



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

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

INTERIM REPORT 2020



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 Kaifeng
開封開元名都大酒店



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NEW CENTURY REAL ESTATE INVESTMENT TRUST

The unaudited interim condensed consolidated financial information of New Century Real Estate Investment Trust (“**New Century REIT**”) and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2020 (the “**Reporting Period**”), having been reviewed by the audit committee (the “**Audit Committee**”) and disclosures committee (the “**Disclosures Committee**”) of New Century Asset Management Limited (the “**REIT Manager**”) was approved by the board of directors of the REIT Manager (the “**Board**”) on 25 August 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, stable and 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 Co., Ltd. (“**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**”). Zhejiang New Century Hotel Management Co., Ltd. (“**New Century Hotel Management**”) together with its subsidiaries (“**New Century Hotel Management Group**”) has about 512 star-rated hotels in operations or under development as at 30 June 2020. As published by HOTELS Magazine in July/August 2020, based on the number of rooms, New Century Hotel Management Group ranked the 18th globally in 2019.

New Century REIT’s portfolio comprised five 5-star hotels and one 4-star hotel as at 30 June 2020, 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 within the top 2.0% best hotels in their respective cities by TripAdvisor.com as at 3 August 2020.

FINANCIAL HIGHLIGHTS

KEY FINANCIAL FIGURES FOR THE REPORTING PERIOD

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

	(Unaudited) For the six months ended 30 June 2020 RMB'000	(Unaudited) For the six months ended 30 June 2019 RMB'000	Percentage Increase/ (Decrease)
Revenue	93,420	127,630	(27)%
(Loss)/profit attributable to Unitholders	(473,871)	7,794	(6,180)%
Adjusted (loss)/distributable income for the period	(6,990)	37,584	(119)%
Payout ratio (%)	N/A	90%	N/A
Interim distribution	-	33,826	N/A
Per Unit Figures			
Distribution per Unit (“DPU”)			
DPU (RMB) ¹	-	0.0350	N/A
DPU (HKD) ^{1&2}	-	0.0390	N/A

	(Unaudited) As at 30 June 2020	(Audited) As at 31 December 2019	Percentage Increase/ (Decrease)
Net assets attributable to Unitholders per Unit (“NAV per Unit”) (RMB) ³	1.7739	2.2964	(23)%
Ratio			
Gearing ratio ⁴	42%	40%	2%

Notes:

- No DPU was presented for the Reporting Period as no distribution was declared. The DPU of RMB0.0350 for the six months ended 30 June 2019 was calculated by dividing the interim distribution of RMB33,826,000 for the six months ended 30 June 2019 by 966,935,143 Units in issue as at 30 June 2019.
- Unless indicated otherwise, amounts specified in Hong Kong dollars (“HKD”) are based on an exchange rate of HKD1=RMB0.91344 as at 30 June 2020 (As at 31 December 2019: HKD1=RMB0.89580 and 30 June 2019: HKD1=RMB0.87966) while amounts specified in United States dollars (“USD”) are based on the exchange rate of USD1=RMB7.07950 as at 30 June 2020 (As at 31 December 2019: USD1=RMB6.97620 and 30 June 2019: USD1=RMB6.87470).

Distribution payable to Unitholders is paid in Hong Kong dollars. The exchange rate adopted by the REIT Manager for the total distribution for the six months ended 30 June 2019 was HKD1=RMB0.8973, which was the average closing exchange rate as announced by the People’s Bank of China for the five business days preceding the date of declaration of distribution.
- NAV per Unit as at 30 June 2020 of RMB1.7739 (As at 31 December 2019: RMB2.2964) was calculated by dividing net assets attributable to Unitholders of RMB1,734,430,000 (As at 31 December 2019: RMB2,230,080,000) by the number of Units in issue as at 30 June 2020 of 977,747,833 (As at 31 December 2019: 971,128,484).
- Gearing ratio is calculated based on the total gross borrowings excluding transaction costs over the total assets as at the end of each reporting period.

CHAIRMAN'S STATEMENT

Dear Unitholders,

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

Influenced by the novel coronavirus pneumonia pandemic (“**Pandemic**”), operations at our Hotel Portfolio were substantively suspended for around one month and the guaranteed base rent for 2020 was adjusted downwards by about 10.82% to about RMB197.98 million. For the sake of optimizing our long term capital structure, the Group fully repaid its existing loan facilities and entered into new term loan facilities in July 2020 to lower interest payment obligations, prolong the loan tenure and reduce its foreign currency exposure (given that all of the new borrowings are denominated in RMB and all of our income is denominated in RMB). Adversely affected by the strict confinement restriction in most cities in China and the travel restrictions globally, the Group recorded a negative distributable income (being an adjusted loss in the interim consolidated distribution statement) for the six months ended 30 June 2020 of approximately RMB7 million. According to the Trust Deed, no distribution was declared for the first half of 2020.

China's gross domestic product (“**GDP**”) in the first half of 2020 decreased by 1.6% year-on-year (“**YoY**”) of which the first quarter decrease was 6.8% YoY and the second quarter increase was 3.2% YoY. Performance by sector remained uneven. The manufacturing sector continued to outperform the services sector, leading the overall economic recovery. The market expects GDP growth in China will continue to improve due to continued activity normalization, policy support and the gradual resumption of the global economy. However, there are still some external uncertainties in the market including the potential global recession due to the Pandemic resurgence and further escalation in US-China tension.

Our unique high-base-rent long-term hotel operating lease structure has continued to produce a stable rental income with downside protection. The RMB200 million rental guarantee from New Century Tourism together with same amount from the bank guarantee for our Initial Hotel Properties and RMB42 million rental deposit for our Hotel Properties also offer strong protection against rental collectability risk.

By June 2020, there were 512 hotels in aggregate which had opened or were to be opened under New Century Hotel Management Group in China across 116 cities and autonomous regions. By well utilising the extensive network of 261 hotels already in operation and its comprehensive management experiences, New Century Hotel Management Group manages its hotel properties in a cost-efficient manner to achieve a better performance. Besides, the number of New Century Hotel Management Group's Century Club loyal members rose about 10.5% to approximately 11.6 million during the period from 31 December 2019 to 30 June 2020, which significantly expanded the customer base and the potential customers' awareness of the brand. It definitely benefits the businesses of our Hotel Properties.

PROSPECTS

2020 is a challenging year. The Pandemic caused social disruption and fiercely affected worldwide economy especially in developed countries. In addition, the escalated US-China tension and the rise of geopolitical risks provoked global political and economic environments which likely remain volatile and the global market is expected to be uncertain.

To mitigate the impact to the economy, the China Central Government responded with a series of focused fiscal and monetary policies including tax concessions for companies that are directly affected by the Pandemic, reduction of loan prime interest rates and restoring the market confidence through greater publicity and public scrutiny. China also takes advantage of its mega market size and strong domestic demand potential, constructing a new domestic and international bi-circular economy. Furthermore, numerous countries including the United States of America, United Kingdom, countries in the European Union also gradually resumed economic activities when the Pandemic was fairly under control in its country.

CHAIRMAN'S STATEMENT

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. We remain positive in the medium to long-term outlook of China's hotel industry.

In order to overcome the aftermath of the Pandemic, our Hotel Properties will continue to strictly execute the epidemic prevention measures, such as health code checking and enhance the hygiene level through disinfection measures throughout the guest rooms, restaurants and all public areas. Last but not least, we will continue to improve our service quality and maintain the quality of the assets.

In view of the global uncertain market sentiment, we are cautiously 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 our Unitholders a balance between manageable risks and sustainable returns.

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, 25 August 2020

REPORT OF THE REIT MANAGER

DEAR UNITHOLDERS,

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

KEY FINANCIAL HIGHLIGHTS

Revenue and negative distributable income (being an adjusted loss in the interim consolidated distribution statement) of New Century REIT for the Reporting Period were RMB93 million (2019: RMB128 million) and approximately RMB7 million (2019: positive distributable income of approximately RMB38 million) respectively. Revenue from the Hotel Properties decreased by approximately 27% YoY, which was mainly due to the disposal of the Holiday Inn Eindhoven (the “**Netherlands Hotel**”) on 28 November 2019 and the decrease in rental income of the Hotel Properties resulting from the downward adjustment of its base rent caused by the substantive suspension of its operations in February and March 2020 as a result of the Pandemic. The negative distributable income was mainly attributable to the drop in rental income and accumulated realised foreign exchange losses on bank borrowings which were repaid during the Reporting Period. As at 30 June 2020, the valuation of the Hotel Properties, as appraised by Cushman & Wakefield Limited, was RMB4,113 million (as at 31 December 2019: RMB4,612 million), having decreased by approximately 11% compared to 31 December 2019 mainly due to the decrease in fair value of the Hotel Properties caused by the Pandemic.

As New Century REIT recorded a negative distributable income of approximately RMB7 million for the Reporting Period, according to the Trust Deed, no distribution was declared for the six months ended 30 June 2020.

Revenue of New Century REIT for the Reporting Period was made up of (i) RMB83 million (2019: RMB115 million, including rental income from the Netherlands Hotel) rental income in respect of the leases of the Hotel Properties and (ii) RMB10 million (2019: RMB13 million, including other rental income from the Netherlands Hotel) other rental income from the leasing of commercial and office spaces, shopping and recreational areas in the Hotel Properties under various individual lease agreements. There were no rental contributions from the Netherlands Hotel since the completion of the disposal on 28 November 2019.

