	30
Hangzhou New Century Decorating Limited	10	10
Hangzhou New Century Zhijiang Cleaning Chain Limited	–	11
	478	536

(d) Key management compensation

There was no key management compensation for the years ended 31 December 2019 and 2018.

(e) Director's emoluments

No directors' emoluments were paid or payable by the Group for the years ended 31 December 2019 and 2018 respectively.

(f) Loan facility

On 8 July 2019, Strong Tower Global Limited ("Strong Tower"), a wholly-owned subsidiary of New Century REIT, entered into a facility agreement with Huge Harvest, pursuant to which a loan facility of HKD24,000,000 was granted by Huge Harvest to Strong Tower for a term until 10 July 2022 or (if earlier) the date on which a new term loan of HKD1,911,000,000 under a credit agreement dated 27 June 2019 is repaid in full. During the year and as at 31 December 2019, no drawdown has been made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

28 SUBSIDIARIES

Particulars of the principal subsidiaries are as follows:

Name	Date of incorporation and type of legal entity (for PRC subsidiaries)	Issued and paid up capital/ registered capital	Effective interests held by the Group (%)	Principal activities and place of operations
Incorporated in China:				
浙江開元酒店投資管理集團有限公司 (Zhejiang New Century Hotel Investment & Management Group Limited)	30 November 2001, limited liability company	RMB811,000,000	100%	Investment holding and hotel properties leasing in China
浙江銳至投資股份有限公司 (Zhejiang Spearhead Investment Limited)	8 September 1994, limited liability company	RMB102,571,739	95.46%	Hotel properties leasing in China
寧波開元銳至投資有限公司 (Ningbo New Century Spearhead Investment Limited)	1 December 2004, limited liability company	RMB170,488,723	100%	Hotel properties leasing in China
長春開元銳至投資管理有限公司 (Changchun New Century Spearhead Investment and Management Limited)	13 November 2007, limited liability company	RMB120,000,000	100%	Hotel properties leasing in China
淳安千島湖開元銳至投資有限公司 (Chun'an Qiandao Lake New Century Spearhead Investment Limited)	15 January 2001, limited liability company	RMB30,000,000	100%	Hotel properties leasing in China
開封開元名都大酒店有限公司 (Kaifeng New Century Grand Hotel Limited)	25 December 2013, limited liability company	RMB50,000,000	100%	Hotel properties leasing in China
Incorporated in British Virgin Islands:				
Spearhead Global Limited	8 March 2013	20,000 ordinary shares of USD1 each	100%	Investment holding in Hong Kong
Strong Tower Global Limited	13 January 2014	10,000 ordinary shares of USD1 each	100%	Investment holding in Hong Kong
Incorporated in Hong Kong:				
Spearhead Investments Limited	25 March 2013	1 ordinary share of HKD1 each	100%	Investment holding in Hong Kong
Sky Town Investments Limited	22 May 2007	745,054,688 ordinary shares of HKD1 each	100%	Investment holding in Hong Kong
Full Wise Industrial Limited	20 September 2012	10,000 ordinary shares of HKD1 each	100%	Investment holding in Hong Kong
New Century REIT Hong Kong I Limited	3 August 2016	1 ordinary share of EUR1 each	100%	Investment holding in Hong Kong
Incorporated in the Netherlands:				
New Century Netherlands I B.V. (disposed on 28 November 2019)	3 February 2012	18,000 ordinary share of EUR1 each	100%	Hotel properties leasing in the Netherlands
Incorporated in Luxembourg:				
New Century Europe I S.à.r.l.	20 May 2016	12,500 ordinary share of EUR1 each	100%	Investment holding in Luxembourg

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in Renminbi thousands unless otherwise stated)

29 NON-CANCELLABLE OPERATING LEASES

As at 31 December 2019 and 2018, the Group has future minimum lease payment receivables under non-cancellable leases as follow:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within one year (a)	236,544	256,313
Between one year and five years	577,301	818,610
Over five years	33,727	244,172
	847,572	1,319,095

