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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)

Managed by
NEW CENTURY ASSET MANAGEMENT LIMITED

SUMMARY OF MARKET RENTAL PACKAGE OF
(I) THE INITIAL HOTEL PROPERTIES FOR THE LEASE YEAR OF 2020;
AND
(II) KAIFENG HOTEL FOR THE LEASE YEARS OF 2020 TO 2024

THE INITIAL HOTEL PROPERTIES

As disclosed in the Offering Circular, each of the Hotel Lease and Management Agreements is for a term commencing from the Listing Date and expiring on the tenth anniversary of the Listing Date, subject to renewal for a further term of ten years. Pursuant to the Master Hotel Lease and Management Agreement, the Base Rent for each of the relevant years during the First Lease Period (i.e. for the first five years from the commencement of the Master Hotel Lease and Management Agreement) was predetermined, whereas Base Rents in respect of the Subsequent Period (i.e. the sixth to tenth years of the Master Hotel Lease and Management Agreement) will be the Market Base Rent, which is to be determined by a jointly appointed professional independent property valuer. If the Market Base Rent as determined by the Valuer is lower than 85% of the Reference Average Rent, the Base Rent with respect to the Initial Hotel Properties during the Subsequent Period will be 85% of such Reference Average Rent.

In accordance with the Master Hotel Lease and Management Agreement, the Valuer has been jointly appointed by Zhejiang New Century Hotel and New Century Hotel Management and instructed to conduct a rent review to determine the Market Rental Package for the Lease Year of 2020, including the market rental value of the underlying Initial Hotel Properties, the amount or calculation of the Individual Rents, the amount of security deposit required, and the amount to be covered by irrevocable guarantee(s) to be issued by licensed bank(s) in the PRC.

According to the 2020 Market Rental Package Determination, the aggregate amount payable by the Lessee as Base Rent is RMB200 million for the Lease Year of 2020, which is the same as that for the Lease Year of 2019. The calculation of the variable Individual Rents remains the same as compared with that for the First Lease Period, Lease Year of 2018 and Lease Year of 2019. In addition, the security deposit comprised within the 2020 Market Rental Package Determination is RMB20 million (which is the same as the amount of security deposit for the First Lease Period, Lease Year of 2018 and Lease Year of 2019).

THE KAIFENG HOTEL

As disclosed in the 2015 Circular, the Kaifeng Hotel Lease Agreement is effective for a term of ten years expiring on the tenth anniversary from the date of the Kaifeng Hotel Lease Agreement, subject to renewal for a further term of ten years. Pursuant to the Kaifeng Hotel Lease Agreement, for the first five years from the commencement of such agreement, the Kaifeng Hotel Lessee is required to pay a minimum aggregate annual base rent of RMB22 million, whereas base rent payable in respect of each year from the sixth year for the remainder of the First Ten-Year Term and any extension thereof is to be determined based on a market rent determined by an independent professional property valuer jointly appointed by the Kaifeng Hotel Lessee and the Kaifeng Hotel Lessor. If the Kaifeng Hotel Market Base Rent as determined by such independent property valuer is lower than 85% of the average annual rent received from the Kaifeng Hotel Lessee for Kaifeng Hotel for the first four full financial years of the term of the Kaifeng Hotel Lease Agreement, the base rent with respect to Kaifeng Hotel for each year during the sixth to the tenth years under the first ten-year term will be 85% of the Kaifeng Hotel Reference Average Rent.

In accordance with the Kaifeng Hotel Lease Agreement, the Valuer has been jointly appointed by the Kaifeng Hotel Lessee and the Kaifeng Hotel Lessor and instructed to conduct a rent review to determine the Kaifeng Hotel Market Rental Package for the Lease Years of 2020 to 2024, including the amount of security deposit required.

According to the 2020 Market Rental Package Determination, the aggregate amount payable by the Kaifeng Hotel Lessee as Kaifeng Hotel Base Rent is RMB22 million per Lease Year for the Lease Years of 2020 to 2024, which is the same as that for the First Five-Year Term. In addition, the security deposit comprised within the 2020 Market Rental Package Determination is RMB22 million (which is the same as the amount of security deposit for the First Five-Year Term).

GENERAL

A summary of the 2020 Market Rental Package Determination is set out in this announcement.