The YoY average occupancy rate (“**Occupancy**”) for the first half of 2020 dropped by 35.9 percentage points to 28.3% as compared to the first half of 2019. Nonetheless, amid the ailing market conditions, New Century REIT’s portfolio picked up steadily in room departmental performance. Encouraging signs of recovery have been demonstrated by the improving Occupancy, which was gradually uplifted from 3.7% in February 2020 when the Pandemic broke out to 42.1% in June 2020. The average daily rate (“**ADR**”) slid between RMB411 and RMB452 while the YoY ADR dropped by only 9.6% to RMB435. In addition, in the wake of prudent cost control measures, the portfolio core gross operating profit margin was restored to 31.6% in June 2020 while it was 38.2% in June 2019. 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 overall hotel market volatility and rental collectability risk.

FINANCIAL POSITION

As at 30 June 2020, the Group had aggregate gross borrowings of RMB1,889 million (as at 31 December 2019: RMB2,144 million) and approximately HKD780 million (equivalent to RMB712 million) (as at 31 December 2019: HKD510 million (equivalent to RMB457 million)) out of HKD780 million (equivalent to RMB712 million) (as at 31 December 2019: HKD780 million (equivalent to RMB699 million)) revolving loan facilities remained unutilised, providing ample financial resources for the Group. As at 30 June 2020, the valuation of the Hotel Properties, as appraised by Cushman & Wakefield Limited, was RMB4,113 million (as at 31 December 2019: RMB4,612 million). As at 30 June 2020 and 31 December 2019, all of the Group’s borrowings were denominated in RMB and HKD.

As at 30 June 2020, the gearing ratio of New Century REIT was approximately 42% (as at 31 December 2019: 40%), being the ratio of the total gross borrowings of RMB1,889 million (as at 31 December 2019: RMB2,144 million) over the total assets of RMB4,543 million (as at 31 December 2019: RMB5,377 million), which was below the maximum limit of 45% as permitted under the REIT Code.

The Group had total cash and cash equivalents and restricted cash of RMB353 million (as at 31 December 2019: RMB699 million), which comprised RMB215 million (as at 31 December 2019: RMB194 million) cash and cash equivalents and RMB138 million (as at 31 December 2019: RMB505 million) restricted cash as at 30 June 2020. New Century REIT possesses sufficient financial resources and undrawn loan facilities and receives rental income timely to satisfy its financial commitments and working capital requirements.

In terms of the maturity profile of the total gross borrowings of RMB1,889 million as at 30 June 2020, 3.9% of total borrowings was payable on demand or within one year; 3.9% was between one and two years, 92.2% was between two and three years. These compared respectively to 14.6%, 3.4% and 82.0% as at 31 December 2019.

In July 2020, the Group had entered into several loan facilities to refinance its gross bank borrowings of RMB1,889 million (the “**Refinancing**”) as at 30 June 2020 including (i) certain term loan facilities with certain third party financial institutions with an aggregate commitment amount of RMB1,900 million with terms ranging from 1 year to 15 years; (ii) a loan facility with Huge Harvest International Limited with a commitment amount of RMB100 million; and (iii) a bridging loan facility with New Century Tourism with a commitment amount of RMB788.1 million.

This Refinancing allows the Group to (i) lower its overall interest payment obligations; (ii) lower both onshore and offshore borrowings interest rates; (iii) prolong the loans tenure; and (iv) reduce its foreign exchange exposure (given that these new borrowings and the Group’s income are all denominated in RMB).

The Refinancing was completed on 10 July 2020. Upon the full repayment of existing gross bank borrowings, the realised foreign exchange losses of approximately RMB12 million will be charged in the consolidated income statement in the second half of 2020 and the accumulated unrealised foreign exchange losses of approximately RMB185 million previously adjusted out from consolidated distribution statement will become realised and adjusted back to the consolidated distribution statement for the second half of 2020. In addition, the Group had settled all the existing outstanding interest rate swaps with a total cost of approximately RMB41 million upon completion of the Refinancing, which will also be realised in the consolidated income statement for the second half of 2020. All these will have a negative impact to the distribution for the second half of 2020.

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 most bank borrowings which were denominated primarily in HKD as at 30 June 2020. Such existing loan facilities denominated in HKD have been fully replaced by new loan facilities denominated in RMB in July 2020. The foreign currency exchange risk will be largely minimised thereafter. To manage our interest rate risk during the Reporting Period, the Group had entered into interest rate swaps with commercial banks, which effectively converted the borrowing interest rates from floating rates to fixed rates. As at 30 June 2020, the notional principal amount of the outstanding interest rate swaps were HKD250 million and HKD1,611 million or equivalent to RMB228 million and RMB1,472 million respectively (as at 31 December 2019: HKD250 million and HKD1,661 million or equivalent to RMB224 million and RMB1,488 million respectively) with the fixed interest rate of 4.870% and 4.845% per annum respectively (as at 31 December 2019: 4.870% and 4.845% per annum respectively). The remaining borrowings of approximately RMB189 million (as at 31 December 2019: RMB432 million) were at floating interest rates. As at 30 June 2020, total gross borrowings of approximately RMB1,700 million (as at 31 December 2019: RMB1,712 million) were at fixed interest rates and approximately RMB189 million (as at 31 December 2019: RMB432 million) were at floating interest rates.

ASSET ENHANCEMENT

In order to maintain and improve the quality of the Hotel Properties, a number of major capital expenditure and asset enhancement works were carried out during the Reporting Period. At New Century Resort Qiandao Lake Hangzhou, the carpets of 141 guest rooms and main corridor were replaced and 110 guest rooms were renovated. At New Century Grand Hotel Ningbo, replacement of fire host are undergoing. At New Century Grand Hotel Hangzhou, 165 guest rooms had been renovated and cleaning and disinfection works for the water supply tank, fresh air unit and duct and air conditioning fan coil are undergoing. At the Kaifeng Hotel, hotel security monitoring system is being upgraded and improvement works for the majority of guest rooms had been carried out.

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.

REPORT OF THE REIT MANAGER

KEY HOTEL OPERATING HIGHLIGHTS

Negatively impacted by the Pandemic and travel restrictions, the Occupancy of the Hotel Properties dropped to single digit in February 2020 and steadily rebounded to approximately 42.1% in June 2020. The average Occupancy of the Hotel Properties was 28.3% during the Reporting Period, having decreased by 35.9 percent points YoY.

The following tables set forth information on the Occupancy, ADR and average revenue per available room (“RevPAR”) of the Hotel Properties for the six months ended 30 June 2020 and 2019 respectively.

	Occupancy %	ADR* (excl. Value-Added Tax (“VAT”)) RMB	RevPAR* (excl. VAT) RMB
For the six months ended 30 June 2020			
New Century Grand Hotel Hangzhou	32.4%	444	144
New Century Hotel Xiaoshan Zhejiang	23.0%	312	72
New Century Resort Qiandao Lake Hangzhou	40.1%	469	188
New Century Grand Hotel Ningbo	31.6%	471	149
New Century Grand Hotel Changchun	19.0%	401	76
The Kaifeng Hotel	23.0%	473	109
Weighted Average (6 hotels in the PRC)	28.3%	435	123

	Occupancy %	ADR* (excl. VAT) RMB	RevPAR* (excl. VAT) RMB
For the six months ended 30 June 2019			
New Century Grand Hotel Hangzhou	67.1%	504	338
New Century Hotel Xiaoshan Zhejiang	65.9%	335	221
New Century Resort Qiandao Lake Hangzhou	73.4%	579	425
New Century Grand Hotel Ningbo	66.3%	527	349
New Century Grand Hotel Changchun	58.5%	420	246
The Kaifeng Hotel	53.9%	527	284
Weighted Average (6 hotels in the PRC)	64.2%	481	309
The Netherlands Hotel**	79.3%	685	544
Weighted Average (Total hotel properties)	65.4%	500	327

Notes:

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

** Amounts denominated in Euros have been converted into RMB using the exchange rate of EUR1=RMB7.8170 as at 30 June 2019. The Netherlands Hotel was disposed of on 28 November 2019.

REPORT OF THE REIT MANAGER

During the Reporting Period, the overall F&B spending per customer (“**F&B Spending Per Customer**”) remained solid and increased by 1.0% YoY. Due to the restrictions on social gathering, the F&B outlet utilisation rate (“**F&B Outlet Utilisation Rate**”) and banquet revenue per square meter per day (“**Banquet Revenue Per Sq.M. Per Day**”) dropped by 77 percent points YoY and 36% YoY respectively.

The following tables set forth information on the average F&B Spending Per Customer, average F&B Outlet Utilisation Rate and Banquet Revenue Per Sq.M. Per Day of the Hotel Properties for the six months ended 30 June 2020 and 2019 respectively.

	F&B Spending Per Customer* (excl. VAT) RMB	F&B Outlet Utilisation Rate %	Banquet Revenue Per Sq.M. Per Day (excl. VAT) RMB
For the six months ended 30 June 2020			
New Century Grand Hotel Hangzhou	185	90%	35
New Century Hotel Xiaoshan Zhejiang	142	55%	39
New Century Resort Qiandao Lake Hangzhou	96	82%	4
New Century Grand Hotel Ningbo	174	82%	31
New Century Grand Hotel Changchun	59	46%	4
The Kaifeng Hotel	88	81%	4
Weighted Average (6 hotels in the PRC)	138	73%	23

	F&B Spending Per Customer* (excl. VAT) RMB	F&B Outlet Utilisation Rate %	Banquet Revenue Per Sq.M. Per Day (excl. VAT) RMB
For the six months ended 30 June 2019			
New Century Grand Hotel Hangzhou	183	185%	50
New Century Hotel Xiaoshan Zhejiang	133	125%	61
New Century Resort Qiandao Lake Hangzhou	88	149%	9
New Century Grand Hotel Ningbo	153	171%	45
New Century Grand Hotel Changchun	109	104%	16
The Kaifeng Hotel	99	157%	14
Weighted Average (6 hotels in the PRC)	137	150%	36

Note:

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

REPORT OF THE REIT MANAGER

KEY HOTEL OPERATION INITIATIVES

The Hotel Properties have continued to take initiatives to improve revenue, reduce operating expenses and enhance operating efficiency. In this challenging business environment, the respective hotel operation teams cautiously design the workforce structure and distribution of tasks and duties, negotiate prices of F&B orders from suppliers and save energy costs in accordance with the number of guests. Besides, in order to increase overall hotel revenue, the Hotel Properties had expanded its focus on online booking through strengthening the connection with online travel agencies (“OTA”) and other travel agents. During the Reporting Period, although affected by the Pandemic, we have maintained our hotel portfolio’s revenue derived from OTA sales channels above 21%. In addition, incentives were offered and various promotional and marketing events were held to promote the local tours, conferences and banquet business. In addition, strict cost-saving measures were implemented to reduce operating expenses.