- (a) In December 2019, Zhejiang New Century Hotel as the Lessor and the Zhejiang New Century Hotel Management Limited as the Lessee had jointly appointed Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd. to determine the Market Base Rent of the Initial Hotel Properties for the 8th lease year from 10 July 2020 to 9 July 2021 (the "Lease Year of 2020"). According to the valuer's report, the Market Base Rent for the Lease Year of 2020 is RMB200,000,000 which is same as the Lease Year of 2019 (being the lease period from 10 July 2019 to 9 July 2020). Other terms of the lease agreements, including but not limited to the calculation of the individual rent and security deposit, remains unchanged.

30 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Since the outbreak of the novel coronavirus pneumonia epidemic (the "Epidemic"), the provinces and municipalities in the PRC in which the Initial Hotel Properties and the Kaifeng Hotel are situated have activated level I (the highest-level response to major public health emergencies) and adopted various strict measures to curb the spread of the Epidemic. Therefore, the Lessees have substantively suspended operations of the Initial Hotel Properties and the Kaifeng Hotel since 25 January 2020. As a result of the Epidemic and the substantive suspension of operations, the force majeure clauses under the Master Hotel Lease and Management Agreement and the individual underlying hotel lease and management agreements and the Kaifeng Hotel Lease Agreement have been triggered, and accordingly the annual Base Rent for the Initial Hotel Properties and the Kaifeng Hotel will be adjusted proportionately for the duration of the period of suspension.

On 2 March 2020, all the provinces and municipalities in the PRC in which the Initial Hotel Properties are situated have lowered the response level to level II. Consequently, operations at the Initial Hotel Properties have resumed on 3 March 2020. Operations at the Initial Hotel Properties were suspended for 38 days, which resulted in a downward adjustment of the Base Rent for the Initial Hotel Properties for the year ending 31 December 2020 by RMB20.77 million in aggregate from RMB200 million to RMB179.23 million (representing an approximately 10.4% decrease).

On 19 March 2020, the Henan province in the PRC in which the Kaifeng Hotel is situated has lowered the response level to level II. Consequently, operations at the Kaifeng Hotel have resumed on 19 March 2020. Operations at the Kaifeng Hotel were suspended for 54 days, which resulted in a downward adjustment of the Base Rent for the Kaifeng Hotel for the year ending 31 December 2020 by approximately RMB3.25 million from RMB22 million to approximately RMB18.75 million (representing an approximately 14.8% decrease).

PERFORMANCE TABLE

As at 31 December 2019

	2019	2018	2017	2016	2015
Net assets attributable to Unitholders (RMB'000)	2,230,080	2,334,110	2,404,023	2,371,097	2,386,721
Net assets attributable to Unitholders per Unit (RMB)	2.2964	2.4251	2.5081	2.4925	2.5406
(Equivalent to HKD) (Note a)	2.5635	2.7677	3.0005	2.7865	3.0325
The highest premium of the traded price to net asset attributable to Unitholders per Unit (Note b)	N/A	N/A	N/A	7.66%	10.80%
The highest discount of the traded price to net asset attributable to Unitholders per Unit (Note b)	45.39%	45.80%	28.68%	23.56%	9.32%
Distribution yield per Unit (including Special Distribution (if any)) (Note c)	4.43%	6.70%	6.90%	7.65%	7.21%
Number of Units in issue at the end of the reporting period (Units)	971,128,484	962,464,398	958,500,829	951,301,342	939,424,740
Gearing ratio (Note d)	39.9%	39.4%	36.5%	43.7%	37.3%
Gross liabilities as a percentage of gross assets (Note e)	58.8%	58.2%	56.1%	62.3%	56.5%

Notes:

a. Unless indicated otherwise, Hong Kong dollar amounts are based on an exchange rate of HKD1=RMB0.8958 (2018: HKD1=RMB0.8762) at the end of the reporting period.

b. The highest premium is calculated based on the highest traded price of HKD1.95 (2018: HKD2.45) on the Hong Kong Stock Exchange during the year ended 31 December 2019. The highest discount is calculated based on the lowest traded price of HKD1.40 (2018: HKD1.50) on the Hong Kong Stock Exchange during the year ended 31 December 2019.