The aggregate amount payable by the Lessee as Base Rent for the Lease Year of 2020 is RMB200 million, based on the 2020 Market Rental Package Determination, which is the same as that for the Lease Year of 2019; whereas the aggregate amount payable by the Kaifeng Hotel Lessee as Kaifeng Hotel Base Rent for each year for the Lease Years of 2020 to 2024 is RMB22 million, based on the 2020 Market Rental Package Determination, which is the same as that for the First Five-Year Term.

Pursuant to 5.2(f) of the REIT Code, the Valuer's report on the 2020 Market Rental Package Determination is available for inspection by the public during normal office hours at the REIT Manager's place of business at Unit 4706, 47/F, The Center, 99 Queen's Road Central, Hong Kong.

Given the variables involved, investors should exercise caution in dealing in the units of New Century REIT.

The Board (including all of the INEDs) is satisfied that the terms of the transactions under the Hotel Lease and Management Agreements and the Kaifeng Hotel Lease Agreement are (i) in line with normal business practice for contracts of the relevant type, (ii) conducted in the ordinary and usual course of business of the New Century REIT Group, and (iii) carried out at arm's length on normal commercial terms which are fair and reasonable and in the interests of the Unitholders as a whole. The INEDs confirm that the 2020 Market Rental Package Determination has been conducted in accordance with the terms of the Master Hotel Lease and Management Agreement and the Kaifeng Hotel Lease Agreement.

BACKGROUND INFORMATION ON LEASE TERM AND RENTAL INCOME STRUCTURE OF THE INITIAL HOTEL PROPERTIES

Reference is made to the section headed "Material Agreements – Hotel Lease and Management Agreements" in the Offering Circular and the announcements dated 18 January 2018 and 8 January 2019 issued by the REIT Manager (the "Announcements"). Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Offering Circular and the Announcements (as the case may be).

1. Rental Income Structure during the First Lease Period

As disclosed in the Offering Circular, each of the Hotel Lease and Management Agreements is for a term commencing from the Listing Date and expiring on the tenth anniversary of the Listing Date, subject to renewal for a further term of ten years. Pursuant to the Master Hotel Lease and Management Agreement, the predetermined Base Rent for each of the Lease Years during the First Lease Period is a minimum annual aggregate amount of RMB216 million.

In addition, during the First Lease Period, the rent for each of the Initial Hotel Properties is an Individual Rent which is payable monthly in arrear. The Individual Rent is calculated as 20% of the relevant Initial Hotel Property's total monthly operating revenue plus 34% of the relevant Initial Hotel Property's Gross Operating Profit for that month. The aggregate of all Individual Rents (as adjusted) for each year constitute the Total Rent. If the Total Rent (as adjusted based on the audited annual accounts of the Lessee) is less than the agreed amount of the Base Rent, New Century Hotel Management is obligated to make up for any shortfall within 30 days from the issuance of the audited annual accounts of the Lessee.

For the first five years of the Hotel Lease and Management Agreements, Bank of China, Zhejiang Branch provided an irrevocable guarantee in the amount of RMB216 million (being the amount of the Base Rent) per year in favor of the Lessors to cover the payment obligations of the Lessee and the Lessee was required to provide a security deposit in the amount of RMB20 million, which represents over 50% of the difference between the amount of the Base Rent (adjusted for the entire year) and the then forecasted rental payment for the year 2013 (adjusted for the entire year) under the Hotel Lease and Management Agreements.

2. **Rental Income Structure during the Subsequent Period**

Thereafter, in respect of the Subsequent Period, the Base Rent will be the higher of the Market Base Rent, which is to be determined by a jointly appointed professional independent property valuer, and the Reference Average Rent (as defined below). The professional independent property valuer shall be appointed at least seven months prior to the commencement of each Lease Year during the Subsequent Period to determine the renewed market rental package (the "**Market Rental Package**") and the Lessee shall bear the costs and expenses for appointing the independent professional property valuer.

In accordance with the Master Hotel Lease and Management Agreement, the Valuer has been jointly appointed by Zhejiang New Century Hotel and New Century Hotel Management and instructed to conduct a rent review to determine the Market Rental Package for the Lease Year of 2020, including the market rental value of the underlying Initial Hotel Properties in accordance with HKIS valuation standards (which will form the basis of the Market Base Rent), the amount or calculation of the Individual Rents, the amount of security deposit required (which shall not be lower than RMB20 million), and the amount to be covered by irrevocable guarantee(s) to be issued by licensed bank(s) in the PRC (which shall not be lower than the Base Rent for each relevant Lease Year during the Subsequent Period). If the Market Base Rent as determined by the Valuer is lower than 85% of the average annual rent received from the Lessee for the Initial Hotel Properties for the first four Lease Years during the First Lease Period ("**Reference Average Rent**"), the Base Rent with respect to the Initial Hotel Properties during the Subsequent Period will be 85% of such Reference Average Rent.