PLEDGE OF ASSETS

As at 30 June 2020, the Hotel Properties of New Century REIT with an aggregate carrying value of RMB4,113 million (as at 31 December 2019: RMB4,612 million), guaranteed deposits, bank deposits and trade receivables (including trade receivables due from related parties) with an aggregate value of RMB193 million (as at 31 December 2019: RMB538 million), certain corporate guarantees and equity interests of certain subsidiaries were pledged to secure bank loan borrowings with an aggregate principal amount of RMB1,889 million (as at 31 December 2019: RMB2,144 million). For details, please refer to Notes 13, 16(a), 17(b), 21 and 26(c) of the Notes to the Interim Condensed Consolidated Financial Information.

OUTLOOK

Since March 2020, China, gradually lifted confinement restrictions and resumed normal living after the ease up of the Pandemic situation. In July 2020, the Ministry of Culture and Tourism released a notice permitting inter-province group tours and flight and hotel packages. Also, the cap on traffic at tourist spots has been raised to 50% of the maximum capacity. To confront the Pandemic, we have further enhanced the quality of services and hygiene level in our hotels and strictly follow the epidemic prevention measures like health code checking to provide a pleasant experience and healthy environment to our guests and staff. We believe the Occupancy will resume to normal level in medium term and the room and F&B revenues will continue to improve in the second half of 2020.

Although we are expecting that the Pandemic will be under control as some countries announced the vaccine for COVID-19 will be rolled out by the calendar year-end, the valuation of the Hotel Properties remains uncertain. We believe the governmental supportive measures will assist the hotel industry to resume to normal in medium term. Comparatively, the impact of the Pandemic on New Century REIT is manageable, benefitting from our operating lease structure with guaranteed base rent, which we believe are positive structural attributes that help support New Century REIT’s performance in the medium term but still challenging in the short term.

In view of solid foundation of China’s economy and strong domestic demand, we believe that the hospitality and tourism industry in China would rebound in medium to long term. The Pandemic has rippled through the whole hospitality and tourism industry in a way that we have never experienced and most business sectors are impacted. It is expected that the full recovery of hospitality and tourism industry would take a period of time to restore to the normal level.

We will continue to look for growth opportunities cautiously through acquisitions from the New Century Tourism Group or third-party sources 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.

EMPLOYEES

New Century REIT is managed by the REIT Manager and the Trustee. By contracting out such services, New Century REIT, through its subsidiaries, had three employees in its own right as at 30 June 2020 (as at 31 December 2019: 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.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Reporting Period, both the REIT Manager and New Century REIT have been in compliance with the relevant laws, applicable regulations of the Hong Kong and PRC that have a significant impact on both the REIT Manager and New Century REIT.

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, 25 August 2020

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 six months ended 30 June 2020, 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 six months ended 30 June 2020, both the REIT Manager and New Century REIT have in material terms complied with the provisions of the REIT Code, the relevant provisions of the SFO, the relevant provisions of the Listing Rules applicable to New Century REIT, the Trust Deed and the Compliance Manual.

BOARD OF DIRECTORS OF THE REIT MANAGER

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

As at 30 June 2020, the Board comprised the following members:

Mr. Jin Wenjie (*Chairman and non-executive Director*)

Ms. Ho Wai Chu (*executive Director and chief executive officer*) (appointed with effect from 17 February 2020)

Mr. Zhang Guanming (*non-executive Director*)

Mr. Tong JinQuan (*non-executive Director*) (resigned with effect from 31 July 2020)

Mr. Angelini Giovanni (*independent non-executive Director*)

Mr. Yu Hon To David (*independent non-executive Director*)

Professor He Jianmin (*independent non-executive Director*)

As at the date of this report and as at 30 June 2020, the composition of each Board committees was as follows:

AUDIT COMMITTEE

Chairman: Mr. Yu Hon To David

Member: Mr. Angelini Giovanni

Member: Professor He Jianmin

FINANCE AND INVESTMENT COMMITTEE

Chairman: Ms. Ho Wai Chu

Member: Ms. Cheung Chi Shan

Member: Mr. Sit Wai

NOMINATION COMMITTEE

Chairman: Mr. Jin Wenjie

Member: Mr. Angelini Giovanni

Member: Professor He Jianmin

DISCLOSURES COMMITTEE

Chairman: Ms. Ho Wai Chu
Member: Mr. Zhang Guanming
Member: Mr. Yu Hon To David

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 securities transactions by the Directors and the REIT Manager on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Appendix 10 of the Listing Rules (the “**Model Code**”), which governs dealings by all Directors and employees of the REIT Manager, subsidiaries of the REIT Manager or the Special Purpose Vehicles of New Century REIT (the “**Management Persons**”).

Specific enquiry has been made to all the Directors and the Management Persons, all of whom have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2020.

NEW UNITS ISSUED

Reference is made to the announcement dated 22 May 2020 issued by the REIT Manager. During the six months ended 30 June 2020, 6,619,349 new Units were issued to the REIT Manager as payment of 50% of the REIT Manager’s base fee and variable fee for the period from 1 July 2019 to 31 December 2019.

The total number of Units in issue as at 30 June 2020 was 977,747,833 Units.

PUBLIC FLOAT OF THE UNITS

Based on the information publicly available, as far as the REIT Manager is aware, not less than 25% of the issued and outstanding Units was held in public hands as at 30 June 2020.

CONNECTED PARTY TRANSACTIONS

Set out below is summary information in respect of connected party transactions for the six months ended 30 June 2020 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 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 2017 to 31 December 2019 (the "**2016 Extended Waiver**"). With the approval of Unitholders, on 5 June 2019, the SFC further granted an extension and modification of the 2016 Extended Waiver, which shall cover certain connected party transactions between Huge Harvest, its direct and indirect subsidiaries, associates and associated companies, for the period from 1 January 2020 to 31 December 2022 (the "**2019 Extended and Modified Waiver**"). For further details of the 2019 Extended and Modified Waiver, please see the circular of New Century REIT dated 21 May 2019 and the poll results announcement of New Century REIT dated 5 June 2019.

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

The annual cap under the 2019 Extended and Modified Waiver granted by SFC on 5 June 2019 for the year ended 31 December 2020 was RMB11.2 million. New Century REIT had relevant lease transactions within the 2019 Extended and Modified Waiver of approximately RMB3.6 million for the six months ended 30 June 2020, therefore New Century REIT is well within and has fully complied with the annual cap. For the six months ended 30 June 2020, New Century REIT has complied with the relevant terms and conditions of the 2019 Extended and Modified Waiver and the Kaifeng Hotel Waiver.

In addition, on 6 July 2020, the SFC granted a waiver for certain connected party loan transactions between New Century REIT and Huge Harvest and New Century Tourism, respectively (the "**Connected Loan Facilities Waiver**"), subject to the terms and conditions as disclosed in the announcement of New Century REIT dated 6 July 2020. For further details on the Connected Loan Facilities Waiver, please refer to the announcement of New Century REIT dated 6 July 2020.

CONNECTED PARTY TRANSACTIONS

INCOME

The following table sets out information on continuing connected party transactions from which New Century REIT derived its income for the six months ended 30 June 2020:

Name of the Connected Person	Relationship with New Century REIT	Nature of the Connected Party Transaction	Income received/receivable for the six months ended 30 June 2020 (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	80,342
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	7,694
開元旅業集團有限公司 (New Century Tourism Group Co., Ltd.*)	Associate of significant holder and Director ³	Leasing transaction	887
杭州開元物產集團有限公司 (Hangzhou New Century Real Estate Group Limited*)	Associate of significant holder and Director ⁴	Leasing transaction	826
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	160
杭州開元裝飾工程有限公司 (Hangzhou New Century Decorating Limited*)	Associate of significant holder ²	Leasing transaction	61

CONNECTED PARTY TRANSACTIONS

RENTAL DEPOSITS

New Century REIT has received the following rental deposits from its connected persons for the six months ended 30 June 2020:

Name of the Connected Person	Relationship with New Century REIT	Nature of the Connected Party Transaction	Rental deposits received during the six months ended 30 June 2020 (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	79

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 six months ended 30 June 2020.

RECEIVABLES AND PAYABLES

There are trade and other receivable and payable balances, as well as advances, with connected persons brought forward from prior years and from leasing transactions occurred during the six months ended 30 June 2020, which are set out in Note 26 (c) of the notes to the interim condensed consolidated financial information of this report.

CONNECTED PARTY TRANSACTIONS

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

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

For the six months ended 30 June 2020, 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 RMB453,000 and RMB9,921,000 respectively. Particulars of services provided by the REIT Manager for the six months ended 30 June 2020 are set out in Note 9 of the notes to the interim condensed consolidated financial information. The fees paid/payable to Cushman & Wakefield Limited, the Principal Valuer of New Century REIT, for the six months ended 30 June 2020 were RMB223,000.

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	RMB200 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

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 (CONTINUED)

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 Lessor)	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.