As the highest traded prices for 2019 and 2018 are lower than the net asset value per Unit attributable to Unitholders as at the end of the reporting period, no highest premium ratio is presented.

c. Distribution yield per Unit for 2019 is calculated based on total distribution (2018: including Special Distribution) per Unit of RMB0.0640 (equivalent to HKD0.0709) (2018: RMB0.0999 (equivalent to HKD0.1155)) for the year ended 31 December 2019 over the closing price of HKD1.60 on 31 December 2019 (2018: HKD1.72 on 31 December 2018).

d. Gearing ratio is calculated based on the total gross borrowings excluding transaction costs over total assets as at the end of the 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 the reporting period.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, the distributions and of the assets and liabilities of New Century REIT, as extracted from the published audited consolidated financial statements, is set out below.

	Year ended 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Results and distributions					
Revenue					
Rental income	254,881	275,956	293,407	316,750	307,330
(Loss)/profit before taxation and transactions with unitholders	(7,900)	117,948	308,520	255,447	2,603
Income tax expense	(28,784)	(92,259)	(135,351)	(132,406)	(47,333)
(Loss)/profit for the year, before transactions with unitholders	(36,684)	25,689	173,169	123,041	(44,730)
(Loss)/profit attributable to unitholders	(37,502)	24,258	170,594	119,268	(45,568)
Total distributions for the year to unitholders	61,989	95,878	130,860	157,254	162,748

SUMMARY OF FINANCIAL INFORMATION

	As at 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Assets and liabilities					
Non-current assets	4,633,023	4,987,060	4,905,378	5,675,552	5,234,315
Current assets	743,904	648,574	566,881	520,769	268,347
Total assets	5,376,927	5,635,634	5,472,259	6,196,321	5,502,662
Current liabilities	415,123	2,224,330	359,183	778,588	1,669,797
Non-current liabilities, other than net assets attributable to unitholders	2,702,251	1,042,946	2,676,236	3,016,394	1,419,675
Total liabilities, other than net assets attributable to unitholders	3,117,374	3,267,276	3,035,419	3,794,982	3,089,472
Net assets attributable to unitholders	2,230,080	2,334,110	2,404,023	2,371,097	2,386,721
Total liabilities	5,347,454	5,601,386	5,439,442	6,166,079	5,476,193
Net assets – Non controlling interests	29,473	34,248	32,817	30,242	26,469

CORPORATE INFORMATION

THE REIT MANAGER AND THE REGISTERED OFFICE

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

BOARD OF DIRECTORS OF THE REIT MANAGER

JIN Wenjie
(Chairman and Non-executive Director)
HO Wai Chu
(Chief Executive Officer and Executive Director)
(appointed with effect from 17 February 2020)
CHEUNG Yat Ming
(Chief Executive Officer and Executive Director)
(resigned with effect from 17 February 2020)
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

HO Wai Chu
CHEUNG Chi Shan

AUDIT COMMITTEE OF THE REIT MANAGER

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

DISCLOSURES COMMITTEE OF THE REIT MANAGER

HO Wai Chu *(Chairman)*
ZHANG Guanming
YU Hon To David

NOMINATION COMMITTEE OF THE REIT MANAGER

JIN Wenjie *(Chairman)*
ANGELINI Giovanni
HE Jianmin

FINANCE AND INVESTMENT COMMITTEE OF THE REIT MANAGER

HO Wai Chu *(Chairman)*
CHEUNG Chi Shan
SIT Wai

APPROVED PERSON OF THE REIT MANAGER

HO Wai Chu

COMPANY SECRETARY OF THE REIT MANAGER

CHAN Chun Tung

TRUSTEE

DB Trustees (Hong Kong) Limited
Level 52, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