As per the rental income structure during the First Lease Period, the rent for each of the Initial Hotel Properties during the Subsequent Period is an Individual Rent which is payable monthly in arrear. The Individual Rent is calculated as 20% of the relevant Initial Hotel Property's total monthly operating revenue plus 34% of the relevant Initial Hotel Property's Gross Operating Profit for that month. The aggregate of all Individual Rents (as adjusted) for each year constitute the Total Rent. If the Total Rent (as adjusted based on the audited annual accounts of the Lessee) is less than the agreed amount of the Base Rent, New Century Hotel Management is obligated to make up for any shortfall within 30 days from the issuance of the audited annual accounts of the Lessee.

The Market Rental Package for each Lease Year during the Subsequent Period of the Hotel Lease and Management Agreements will include (i) the market rental value of the underlying Initial Hotel Properties, (ii) the amount or calculation of the Individual Rents, (iii) the amount to be covered by irrevocable guarantee(s) to be issued by licensed bank(s) in the PRC, and (iv) the amount of security deposit required, which shall not be lower than RMB20 million (i.e. the amount of security deposit for the first to fifth years). In the event that New Century Hotel Management is unable to obtain an irrevocable guarantee(s) for any year during the Subsequent Period, the amount of the security deposit shall be adjusted to the amount of the Base Rent so determined for that year, plus the security deposit required for that year.

3. Difference in Base Rent determination methods between the First Lease Period and Subsequent Period

In contrast to the First Lease Period where the Base Rents for each of the relevant years was predetermined under the Master Hotel Lease and Management Agreement, Base Rents in respect of the Subsequent Period will, as explained above, be determined in accordance with an annual rent review by a jointly appointed professional independent property valuer in each of the Lease Years during the Subsequent Period (being, in any event, no lower than the Reference Average Rent).

Accordingly, the Base Rent receivable by New Century REIT in respect of each of the Lease Years during the Subsequent Period will depend on prevailing market conditions and a number of other factors and uncertainties. Therefore, it is possible that Base Rent from the Initial Hotel Properties for the Subsequent Period may be higher or lower than the Base Rent for the First Lease Period.

BACKGROUND INFORMATION ON LEASE TERM AND RENTAL INCOME STRUCTURE OF THE KAIFENG HOTEL

Reference is also made to the circular of New Century REIT dated 30 June 2015 (the “**2015 Circular**”).

1. Rental income structure for the First Five-Year Term

As disclosed in the 2015 Circular, the Kaifeng Hotel Lease Agreement is effective for a term of ten years expiring on the tenth anniversary from the date of the Kaifeng Hotel Lease Agreement (the “**First Ten-Year Term**”). The REIT Manager also has an option, exercisable solely at the REIT Manager’s discretion, to renew the Kaifeng Hotel Lease Agreement for a further term of ten years. The rent for Kaifeng Hotel is payable monthly in arrear within ten days from the relevant month end. The rent equals to the total sum of (i) 20% of Kaifeng Hotel’s total operating revenue of that month as shown in the relevant monthly management accounts; and (ii) 34% of Kaifeng Hotel’s gross operating profit of that month as shown in the relevant monthly management accounts. For the first five years from the commencement of the Kaifeng Hotel Lease Agreement (“**First Five-Year Term**”), the Kaifeng Hotel Lessee is required to pay a minimum aggregate annual base rent of RMB22 million, representing approximately 87% of the average annual rent payable from 2012 to 2014.

2. Rental income structure for the Remainder Term

The base rent payable in respect of each year from the sixth year for the remainder of the First Ten-Year Term (the “**Remainder Term**”) and any extension thereof is to be determined based on a market rent (“**Kaifeng Hotel Market Base Rent**”) determined by an independent professional property valuer jointly appointed by the Kaifeng Hotel Lessee and the Kaifeng Hotel Lessor. If the Kaifeng Hotel Market Base Rent as determined by such independent property valuer (“**Kaifeng Hotel Market Rental Package**”) is lower than 85% of the average annual rent received from the Kaifeng Hotel Lessee for Kaifeng Hotel for the first four full financial years of the term of the Kaifeng Hotel Lease Agreement, the base rent with respect to Kaifeng Hotel for each year during the sixth to the tenth years under the First Ten-Year Term (“**First Four Full Financial Years**”) will be 85% of the Kaifeng Hotel Reference Average Rent for the First Four Full Financial Years instead of the Kaifeng Hotel Market Base Rent. For the purposes of calculating the base rent for the first and last incomplete financial year period of each five year term (i.e. from commencement of the Kaifeng Hotel Lease Agreement or the commencement of each five year term to the end of that year and from the beginning of year to the end of each five year term), the amount of base rent for that period should be proportionately adjusted based on the number of days in such period.