Reference is made to the announcements issued by the REIT Manager on 13 March 2020 and 20 March 2020 respectively. Since the outbreak of Pandemic, the provinces and municipalities in the PRC in which the Initial Hotel Properties and the Kaifeng Hotel are situated had activated level I (the highest-level response to major public health emergencies) and adopted various strict measures to minimise the spread of the Pandemic. Therefore, the Lessees had substantively suspended operations of the Initial Hotel Properties for 54 days and the Kaifeng Hotel for 38 days since 25 January 2020. As a result of the Pandemic 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 were triggered, and accordingly the annual Base Rent for the Initial Hotel Properties and the Kaifeng Hotel was adjusted proportionately for the duration of the period of suspension. For further details, please refer to note 7 of the notes to the interim condensed consolidated financial information of this report.

DISCLOSURE OF INTERESTS

The REIT Code requires connected persons (as defined under 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 30 June 2020, the interests and long positions in Units of the significant Unitholders (as defined under 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 30 June 2020
Standard Chartered Trust (Singapore) Limited ¹	591,352,497	60.48%
SCTS Capital Pte Ltd. ²	591,352,497	60.48%
Poppytown Group Limited ³	591,352,497	60.48%
Huge Harvest International Limited ⁴	591,352,497	60.48%
Chen Miaolin ⁵	591,352,497	60.48%
Skyline Horizon Consortium Ltd.	139,450,000	14.26%
Shanghai Summit Pte. Ltd. ⁷	139,450,000	14.26%
Ding An Investments Limited	63,311,839	6.48%
Liu YongJuan ⁸	63,311,839	6.48%
Success Conquer Global Limited	49,026,800	5.01%

DISCLOSURE OF INTERESTS

Notes:

1. Standard Chartered Trust (Singapore) Limited holds 100% of the interests of SCTS Capital Pte. Ltd. (Note 2). SCTS Capital Pte. Ltd., as nominee shareholder of Standard Chartered Trust (Singapore) Limited (as trustee of the irrevocable trusts), holds 100% of the interest 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 30 June 2020, Mr. Chen Miaolin was the settlor and a beneficiary of an irrevocable trust. This irrevocable trust holds 100% of the interests of Poppytown Group Limited and Poppytown Group Limited holds 83.90% of the interests of Huge Harvest International Limited. Standard Chartered Trust (Singapore) Limited holds 100% of the interests of SCTS Capital Pte. Ltd. Therefore, Standard Chartered Trust (Singapore) Limited, SCTS Capital Pte. Ltd., Poppytown Group Limited and Huge Harvest International Limited are connected persons of New Century REIT.

2. SCTS Capital Pte. Ltd., as nominee shareholder for Standard Chartered Trust (Singapore) Limited (as trustee of a irrevocable trust), holds 100% of the interests of Poppytown Group Limited (Note 3). Hence, SCTS Capital Pte. Ltd. has deemed interest in the Units held by Huge Harvest International Limited.
3. Poppytown Group Limited holds 83.90% of the interests of Huge Harvest International Limited (Note 4). Hence, Poppytown Group Limited has deemed interest in the Units held by Huge Harvest International Limited.
4. Huge Harvest International Limited is a significant Unitholder (within the meaning of the REIT Code) of New Century REIT. Of the 591,352,497 Units, Huge Harvest International Limited held 41,101,333 Units via New Century Asset Management Limited, representing 4.20% of the Units issued by New Century REIT, as at 30 June 2020.
5. As at 30 June 2020, Mr. Chen Miaolin was the settlor and a beneficiary of an irrevocable trust. This irrevocable trust holds 100% of the interests of Poppytown Group Limited and Poppytown Group Limited holds 83.90% of the interests of Huge Harvest International Limited. Hence, Mr. Chen Miaolin has deemed interest in the Units held by Huge Harvest International Limited.
6. Skyline Horizon Consortium Ltd. is a significant Unitholder (within the meaning of the REIT Code) of New Century REIT. Skyline Horizon Consortium Ltd. is 100% controlled by Shanghai Summit Pte. Ltd. (Note 7).
7. Shanghai Summit Pte. Ltd. holds 100% of the interests of Skyline Horizon Consortium Ltd. (Note 6). Hence, Shanghai Summit Pte. Ltd. has deemed interest in the Units held by Skyline Horizon Consortium Ltd.

Mr. Tong JinQuan (Note 9) holds 100% of the interests of Shanghai Summit Pte. Ltd. Hence, Mr. Tong JinQuan has deemed interest in the Units held by Skyline Horizon Consortium Ltd.

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 30 June 2020 which were required to be notified to the REIT Manager and the Stock Exchange pursuant to Divisions 2, 3 and 4 of Part XV of the SFO.

DISCLOSURE OF INTERESTS

UNITHOLDINGS OF THE REIT MANAGER, ITS DIRECTORS OR CHIEF EXECUTIVE

As at 30 June 2020, 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 30 June 2020
Tong JinQuan ⁹	139,450,000	14.26%
New Century Asset Management Limited ¹⁰	41,101,333	4.20%
Jin Wenjie ¹¹	1,679,000	0.17%
Ho Wai Chu ¹²	456,000	0.05%

Notes (continued):

- Mr. Tong JinQuan, a non-executive Director of the REIT Manager, holds 100% of the interests in Shanghai Summit Pte. Ltd. (Note 7). Shanghai Summit Pte. Ltd. holds 100% of Skyline Horizon Consortium Ltd. Hence, Mr. Tong JinQuan has deemed interest in the Units held by Skyline Horizon Consortium Ltd. Mr. Tong resigned as a non-executive Director of the REIT Manager with effect from 31 July 2020.
- New Century Asset Management Limited is the REIT Manager of New Century REIT. As at 30 June 2020, the REIT Manager beneficially held 41,101,333 Units.
- As at 30 June 2020, Mr. Jin Wenjie was the chairman, non-executive Director and chairman of the Nomination Committee of the REIT Manager.
- As at 30 June 2020, Ms. Ho Wai Chu was the chief executive officer, executive Director and a Responsible Officer of the REIT Manager.

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 30 June 2020 which were required to be notified to the REIT Manager and the 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).

OTHER INFORMATION

BUY-BACK, SALE OR REDEMPTION OF UNITS

During the six months ended 30 June 2020, there was no buy-back, sale or redemption of the Units by the REIT Manager on behalf of New Century REIT or any of the SPVs that are owned and controlled by New Century REIT.

EMPLOYEES

New Century REIT is managed by the REIT Manager and the Trustee. By contracting out such services, New Century REIT, through its subsidiaries, had three employees in its own right as at 30 June 2020 and such costs were reimbursed by the REIT Manager.

REVIEW OF INTERIM REPORT

The Group's interim report for the six months ended 30 June 2020 has been reviewed by the Audit Committee and the Disclosures Committee of the REIT Manager in accordance with their respective terms of reference.

The Group's interim condensed consolidated financial information for the six months ended 30 June 2020 have not been audited but have been reviewed by PricewaterhouseCoopers, external auditor of New Century REIT, in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 25 to 57, which comprises the interim condensed consolidated balance sheet of New Century Real Estate Investment Trust (“**New Century REIT**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2020 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim consolidated distribution statement, the interim condensed consolidated statement of changes in net assets attributable to unitholders and equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the REIT Manager are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by International Accounting Standards Board. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 August 2020

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

	Notes	Unaudited	
		2020	2019
		RMB'000	RMB'000
Revenue	7	93,420	127,630
Operating expenses	8	(20,280)	(25,895)
Other losses – net	10	(45,046)	(8,560)
Change in fair values of investment properties	13	(499,000)	9,323
Operating (loss)/profit		(470,906)	102,498
Finance income	11	3,232	2,553
Finance costs	11	(105,957)	(64,652)
Finance costs – net		(102,725)	(62,099)
(Loss)/profit before taxation and transactions with unitholders		(573,631)	40,399
Income tax credit/(expense)	12	97,642	(31,430)
(Loss)/profit after taxation for the period, before transactions with unitholders		(475,989)	8,969
(Loss)/profit attributable to unitholders		(473,871)	7,794
(Loss)/profit attributable to non-controlling interests		(2,118)	1,175
		(475,989)	8,969

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

	Attributable to			
	Unitholders before transactions with unitholders (Unaudited) RMB'000	Transactions with unitholders (Note (i)) (Unaudited) RMB'000	Unitholders after transactions with unitholders (Unaudited) RMB'000	Non-controlling interests (Unaudited) RMB'000
Profit for the six months ended 30 June 2019	7,794	(6,152)	1,642	1,175
Other comprehensive loss				
<i>Item that may be reclassified subsequently to interim condensed consolidated income statement:</i>				
Exchange losses on translation of financial statements	(1,642)	–	(1,642)	–
Total comprehensive income for the six months ended 30 June 2019 (Note (ii))	6,152	(6,152)	–	1,175
Loss for the six months ended 30 June 2020	(473,871)	473,587	(284)	(2,118)
Other comprehensive income				
<i>Item that may be reclassified subsequently to interim condensed consolidated income statement:</i>				
Exchange gains on translation of financial statements	284	–	284	–
Total comprehensive loss for the six months ended 30 June 2020 (Note (ii))	(473,587)	473,587	–	(2,118)

Notes:

- (i) Transactions with unitholders comprise total (loss)/profit and other comprehensive (loss)/income attributable to unitholders for the period.
- (ii) In accordance with the trust deed dated 10 June 2013 and as amended by the supplemental trust deeds dated 20 June 2013 and 15 June 2015 (the “**Trust Deed**”), New Century Real Estate Investment Trust (“**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 on realisation of the assets of the trust less any liabilities, in accordance with their proportionate interests in the trust at the date of the termination. The unitholders’ funds are therefore classified as a financial liability rather than equity in accordance with International Financial Reporting Standards (“**IFRSs**”) 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 interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

		Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
	<i>Notes</i>		
Non-current assets			
Investment properties	13	4,113,000	4,612,000
Goodwill	14	7,987	7,987
Other long-term assets	15	1,313	13,036
		4,122,300	4,633,023
Current assets			
Trade and other receivables and prepayments	16	15,271	7,531
Amounts due from related parties	26(c)	52,228	30,836
Derivative financial instruments	18	–	6,497
Restricted cash	17	137,660	504,978
Cash and cash equivalents	17	215,230	194,062
		420,389	743,904
Total Assets		4,542,689	5,376,927
Current liabilities			
Trade and other payables	19	40,711	46,605
Amounts due to related parties	26(c)	54,464	56,702
Current income tax liabilities		11,964	14,641
Derivative financial instruments	18	37,084	–
Deferred income	20	2,538	2,741
Borrowings	21	57,735	294,434
		204,496	415,123
Net current assets		215,893	328,781
Total assets less current liabilities		4,338,193	4,961,804

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

		Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
	<i>Notes</i>		
Non-current liabilities, other than net assets attributable to unitholders			
Borrowings	21	1,802,200	1,805,789
Deferred income tax liabilities	22	775,577	896,462
		2,577,777	2,702,251
Total liabilities, excluding net assets attributable to unitholders		2,782,273	3,117,374
Non-controlling interests		25,986	29,473
Net assets attributable to unitholders	23	1,734,430	2,230,080
Units in issue ('000)	23	977,748	971,128
Net assets attributable to unitholders per unit	23	RMB1.7739	RMB2.2964

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

The interim condensed consolidated financial information on pages 25 to 57 was approved by the board of directors of New Century Asset Management Limited (the "REIT Manager") on 25 August 2020 and was signed on its behalf.

Jin Wenjie
Chairman

Ho Wai Chu
Executive Director

INTERIM CONSOLIDATED DISTRIBUTION STATEMENT

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
(Loss)/profit attributable to unitholders	(473,871)	7,794
Adjustments for the total (adjusted loss)/distributable income:		
– Fair value change on investment properties attributable to unitholders	495,323	(8,887)
– Deferred taxation in respect of investment properties and tax losses attributable to unitholders	(117,510)	9,393
– Unrealised net foreign exchange losses	30,333	531
– Fair value losses on outstanding derivative financial instruments	43,581	13,254
– REIT Manager fee payable in units in lieu of cash	9,921	6,202
– Amortisation of transaction costs of the bank borrowings	16,146	18,251
– Accumulated realised foreign exchange losses on the bank borrowings which were repaid during the period	(10,913)	(8,954)
(Adjusted loss)/distributable income for the period (i)	(6,990)	37,584
Interim distribution declared and to be paid (ii)	–	33,826
Distribution per unit (iii)	–	RMB0.0350

Notes:

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

In accordance with the Trust Deed, New Century REIT is required to distribute to unitholders not less than 90% of its total distributable income for each financial year.

- (ii) The REIT Manager has resolved no dividend to be declared and distributed for the six months ended 30 June 2020 as there is an adjusted loss for the period (2019: 90% of New Century REIT's distributable income was resolved to be distributed).
- (iii) No distribution per unit was presented as no distribution was declared for the six months ended 30 June 2020. The distribution per unit of RMB0.0350 for the six months ended 30 June 2019 is calculated by dividing total distribution declared to unitholders of RMB33,826,000 for the period by 966,935,143 units in issue as at 30 June 2019.

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

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

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

	Notes	Net assets attributable to unitholders (Unaudited) RMB'000	Non-controlling interests (Unaudited) RMB'000	Total (Unaudited) RMB'000
As at 1 January 2019		2,334,110	34,248	2,368,358
Profit for the period		7,794	1,175	8,969
Issuance of new units	23	6,712	–	6,712
Distributions paid to unitholders	23	(45,878)	–	(45,878)
Dividends declared to non-controlling interests		–	(5,593)	(5,593)
Exchange losses on translation of financial statements	23	(1,642)	–	(1,642)
As at 30 June 2019		2,301,096	29,830	2,330,926
As at 1 January 2020		2,230,080	29,473	2,259,553
Loss for the period		(473,871)	(2,118)	(475,989)
Issuance of new units	23	6,100	–	6,100
Distributions paid to unitholders	23	(28,163)	–	(28,163)
Dividends declared to non-controlling interests		–	(1,369)	(1,369)
Exchange gains on translation of financial statements	23	284	–	284
As at 30 June 2020		1,734,430	25,986	1,760,416

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

	Notes	Unaudited	
		Six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations		44,933	109,543
Interest paid		(54,047)	(40,526)
Income tax paid		(25,920)	(36,307)
Net cash (used in)/generated from operating activities		(35,034)	32,710
Cash flows from investing activities			
Additions of investment properties		(77)	(1,245)
Net cash used in investing activities		(77)	(1,245)
Cash flows from financing activities			
Proceeds from bank borrowings	21	–	139,187
Interest received from restricted cash		2,879	–
Repayment of bank borrowings	21	(293,638)	(314,185)
Distributions paid to unitholders	23	(28,163)	(45,878)
Dividends paid to non-controlling interests		–	(2,941)
Changes of restricted cash pledged for borrowings		367,318	57,498
Net proceeds from issuance of units	23	6,100	6,712
Payment of other finance costs		–	(2,609)
Net cash generated from/(used in) financing activities		54,496	(162,216)
Net increase/(decrease) in cash and cash equivalents		19,385	(130,751)
Cash and cash equivalents at beginning of the period	17	194,062	332,373
Exchange gains on cash and cash equivalents		1,783	838
Cash and cash equivalent at end of the period	17	215,230	202,460

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(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.

This interim condensed consolidated financial information is presented in Renminbi (“**RMB**”), which is also the functional currency of the Group. This interim condensed consolidated financial information has been approved for issue by the board of directors of the REIT Manager on 25 August 2020.

This interim condensed consolidated financial information has not been audited.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34, “Interim financial reporting”. This interim condensed consolidated financial information does not include all the notes of the type normally included in an annual report. Accordingly, this interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with IFRSs, except for the adoption of new and amended standards as disclosed in Note 3.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2019, except for the estimation of income tax and the adoption of new and amended standards as set out below.

Taxes on income in the interim condensed consolidated financial statements are accrued using the tax rate that would be applicable to expected total earnings.

(i) New standards and amendments of IFRSs adopted by the Group

The following new and amended accounting standards and interpretations become applicable for annual reporting periods commencing on or after 1 January 2020, and have been adopted by the Group for the first time for this interim condensed consolidated financial information:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Revised conceptual framework	Revised Conceptual Framework for Financial Reporting
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

3 ACCOUNTING POLICIES (CONTINUED)

(ii) New standard of IFRSs issued but is not yet effective for the financial year beginning on 1 January 2020 and has not been early adopted by the Group

		Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts	1 January 2023

The Group has assessed the impact of adopting this new standard. According to the preliminary assessment, this standard is not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

4 ESTIMATES

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were same as those that applied to the consolidated financial statements for the year ended 31 December 2019, with the exception of changes in estimates that are required in determining the provision for income taxes.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

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

This interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual consolidated financial statements, they should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.2 Fair value estimation

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

See Note 13 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 at 30 June 2020 and 31 December 2019.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 30 June 2020 (unaudited)				
Assets				
Financial assets at fair value through profit or loss ("FVPL")				
Derivative financial instruments	-	-	-	-
Liabilities				
Financial liabilities at FVPL				
Derivative financial instruments	-	37,084	-	37,084
As at 31 December 2019 (audited)				
Assets				
Financial assets at FVPL				
Derivative financial instruments	-	6,497	-	6,497
Liabilities				
Financial liabilities at FVPL				
Derivative financial instruments	-	-	-	-

There were no transfers among different levels during the period.

There were no changes in valuation techniques during the period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 Financial instruments in Level 2

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

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

Specific valuation techniques used to value financial instruments include:

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

6 SEGMENT INFORMATION

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

The sole principal activity of the Group is the leasing of hotel properties. Geographically, for the six months ended 30 June 2020, all hotel properties are located in China while for the six months ended 30 June 2019, apart from those located in China, it also includes a hotel property located in the Netherlands, which was disposed of on 28 November 2019 (the "Disposal Date"). Therefore, the senior executive management concludes that the Group has a single reportable segment and no further analysis for segment information is presented.

7 REVENUE

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Revenue recognised on over time basis:		
Rental income from the Initial Hotel Properties (a)	75,669	96,163
Rental income from the Kaifeng Hotel (a)	7,399	10,578
Rental income from the Netherlands Hotel (a)	–	7,951
Other rental income (b)	10,352	12,938
	93,420	127,630

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

7 REVENUE (CONTINUED)

- (a) For the six months ended 30 June 2020, 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**”) and Kaifeng New Century Grand Hotel (開封開元名都大酒店, the “**Kaifeng Hotel**”) of RMB83,068,000 was derived from the minimum pro-rated base rent of RMB86,383,000 (as adjusted mentioned in below) less value-added taxes of RMB3,315,000 (2019: the rental income including the Initial Hotel Properties, the Kaifeng Hotel and Holiday Inn Eindhoven (the “**Netherlands Hotel**”) of RMB114,692,000 was derived from the minimum pro-rated base rent of RMB118,951,000 less value-added taxes (if applicable) of RMB4,259,000).

Since the outbreak of the novel coronavirus pneumonia pandemic (the “**Pandemic**”), the provinces and municipalities in the PRC in which the Initial Hotel Properties and the Kaifeng Hotel are situated had activated level I (the highest-level response to major public health emergencies) and adopted various strict measures to minimise the spread of the Pandemic. As a result of the Pandemic and the substantive suspension of operations of the Initial Hotel Properties and the Kaifeng Hotel, the force majeure clauses under the master hotel lease and management agreement and its individual underlying hotel lease and management agreements and the Kaifeng Hotel lease agreement were triggered, and accordingly the annual base rent for the Initial Hotel Properties and the Kaifeng Hotel was adjusted proportionately for the duration of the period of suspension. Operations at the Initial Hotel Properties and the Kaifeng Hotel were suspended for 38 days and 54 days respectively which resulted in a downward adjustment of the minimum pro-rated base rent for the six months ended 30 June 2020 by RMB24,011,000 in aggregate from RMB110,394,000 to RMB86,383,000.