CORPORATE INFORMATION

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered Public
Interest Entity Auditor
22nd Floor, Prince's Building
Central
Hong Kong

PRINCIPAL VALUER

Cushman & Wakefield Limited
16/F, Jardine House,
1 Connaught Place
Central, Hong Kong

LEGAL ADVISER

Dechert
31/F, Jardine House
One Connaught Place
Central, Hong Kong

UNIT REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PROPERTY MANAGER

Zhejiang New Century Hotel Management Co., Ltd.
18th Floor, 818 Shixin Zhong Road Beigan Street
Xiaoshan District
Hangzhou
PRC

STOCK CODE

01275

WEBSITE

www.ncreit.com

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

Acquisition Fee	not exceeding the rate of 0.5% of the acquisition price of any real estate from the New Century Group and not exceeding the rate of 1% of the acquisition price of any real estate from third parties other than the New Century Group.
ADR	average daily room rate, which means room revenue divided by rooms in use.
Changchun New Century Grand	Changchun New Century Spearhead Investment and Management Limited* (長春開元銳至投資管理有限公司, previously 長春開元名都大酒店有限公司), a wholly-owned subsidiary of Zhejiang New Century Hotel incorporated in the PRC on 13 November 2007.
Connected Person(s)	has the meaning ascribed to it in the REIT Code.
Directors	the directors of the REIT Manager.
Divestment Fee	not exceeding the rate of 0.5% of the sale price of any real estate divested by New Century REIT.
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 an indirect wholly-owned subsidiary of New Century REIT.
Gross Floor Area or GFA	in respect of a property, the gross floor area of that property being the area contained within the external walls of the building measured at each floor level (including any floor below the level of the ground), together with the area of each balcony in the building, which shall be calculated from the overall dimensions of the balcony (including the thickness of the sides thereof), and the thickness of external walls of the building excluding any floor space that is constructed or intended to be used solely for parking motor vehicles, loading or unloading of motor vehicles, or for refuse storage chambers, material recovery chambers, refuse chutes, refuse hopper rooms and other types of facilities provided to facilitate the separation of refuse, or for access facilities for telecommunications and broadcasting services, or occupied solely by machinery or equipment for any lift, air-conditioning or heating system or any similar service.
Hangzhou New Century Real Estate	Hangzhou New Century Real Estate Group Limited* (杭州開元房地產集團有限公司), a company incorporated in the PRC on 6 July 2001.
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

Hotel Lease and Management Agreements	with respect to the Initial Hotel Properties, the master hotel lease and management agreement dated 14 June 2013 entered into between Zhejiang New Century Hotel and New Century Hotel Management and the separate hotel lease and management agreements entered into between the Lessors and the Lessees in respect of the leasing of Initial Hotel Properties and delegation of the hotel management function by the Manager to the Lessees; the Kaifeng Hotel Lease Agreement and the Kaifeng Hotel Management Agreement both dated 29 June 2015 in respect of Kaifeng Hotel; and the Netherlands Hotel Lease Agreement, as amended, supplemented and/or otherwise modified from time to time.
Huge Harvest	Huge Harvest International Limited (浩豐國際有限公司), a company incorporated in the British Virgin Islands on 11 January 2008, the issued shares of which are 83.90%, 9.29% and 6.81% ultimately owned by Mr. Chen Miaolin, Mr. Chen Canrong and Mr. Zhang Guanming, respectively as at 31 December 2019.
Huge Harvest Group	Huge Harvest, its direct and indirect subsidiaries, associates and associated company.
Individual Rent	the rent payable under a Hotel Lease and Management Agreement.
Initial Hotel Properties	New Century Grand Hotel Hangzhou (杭州開元名都大酒店), New Century Hotel Xiaoshan Zhejiang (浙江開元蕭山賓館), New Century Resort Qiandao Lake Hangzhou (杭州千島湖開元度假村), New Century Grand Hotel Ningbo (寧波開元名都大酒店) and New Century Grand Hotel Changchun (長春開元名都大酒店); and each an “Initial Hotel Property”.
Lessee(s)	New Century Hotel Management and its wholly-owned subsidiaries in respect of the Initial Hotel Properties and Kaifeng Hotel and Eden Eindhoven Hotel Exploitatie II B.V. in respect of Netherlands Hotel (Note).
Lessor(s)	the Property Companies.
Kaifeng Hotel	New Century Grand Hotel Kaifeng* (開封開元名都大酒店).
Kaifeng New Century Grand	Kaifeng New Century Grand Hotel Limited* (開封開元名都大酒店有限公司), a wholly-owned subsidiary of Zhejiang New Century Hotel incorporated in the PRC on 25 December 2013.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