3. Difference in Kaifeng Hotel Base Rent determination methods between the First Five-Year Term and the Remainder Term

In contrast to the First Five-Year Term where the base rent for each of the relevant years was predetermined under the Kaifeng Hotel Lease Agreement, base rents in respect of the Remainder Term will, as explained above, be determined in accordance with a review by a jointly appointed professional independent property valuer (being, in any event, no lower than the Kaifeng Hotel Reference Average Rent). Accordingly, the base rent receivable by New Century REIT in respect of each of the Lease Years during the Remainder Term will depend on prevailing market conditions and a number of other factors and uncertainties. Therefore, it is possible that base rent from the Kaifeng Hotel for the Remainder Term may be higher or lower than the base rent for the First Five-Year Term.

APPOINTMENT OF VALUER

Cushman & Wakefield International Property Advisers (Shanghai) Co Ltd, who has key personnel who is a corporate member of the Hong Kong Institute of Surveyors, was appointed as an independent professional property valuer and was instructed on 27 November 2019 to conduct a rent review to determine the Market Rental Package in respect of the Lease Year of 2020 and Kaifeng Hotel Market Rental Package in respect of the Lease Years of 2020 to 2024, based on the assumptions and disregard factors provided in the Master Hotel Lease and Management Agreement and Kaifeng Hotel Lease Agreement. Cushman & Wakefield International Property Advisers (Shanghai) Co Ltd and the current Principal Valuer of New Century REIT, being Cushman & Wakefield Limited, are both professional services firms within the Cushman & Wakefield Group.

The Valuer issued its reports (the “**Reports**”) on the determination of the Market Rental Package for the Lease Year of 2020 and Kaifeng Hotel Market Rental Package for the Lease Years of 2020 to 2024 (the “**2020 Market Rental Package Determination**”) on 10 January 2020.

THE 2020 MARKET RENTAL PACKAGE DETERMINATION

Given that the Market Base Rent as determined by the Valuer is RMB200 million, which is higher than the Reference Average Rent, the aggregate amount payable by the Lessee as Base Rent is RMB200 million for the Lease Year of 2020.

Given that the Kaifeng Hotel Market Base Rent as determined by the Valuer is RMB22 million, which is higher than the Kaifeng Hotel Reference Average Rent, the aggregate amount payable by the Kaifeng Hotel Lessee as base rent is RMB22 million per Lease Year for the Lease Years of 2020 to 2024.

A summary of the 2020 Market Rental Package Determination is as follows:

The Initial Hotel Properties

Market Rental Package	Market Rental Package for Lease Year of 2020
Aggregate amount payable by the Lessee as Base Rent	RMB200 million
Variable Individual Rent for the Initial Hotel Properties (receivable by the relevant Lessors)	20% of Revenue plus 34% of Gross Operating Profit ^(Note 1)
Amount of security deposit	RMB20 million
Amount to be covered by irrevocable bank guarantee(s)	RMB200 million ^(Note 2)

The Market Rental Package for the Lease Year of 2020 as set out above and all other terms of the Hotel Lease and Management Agreements, including but not limited to the guarantee provided by New Century Tourism in relation to the obligations of the Lessee under the Hotel Lease and Management Agreements and also New Century Tourism's undertaking to maintain a minimum net asset of RMB2 billion, remain the same as those during the Lease Year of 2019.