- (b) Other rental income represents the rental income from the lease of commercial space, primarily office, shopping and recreational areas in hotel properties and was recognised on a straight-line basis over the periods of the respective leases, of which comprised the rental income from Zhejiang New Century Hotel Management Co., Ltd. and other members of its group (“**New Century Hotel Management Group**”) of RMB1,653,000 before value-added taxes of RMB79,000 (2019: RMB2,043,000 before value-added taxes of RMB97,000).

8 OPERATING EXPENSES

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
REIT Manager fee (Notes 9, 26(b))	9,921	12,403
Urban real estate and land use tax	6,629	8,632
Auditors' remuneration	1,027	938
Legal and other professional fees	838	1,304
Business and other taxes, surcharges and stamp duty	783	1,174
Trustee fee (Note 26(b))	453	539
Valuation fees (Note 26(b))	223	247
Miscellaneous	406	658
Total operating expenses	20,280	25,895

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

9 REIT MANAGER FEE

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Base Fee	6,795	8,084
Variable Fee	3,126	4,319
	9,921	12,403

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 as defined in the Trust Deed of each of the year.

The Base Fee and Variable Fee for the six months ended 30 June 2020 will be paid to the REIT Manager in the form of units which is calculated based on the prevailing market price at the time of the issuance of such units (2019: paid to the REIT Manager with 50% in the form of cash and 50% in the form of units which is calculated based on the prevailing market price at the time of the issuance of such units). The REIT Manager fee payable in form of units in lieu of cash was added back to interim consolidated distribution statement.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

10 OTHER LOSSES – NET

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Government grants (a)	241	203
Net realised foreign exchange losses	(387)	–
Net unrealised foreign exchange gains	6	4,816
Fair value losses on derivative financial instruments (Note 18)	(43,581)	(13,254)
Others	(1,325)	(325)
	(45,046)	(8,560)

(a) Government grants

Government grants mainly represented subsidy income from the government. There are no unfulfilled conditions or other contingencies attaching to these grants.

11 FINANCE COSTS – NET

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Finance income		
– Interest income derived from bank deposits	3,232	2,553
Finance costs		
– Interest expense on bank borrowings	(50,120)	(37,973)
– Unrealised net foreign exchange losses on financing activities	(30,339)	(5,347)
– Realised net foreign exchange losses on financing activities	(7,667)	(1,651)
– Amortisation of transaction costs of the bank borrowings	(16,146)	(18,251)
– Other financing costs	(1,685)	(1,430)
	(105,957)	(64,652)
Finance costs – net	(102,725)	(62,099)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

12 INCOME TAX CREDIT/(EXPENSE)

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Current income tax		
– Corporate income tax	(19,103)	(20,736)
Deferred income tax		
– Corporate income tax (Note 22)	116,745	(10,694)
Tax credit/(charge)	97,642	(31,430)

(a) Hong Kong profits tax

Enterprises incorporated in Hong Kong are subject to profits tax rate of 16.5% (2019: 16.5%). No Hong Kong profits tax has been provided for as the Group has no assessable profits in Hong Kong for the six months ended 30 June 2020 and 2019.

(b) Netherlands corporate income tax

Enterprises incorporated in the Netherlands are subject to income tax rate of 19% for the first Euro (“EUR”) 200,000 taxable income and 25% for the taxable income exceeds EUR200,000. No Netherlands corporate income tax has been provided for the six months ended 30 June 2019, as the Netherlands subsidiary has no taxable income.

(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 (2019: same as 2020). Including solidarity surtax at 7% on Corporate Income Tax and Municipal Business Tax of 6.75%, the total tax rate for Luxembourg for the six months ended 30 June 2020 is 22.80% or 24.94% (2019: all same as 2020). No Luxembourg corporate income tax has been provided for as the subsidiary incorporated in Luxembourg has no taxable income for the six months ended 30 June 2020 and 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

12 INCOME TAX CREDIT/(EXPENSE) (CONTINUED)

(d) China corporate income tax

Enterprises incorporated in China are subject to income tax rates of 25% (2019: 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 since 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. On 14 April 2020, Spearhead Investments Limited and Sky Town Investments Limited had successfully renewed the certificates of the resident status of the Hong Kong Special Administrative Region with the effective period of three years. Given the above, the local tax authority of China had granted a 5% tax adjustment payment on the withholding tax relating to the dividends declared by Zhejiang New Century Hotel Investment & Management Group Limited (浙江開元酒店投資管理集團有限公司, “Zhejiang New Century Hotel”) and applied a 5% withholding tax rate for the six months ended 30 June 2020 and 2019.

During the six months ended 30 June 2020, apart from declaring 2019 dividend, Zhejiang New Century Hotel has also declared and paid an additional dividend with the total amount of RMB110,817,502 to its parent companies outside China. No deferred tax liabilities in respect of the withholding tax on unremitted earnings have been recognised for such earnings in previous period. Accordingly, the related withholding tax has been recognised under the current income tax.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

13 INVESTMENT PROPERTIES

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Investment properties	4,113,000	4,612,000

The investment properties of the Group as at 30 June 2020 and 31 December 2019 are located in China and are held on land use rights of 35 to 40 years.

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
At fair value		
Opening balance	4,612,000	4,979,073
Additions	–	755
Fair value (losses)/gains (a)	(499,000)	9,323
Exchange differences recognised in other comprehensive income	–	(961)
Closing balance	4,113,000	4,988,190

- (a) The independent valuation of the Group's investment properties in China was performed by the principal valuer, Cushman & Wakefield Limited (As at 31 December 2019: Cushman & Wakefield Limited) to determine the fair value of the investment properties as at 30 June 2020.

As at 30 June 2020, bank borrowings are secured by the Initial Hotel Properties and the Kaifeng Hotel with the total carrying amount of RMB4,113,000,000 (As at 31 December 2019: RMB4,612,000,000) (Note 21).

The independent valuation of the Group's investment property in the Netherlands as at 30 June 2019 was performed by Cushman & Wakefield v.o.f.. This investment property was pledge free asset as at 30 June 2019.

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

Description	Unaudited Fair value measurement as at 30 June 2020 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 measurement			
Investment properties:			
– Initial Hotel Properties	–	–	3,743,000
– Kaifeng Hotel	–	–	370,000
	–	–	4,113,000

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

13 INVESTMENT PROPERTIES (CONTINUED)

Description	Audited 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

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

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

	Unaudited Six months ended 30 June 2020	
	China RMB'000	Total RMB'000
As at 1 January 2020	4,612,000	4,612,000
Fair value losses	(499,000)	(499,000)
As at 30 June 2020	4,113,000	4,113,000

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

13 INVESTMENT PROPERTIES (CONTINUED)

	Unaudited		
	Six months ended 30 June 2019		
	Netherlands RMB'000	China RMB'000	Total RMB'000
As at 1 January 2019	249,073	4,730,000	4,979,073
Additions	–	755	755
Fair value gains	78	9,245	9,323
Exchange differences recognised in other comprehensive income	(961)	–	(961)
As at 30 June 2019	248,190	4,740,000	4,988,190

Valuation techniques

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;
Terminal growth rate	Taking into account assumptions regarding vacancy rates and market rents.

There were no changes to the valuation techniques for the Initial Hotel Properties and the Kaifeng Hotel during the periods.

14 GOODWILL

	Unaudited	Audited
	30 June 2020 RMB'000	31 December 2019 RMB'000
Cost	7,987	7,987
Accumulated impairment	–	–
Net book amount	7,987	7,987

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

15 OTHER LONG-TERM ASSETS

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Fees paid for undrawn bank facilities	1,313	1,313
Escrow deposit (Note 16(b))	–	11,723
	1,313	13,036

16 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Trade receivables (a)	2,990	2,621
Other receivables	257	3,130
Escrow deposit (b)	11,942	–
Prepayments	82	1,780
Trade and other receivables and prepayments	15,271	7,531

As at 30 June 2020 and 31 December 2019, the fair values of the trade and other receivables and the escrow deposit of the Group, except for the prepayments which are not financial assets, approximated their carrying amounts.

- (a) As at 30 June 2020 and 31 December 2019, the trade receivables represented the rental income receivables from the lessees. The aging analysis of trade receivables as at 30 June 2020 and 31 December 2019 was as follows:

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Trade receivables, gross		
– Within 30 days	2,990	2,621

As at 30 June 2020 and 31 December 2019, all the trade receivables were pledged as collateral for the Group's bank borrowings (Note 21).

- (b) It represents an escrow deposit of EUR1,500,000 (equivalent to RMB11,942,000 as at 30 June 2020 and RMB11,723,000 as at 31 December 2019) in a notary's account, to serve as a deposit for tax indemnity relating to the disposal of New Century Netherlands I B.V. for an escrow period of 18 months after the Disposal Date. This escrow deposit is expected to be collected on 28 May 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

17 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Cash at bank and on hand (a)	352,890	699,040
Less: Restricted cash (b)	(137,660)	(504,978)
Cash and cash equivalents	215,230	194,062

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

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Cash at bank and in hand:		
– RMB	187,275	336,988
– United States dollars (“USD”)	1,793	2,026
– Hong Kong dollars (“HKD”)	160,173	121,460
– EUR	3,649	238,566
	352,890	699,040

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

18 DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited		Audited	
	30 June 2020		31 December 2019	
	Assets	Liabilities	Assets	Liabilities
	RMB'000	RMB'000	RMB'000	RMB'000
Interest rate swaps	-	37,084	6,497	-

The Group has entered into interest rate swaps with commercial banks. Nevertheless, they were not accounted for as hedging instruments as the conditions for hedge accounting were not met for the six months ended 30 June 2020 and the year ended 31 December 2019. Gains and losses arising from the fair value change of these derivative financial instruments were recognised in the interim condensed consolidated income statement in "Other losses – net" (Note 10).