Kaifeng Hotel Lease Agreement	with respect to Kaifeng Hotel, the hotel lease agreement dated 29 June 2015 entered into between Kaifeng New Century Grand, New Century Grand Hotel Kaifeng Management Company Limited* (開封開元名都酒店管理有限公司), New Century Tourism and the REIT Manager in respect of the leasing of Kaifeng Hotel, as amended, supplemented and/or otherwise modified from time to time.
Kaifeng Hotel Management Agreement	with respect to Kaifeng Hotel, the hotel management agreement dated 29 June 2015 entered into between New Century Grand Hotel Kaifeng Management Company Limited* (開封開元名都酒店管理有限公司) and New Century Hotel Management in respect of the management of Kaifeng Hotel, as amended, supplemented and/or otherwise modified from time to time.
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented and/or otherwise modified from time to time.
Netherlands Hotel	means Holiday Inn Eindhoven (荷蘭開元假日酒店－埃因霍溫*), situated at Veldmaarschalk Montgomerylaan 1, 5612 BA, Eindhoven, the Netherlands (Note).
Netherlands Hotel Lease Agreement	means the lease agreement entered into between Eden Eindhoven Hotel Exploitatie II B.V. and Invesco HF 2 Eindhoven Hotel Investment B.V. (now known as New Century Netherlands I) for a term of 25 years commencing from 22 March 2012 (with a remaining term of 18 years) and an option to renew for another two five-year terms at the Eden Eindhoven Hotel Exploitatie II B.V.'s discretion and thereafter, for an indefinite period of time provided that the lease has not been terminated according to its terms (Note).
New Century (Cayman)	New Century Hotel Group Limited (開元酒店集團有限公司), a company incorporated in the Cayman Islands on 24 March 2011.
New Century Europe	New Century Europe I S.à.r.l., a private limited liability company, incorporated on 20 May 2016 under the laws of Luxembourg and registered with the Luxembourgian trade register, an indirect wholly-owned subsidiary of New Century REIT.
New Century Group	New Century (Cayman) and its subsidiaries.
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 listed on the Stock Exchange, incorporated in the PRC on 17 December 2008 and whose registered address is 18th Floor, 818 Shixin Zhong Road Beigan Street, Xiaoshan District, Hangzhou, PRC.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