The interest rate swaps have the economic effect of converting interest rate of borrowings from floating rates to fixed rates. As at 30 June 2020, the notional principal amounts of the outstanding interest rate swaps were HKD250,000,000 and HKD1,611,000,000 (As at 31 December 2019: HKD250,000,000 and HKD 1,661,000,000) with the fixed interest rates of 4.87% and 4.845% per annum respectively.

In July 2020, the Group settled all the existing outstanding interest rate swaps with a total cost of approximately RMB41 million upon the completion of the Refinancing as mentioned in Note 21.

19 TRADE AND OTHER PAYABLES

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
Trade payables (a)	875	941
Other payables	28,853	34,435
Advances from customers	913	1,532
Accrued taxes other than income tax	6,722	7,718
Dividends payable	3,348	1,979
	40,711	46,605

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

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
Trade payables		
- Within 90 days	-	86
- Over 90 days and within 360 days	77	40
- Over 360 days and within 720 days	24	255
- Over 720 days	774	560
	875	941

As at 30 June 2020 and 31 December 2019, all trade and other payables of the Group were non-interest bearing. Their fair values approximate their carrying amounts due to their short maturities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

20 DEFERRED INCOME

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Government grants relating to assets	2,538	2,741

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

	Unaudited Six months ended 30 June 2020 RMB'000	2019 RMB'000
Opening balance	2,741	3,147
Credited to the interim condensed consolidated income statement	(203)	(203)
Closing balance	2,538	2,944

21 BORROWINGS

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Non-current		
Principle of bank borrowings – secured (a)	1,888,636	1,902,465
Less: Transaction costs	(28,701)	(44,103)
Current portion of non-current borrowings	(57,735)	(52,573)
	1,802,200	1,805,789
Current		
Bank borrowings – secured (a)	–	241,861
Current portion of non-current borrowings	57,735	52,573
	57,735	294,434

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

21 BORROWINGS (CONTINUED)

Movements in borrowings are analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Opening balance	2,100,223	2,209,835
Additions of bank borrowings	–	139,187
Repayments of bank borrowings	(293,638)	(314,185)
Amortisation using the effective interest method	16,146	12,095
Exchange losses	37,204	3,281
Closing balance	1,859,935	2,050,213

The maturity of borrowings is as follows:

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
On demand or within 1 year	57,735	294,434
Between 1 and 2 years	61,188	55,759
Between 2 and 3 years	1,741,012	1,750,030
	1,859,935	2,100,223

(a) Bank borrowings – secured

As at 30 June 2020, none of the bank borrowings were secured by bank deposits (As at 31 December 2019: the bank borrowings of RMB241,861,000 were secured by bank deposits of RMB262,500,000).

As at 30 June 2020, the bank borrowings of RMB1,888,636,000 (As at 31 December 2019: RMB1,902,465,000) were:

- secured by investment properties (Note 13), the guaranteed deposits (Note 17) and trade receivables (Notes 16 and 26(c)) (As at 31 December 2019: same as at 30 June 2020);
- 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 2019: same as at 30 June 2020); and
- guaranteed by Zhejiang New Century Hotel, Spearhead Investments Limited and Sky Town Investments Limited, subsidiaries of the Group (As at 31 December 2019: same as at 30 June 2020).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

21 BORROWINGS (CONTINUED)

The Group had the following undrawn bank facilities as at end of reporting period:

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
HKD/USD facilities – expiring beyond 1 year	712,483	456,848

In July 2020, the Group entered into the following new loan facilities (“**New Loan Facilities**”) with certain third party financial institutions and a related party to refinance all its existing bank borrowings as at 30 June 2020 (the “**Refinancing**”):

- (i) an onshore loan facility with a commitment amount of RMB900,000,000 for a period of 15 years;
- (ii) offshore loan facilities with an aggregate commitment amount of RMB1,000,000,000 for periods ranging from 1 to 5 years; and
- (iii) a related party loan facility with a commitment amount of RMB100,000,000 for a period of 5 years.

The Refinancing has been completed in July 2020. New Loan Facilities with an aggregate amount of RMB1,822,400,000 were drawn down and all existing bank borrowings were fully repaid. Upon the completion of the Refinancing, the accumulated unrealised foreign exchange losses of approximately RMB185 million previously excluded from the distributable income would become realised and reduce the distributable income to unitholders by the same amount in the consolidated distribution statement in the second half of 2020.

22 DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITIES

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

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Deferred income tax liabilities:		
– to be recovered after more than 12 months	773,373	891,653
– to be recovered within 12 months	2,204	4,809
	775,577	896,462

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

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

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Opening balance	896,462	929,159
(Credited)/charged to the interim condensed consolidated income statement (<i>Note 12</i>)	(116,745)	10,694
Payment during the period	(4,140)	–
Charged to other comprehensive income – exchange reserve	–	(80)
Closing balance	775,577	939,773

Movements in deferred income tax assets and liabilities during the six months ended 30 June 2020 and 2019, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax assets	Tax losses RMB'000	Deferred Income RMB'000	Derivative financial instruments RMB'000	Total RMB'000
Six months ended 30 June 2019				
As at 1 January 2019	751	786	2	1,539
Charged to the interim condensed consolidated income statement	(173)	(51)	(2)	(226)
Charged to other comprehensive income – exchange reserve	(2)	–	–	(2)
As at 30 June 2019	576	735	–	1,311
Six months ended 30 June 2020				
As at 1 January 2020	–	686	–	686
Charged to the interim condensed consolidated income statement	–	(51)	–	(51)
As at 30 June 2020	–	635	–	635

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

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

Deferred income tax liabilities	Difference between tax book and accounting book in respect of investment properties RMB'000	Amortisation of transaction cost for the bank borrowings RMB'000	Withholding tax in respect of unremitted earnings of subsidiaries RMB'000	Others RMB'000	Total RMB'000
Six months ended 30 June 2019					
As at 1 January 2019	929,756	331	-	611	930,698
Charged/(credited) to the interim condensed consolidated income statement	9,344	(320)	1,458	(14)	10,468
Credited to other comprehensive income - exchange reserve	(82)	-	-	-	(82)
As at 30 June 2019	939,018	11	1,458	597	941,084
Six months ended 30 June 2020					
As at 1 January 2020	891,807	514	4,140	687	897,148
Charged/(credited) to the interim condensed consolidated income statement	(118,416)	(170)	1,790	-	(116,796)
Payment during the period	-	-	(4,140)	-	(4,140)
As at 30 June 2020	773,391	344	1,790	687	776,212

23 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Net assets attributable to unitholders	1,734,430	2,230,080

As at 30 June 2020, the net assets attributable to unitholders per unit of RMB1.7739 is calculated by dividing the net assets attributable to unitholders of RMB1,734,430,000 by the number of unit in issue of 977,747,833 (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).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

23 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (CONTINUED)

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

	Unaudited Six months ended 30 June 2019	
	Number of units	Net assets attributable to unitholders RMB'000
Opening balance	962,464,398	2,334,110
Profit for the period	–	7,794
Issuance of new units (a)	4,470,745	6,712
Distribution paid to unitholders during the period (b)	–	(45,878)
Exchange losses on translation of financial statements	–	(1,642)
Closing balance	966,935,143	2,301,096

	Unaudited Six months ended 30 June 2020	
	Number of units	Net assets attributable to unitholders RMB'000
Opening balance	971,128,484	2,230,080
Loss for the period	–	(473,871)
Issuance of new units (a)	6,619,349	6,100
Distribution paid to unitholders during the period (b)	–	(28,163)
Exchange gains on translation of financial statements	–	284
Closing balance	977,747,833	1,734,430

(a) On 22 May 2020, 6,619,349 units were issued to the REIT Manager at an issue price of HKD1.0069 per unit (equivalent to RMB6,100,000) as payment of 50% of the REIT Manager fee for the six months 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.

(b) The distribution with amount of RMB28,163,000 paid during the six months ended 30 June 2020 represents the final distribution for the period from 1 July 2019 to 31 December 2019, which was paid to the unitholders on 22 May 2020 (2019: the distribution with amount of RMB45,878,000 represents the final distribution for the period from 1 July 2018 to 31 December 2018, which was paid to the unitholders on 24 May 2019).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

24 (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 transaction with unitholders attributable to unitholders by the weighted average number of units in issue during the period.

	Unaudited	
	Six months ended 30 June	
	2020	2019
(Loss)/profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	(473,871)	7,794
Weighted average number of units in issue ('000)	972,583	963,403
Basic (loss)/earnings per unit (RMB)	(0.4872)	0.0081

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

25 COMMITMENTS

Capital commitments

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
In respect of investment properties, contracted but not provided for	2,462	2,462

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

26 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

(a) Nature of relationship with connected/related parties

The table set forth below summarises the names of the connected/related parties and nature of their relationship with the Group as at 30 June 2020.

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 Co., Ltd.	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 Decorating Limited	Associated corporation of significant holder of New Century REIT
Hangzhou New Century Senbo Toursim Investment 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
New Century Hotel Management 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 (" Cushman & Wakefield ")	The current principal valuer of New Century REIT

- (i) On 14 August 2019, Hangzhou New Century Zhijiang Cleaning Chain Limited ceased to be a connected 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

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

(b) Transactions with connected/related parties

Rental income received/receivable from:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
New Century Hotel Management Group (i)	80,342	102,043
New Century Grand Hotel Kaifeng Business Company Limited	7,694	11,000
New Century Tourism Group Co., Ltd.	887	999
Hangzhou New Century Real Estate Group Limited	826	931
Hangzhou New Century Senbo Tourism Investment Limited	160	180
Hangzhou New Century Zhijiang Cleaning Chain Limited	–	66
Hangzhou New Century Decorating Limited	61	61
	89,970	115,280

- (i) The net rental income from New Century Hotel Management Group for the six months ended 30 June 2020 amounted to RMB77,243,000 (2019: RMB98,109,000) which was calculated by gross rental income of RMB80,342,000 (2019: RMB102,043,000) netting of value-added taxes of RMB3,099,000 (2019: RMB3,934,000).

Rental deposit received from/(refund to):

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
New Century Hotel Management Group	79	(3)

Other connected party transactions:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
REIT Manager fee paid/payable to the REIT Manager	9,921	12,403
Trustee fee paid/payable to the Trustee	453	539
Valuation fee paid/payable to Cushman & Wakefield	223	247
	10,597	13,189

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

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

(c) Balances with connected/related parties

Trade receivables due from:

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
New Century Hotel Management Group (i)	46,156	28,689
New Century Grand Hotel Kaifeng Business Company Limited	6,041	2,113
	52,197	30,802

(i) As at 30 June 2020 and 31 December 2019, all the trade receivables due from related parties were pledged as collateral for the Group's bank borrowings (Note 21).

Other receivables due from:

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
The REIT Manager	31	34

Other payables due to:

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
New Century Grand Hotel Kaifeng Business Company Limited	22,000	22,000
New Century Hotel Management Group	21,105	21,026
The REIT Manager	9,921	12,200
New Century Tourism Group Co., Ltd.	466	466
Hangzhou New Century Real Estate Group Limited	413	434
Hangzhou New Century Senbo Tourism Investment Limited	67	67
Hangzhou New Century Decorating Limited	31	31
Sub-total of other payables due to related parties	54,003	56,224
The Trustee (ii)	429	530
Cushman & Wakefield (ii)	188	268
	54,620	57,022

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

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

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

- (ii) Other payables due to the Trustee and Cushman & Wakefield are recorded in "Trade and other payables" of the interim condensed consolidated balance sheet.

Advances from customers:

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
New Century Hotel Management Group	148	155
New Century Tourism Group Co., Ltd.	148	148
Hangzhou New Century Real Estate Group Limited	138	138
Hangzhou New Century Senbo Tourism Investment Limited	27	27
Hangzhou New Century Decorating Limited	-	10
	461	478

(d) Key management compensation

There was no key management compensation for the six months ended 30 June 2020 and 2019.

(e) Director's emoluments

No directors' emoluments were paid or payable by the Group for the six months ended 30 June 2020 and 2019.

27 NON-CANCELLABLE OPERATING LEASES

As at 30 June 2020 and 31 December 2019, the Group has future minimum lease payment receivables under non-cancellable operating leases as follow:

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Within one year	224,977	236,544
Between one year and five years	485,140	577,301
Over five years	22,995	33,727
	733,112	847,572

PERFORMANCE TABLE

As at 30 June 2020

	2020	2019	(Unaudited) As at 30 June 2018	2017	2016
Net assets attributable to Unitholders (RMB'000)	1,734,430	2,301,096	2,377,861	2,359,088	2,320,058
Net assets attributable to Unitholders per Unit (RMB)	1.7739	2.3798	2.4808	2.4612	2.4545
(Equivalent to HKD) (Note a)	1.9420	2.7054	2.9425	2.8358	2.8718
The highest premium of the traded price to net assets attributable to Unitholders per Unit (Note b)	N/A	N/A	N/A	N/A	4.46%
The highest discount of the traded price to net assets attributable to Unitholders per Unit (Note b)	56.23%	40.86%	27.61%	24.54%	24.09%
Distribution yield per Unit (including Special Distribution (if any)) (Note c)	N/A	2.29%	2.74%	4.00%	4.05%
Number of Units in issue at the end of the reporting period (Units)	977,747,833	966,935,143	958,500,829	958,500,829	945,215,252
Gearing ratio (Note d)	42%	38%	39%	41%	40%
Gross liabilities as a percentage of gross assets (Note e)	62%	57%	57%	59%	58%

Notes:

- Unless indicated otherwise, Hong Kong dollar amounts are based on an exchange rate at the end of each reporting period. The exchange rate as at 30 June 2020 was HKD1=RMB0.91344.
- The highest premium is calculated based on the Unit's highest traded price of HKD1.60 on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the six months ended 30 June 2020. The highest discount is calculated based on the Unit's lowest traded price of HKD0.85 on the Stock Exchange during the six months ended 30 June 2020.

As the highest traded price during the six months ended 30 June 2020 is lower than the net assets attributable to Unitholders per Unit as at 30 June 2020, no highest premium ratio was presented.

- Distribution yield per Unit is calculated based on total distribution per Unit over the closing price of the Unit as at the end of each reporting period. No distribution yield per Unit for the six months ended 30 June 2020 was presented as no distribution was declared.
- Gearing ratio is calculated based on the total gross borrowings, comprising the bank borrowings excluding transaction costs and loan from a related party (if any), over total assets as at the end of each reporting period.
- It is calculated based on total liabilities, excluding transaction costs on borrowings and net assets attributable to Unitholders, over total assets at the end of each reporting period.

CORPORATE INFORMATION

THE REIT MANAGER AND REGISTERED OFFICE

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

BOARD OF DIRECTORS OF THE REIT MANAGER

JIN Wenjie
(Chairman and Non-executive Director)
HO Wai Chu
(Chief Executive Officer and Executive Director)
ZHANG Guanming
(Non-executive Director)
TONG JinQuan
(Non-executive Director)
(resigned with effect from 31 July 2020)
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
WONG Ka Bong

APPROVED PERSON OF THE REIT MANAGER

HO Wai Chu

COMPANY SECRETARY OF THE REIT MANAGER

CHAN Chun Tung

TRUSTEE

DB Trustees (Hong Kong) Limited

AUDITORS

PricewaterhouseCoopers
*Certified Public Accountants and
Registered Public Interest Entity Auditor*

PRINCIPAL VALUER

Cushman & Wakefield Limited

LEGAL ADVISOR

Dechert

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.

STOCK CODE

1275

WEBSITE

www.ncreit.com

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

ADR	average daily rate, which means room revenue divided by rooms in use.
Changchun New Century Grand	Changchun New Century Spearhead Investment and Management Limited* (長春開元銳至投資管理有限公司, previously 長春開元名都大酒店有限公司), a 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.
Director(s)	the director(s) of the REIT Manager.
Full Wise HK	Full Wise Industrial Limited (惠富實業有限公司), a company incorporated in Hong Kong on 20 September 2012 and an indirect wholly-owned subsidiary of New Century REIT.
Gross Floor Area or GFA	means, in respect of a property, the gross floor area of that property being the area contained within the external walls of the building measured at each floor level (including any floor below the level of the ground), together with the area of each balcony in the building, which shall be calculated from the overall dimensions of the balcony (including the thickness of the sides thereof), and the thickness of external walls of the building excluding any floor space that is constructed or intended to be used solely for parking motor vehicles, loading or unloading of motor vehicles, or for refuse storage chambers, material recovery chambers, refuse chutes, refuse hopper rooms and other types of facilities provided to facilitate the separation of refuse, or for access facilities for telecommunications and broadcasting services, or occupied solely by machinery or equipment for any lift, air-conditioning or heating system or any similar service.
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 ultimately owned as to 83.90%, 9.29% and 6.81% by Mr. Chen Miaolin, Mr. Chen Canrong and Mr. Zhang Guanming, respectively, as at 30 June 2020.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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 the 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.
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	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).

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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 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 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 Hotel Management	Zhejiang New Century Hotel Management Co., Ltd.* (浙江開元酒店管理股份有限公司), a joint stock company with limited liability listed on the Stock Exchange, incorporated in the PRC on 28 June 2017 (including its predecessor) and whose registered address is 18th Floor, 818 Shixin Zhong Road Beigan Street, Xiaoshan District, Hangzhou, PRC.
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 Co., Ltd.* (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.
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.
PRC or China	the People's Republic of China excluding, for the purposes of this report only, the Hong Kong Special Administrative Region of the PRC, the Macao Special Administrative Region of the PRC and Taiwan.
Property Companies	Changchun New Century Grand, Zhejiang New Century Hotel, Ningbo New Century Grand, Qiandao Lake Resort, Xiaoshan Hotel Company, Kaifeng New Century Grand and New Century Netherlands (Note).

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

Qiandao Lake Resort	Chun'an Qiandao Lake New Century Spearhead Investment Limited* (淳安千島湖開元銳至投資有限公司, previously 杭州千島湖開元度假村開發有限公司), a wholly owned subsidiary of Zhejiang New Century Hotel incorporated in the PRC on 15 January 2001.
REIT(s)	real estate investment trust(s).
REIT Code	the Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified for the time being or, for the purpose of the Trust Deed, from time to time, including but not limited to 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 30 June 2020, includes SPV (BVI), SPV (HK), Sky Town, Strong Tower, Full Wise HK, New Century REIT Hong Kong I, New Century Europe and the Property Companies.
SPV (BVI)	Spearhead Global Limited, a company incorporated in the British Virgin Islands on 8 March 2013 and a wholly-owned subsidiary of New Century REIT.
SPV (HK)	Spearhead Investments Limited (銳至投資有限公司), a company incorporated in Hong Kong on 25 March 2013 and 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) established in the PRC on 8 September 1994, which is approximately 95.46% owned by Zhejiang New Century Hotel, and approximately 4.54% by 28 other 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.

*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.*

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



寧波開元名都大酒店
NEW CENTURY GRAND HOTEL NINGBO



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



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



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