New Century Netherlands	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 (Note).
New Century REIT Hong Kong I	New Century REIT Hong Kong I Limited, a company incorporated in Hong Kong on 3 August 2016, a wholly-owned subsidiary of New Century REIT.
New Century Tourism	New Century Tourism Group Limited* (開元旅業集團有限公司), a company incorporated in the PRC on 9 January 2001.
Ningbo New Century Grand	Ningbo New Century Spearhead Investment Limited* (寧波開元銳至投資有限公司, previously 寧波開元名都大酒店有限公司), a wholly-owned subsidiary of Zhejiang New Century Hotel incorporated in the PRC on 1 December 2004.
Non-Competition Deed	the deed of non-competition entered into by Mr. Chen Miaolin, Huge Harvest, the REIT Manager and the Trustee dated 14 June 2013.
Offering Circular	the offering circular of New Century REIT dated 24 June 2013 and as supplemented by the supplemental offering circular dated 29 June 2013.
Ordinary Resolution	a resolution of Unitholders proposed and passed by a simple majority of the votes of those present and entitled to vote that shall be taken by way of poll, but with a quorum of two or more Unitholders holding 10% of Units in issue.
PRC or China	the People's Republic of China excluding, for the purpose of this report only, Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC, and Taiwan.
Property Companies	Changchun New Century Grand, Zhejiang New Century Hotel, Ningbo New Century Grand, Qiandao Lake Resort, Xiaoshan Hotel Company, Kaifeng New Century Grand and New Century Netherlands (Note).
Qiandao Lake Resort	Chun'an Qiandao Lake New Century Spearhead Investment Limited* (淳安千島湖開元銳至投資有限公司, previously 杭州千島湖開元度假村開發有限公司), a wholly-owned subsidiary of Zhejiang New Century Hotel incorporated in the PRC on 15 January 2001.
REIT(s)	real estate investment trust(s).

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

REIT Code	the Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified for the time being or, for the purpose of the Trust Deed, from time to time, including but not limited by published practice statements or in any particular case, by specific written guidance issued or exemptions or waivers granted by the SFC.
SFC	the Securities and Futures Commission of Hong Kong.
SFO	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) as amended, supplemented or otherwise modified and the rules thereunder.
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 an indirect 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 31 December 2019, including SPV (BVI), SPV (HK), Sky Town, Strong Tower, Full Wise HK, New Century REIT Hong Kong I, New Century Europe and the Property Companies.
Special Resolution	a resolution of Unitholders proposed and passed by a majority consisting of 75% or more of the votes of those present and entitled to vote in person or by proxy where the votes shall be taken by way of poll, but with a quorum of two or more Unitholders holding 25% of the Units in issue.
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 an indirect 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.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

Trust Deed	the trust deed dated 10 June 2013 entered into between the Trustee and the REIT Manager constituting New Century REIT and as amended by the supplemental trust deed dated 20 June 2013 and the second supplemental trust deed dated 15 June 2015, as may be further amended and supplemented from time to time.
Unit(s)	unit(s) of New Century REIT.
Unitholder(s)	holders of the Units from time to time.
Xiaoshan Hotel Company	Zhejiang Spearhead Investment Limited* (浙江銳至投資股份有限公司, previously 浙江蕭山賓館股份有限公司), a joint stock company (non-listed) incorporated in the PRC on 8 September 1994, which is approximately 95.46% owned by Zhejiang New Century Hotel, and approximately 4.54% owned by 28 independent third parties.
Zhejiang New Century Hotel	Zhejiang New Century Hotel Investment & Management Group Limited* (浙江開元酒店投資管理集團有限公司), a company incorporated in the PRC on 30 November 2001 and an indirect wholly-owned subsidiary of New Century REIT.
Zhejiang New Century Real Estate	Zhejiang New Century Real Estate Limited* (浙江開元置業有限公司), a company incorporated in the PRC on 21 May 2002.

Note: Reference is made to the announcements of New Century REIT dated 13 September 2019, 28 November 2019, 9 December 2019 and 12 February 2020 respectively (the "Announcements") and the circular of New Century REIT dated 3 October 2019 in relation to the major disposal of the Netherlands Hotel. The entire issued share capital of New Century Netherlands was disposed to Somerset Real Estate VI B.V., Horizons III B.V., Zoutelust B.V. and Caerdydd Beheer B.V. (jointly and collectively, the "Purchasers") with effect from 28 November 2019. Therefore, New Century REIT ceased to hold any interest in New Century Netherlands and the Netherlands Hotel thereafter.

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



www.ncreit.com

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



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

(Stock code: 1275)