Notes:

- 1. The Valuer has advised that the rental payable for hotel leasing in the PRC is generally calculated on the following modes: (i) profit sharing; (ii) revenue sharing; and (iii) hybrid of profit and revenue sharing. Based on the Valuer's advice, the Variable Individual Rent for the Initial Hotel Properties for the Lease Year of 2020 is in line with the market.*
- 2. The Valuer has advised that the amount to be covered by irrevocable bank guarantee(s) is in line with the market.*

The Kaifeng Hotel

Market Rental Package Market Rental Package for Lease Year of 2020-2024

Aggregate amount payable by the Kaifeng Hotel Lessee as base rent per Lease Year for the Lease Years of 2020 to 2024	RMB22 million
Variable Individual Rent for the Kaifeng Hotel (receivable by the Kaifeng Hotel Lessor)	20% of Revenue plus 34% of Gross Operating Profit ^(Note 1)
Amount of security deposit	RMB22 million

The Kaifeng Hotel Market Rental Package for the Lease Years of 2020 to 2024 as set out above and all other terms of the Kaifeng Hotel Lease Agreement, including but not limited to the guarantee provided by New Century Tourism in relation to the obligations of the Kaifeng Hotel Lessee under 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 First Five-Year Term.

Note:

- 1. The Valuer has advised that the rental payable for hotel leasing in the PRC is generally calculated on the following modes: (i) profit sharing; (ii) revenue sharing; and (iii) hybrid of profit and revenue sharing. Based on the Valuer's advice, the Variable Individual Rent for the Kaifeng Hotel for the Lease Years of 2020 to 2024 is in line with the market.*

SUMMARY OF ASSUMPTIONS AND OUTLINE OF VALUATION METHODOLOGIES

1. Assumptions Contained in the 2020 Market Rental Package Determination

The 2020 Market Rental Package Determination was based on the following valuation assumptions and disregards:

- (i) that the owners of the Initial Hotel Properties and Kaifeng Hotel are in possession of legal titles to the properties;
- (ii) that the design and construction of the Initial Hotel Properties and Kaifeng Hotel are in compliance with the local planning regulations and have been approved by the relevant government authorities;

- (iii) that the rental payable by the Lessee and Kaifeng Hotel Lessee shall be exclusive of utility charges and all other outgoings payable by the Lessee and Kaifeng Hotel Lessee;
- (iv) that the Initial Hotel Properties and Kaifeng Hotel are fit for immediate occupation and use and incorporate fixtures and fittings which are of a standard commensurate with the nature of the properties;
- (v) that the Initial Hotel Properties and Kaifeng Hotel are available to let on the open market by a willing landlord to a willing tenant on vacant possession basis;
- (vi) that the duration of the lease would be in line with other leases in the market with similar nature;
- (vii) disregarding any effect on rental that the Lessee or Kaifeng Hotel Lessee has been or is in occupation of the Initial Hotel Properties or Kaifeng Hotel; and
- (viii) disregarding any goodwill attributable to the Lessee's or Kaifeng Hotel Lessee's businesses carried on at the Initial Hotel Properties or Kaifeng Hotel.

2. Outline of Valuation Methodologies

For the purposes of the 2020 Market Rental Package Determination, as the Valuer was of the view that given that rental transactions of hotels are rare, the Valuer has adopted the direct comparison approach to value the Base Rent by making reference to rental comparables of residential units or serviced apartments and retail properties in the localities where the Initial Hotel Properties and Kaifeng Hotel are located. Due adjustments are then made to reflect the differences between the Initial Hotel Properties, Kaifeng Hotel and the comparable properties. Besides, the Valuer also adopted a reasonable percentage of the gross revenue as a cross-check for the assessment of the Base Rent after taking into account the historical performance of the Initial Hotel Properties and Kaifeng Hotel. In addition, the valuer has analysed the composition of variable individual rent in other Asia hotel REITs.

In addition, the Valuer is of the view that the rental payable for hotel leasing in the PRC is generally calculated on the following modes: (i) profit sharing; (ii) revenue sharing; and (iii) hybrid of profit and revenue sharing and has determined that the Variable Individual Rent for the Initial Hotel Properties for the Lease Year of 2020 and Kaifeng Hotel for the Lease Years of 2020 to 2024 is in line with the market.

3. Manner of Payment

The manner of payment of the Initial Hotel Properties for the Lease Year of 2020 (including in relation to the Base Rent, the variable Individual Rents and the security deposit) will be consistent with the corresponding manners of payment during the First Lease Period and Lease Year of 2018 and 2019. In addition, consistent with that during the First Lease Period and Lease Year of 2018 and 2019, a replacement irrevocable bank guarantee will be issued by (a) licensed bank(s) in the PRC in favour of the Lessors.

The manner of payment of the Kaifeng Hotel for the Lease Years of 2020 to 2024 (including in relation to the Base Rent, the variable Individual Rents and the security deposit) will be consistent with the corresponding manners of payment during the First Five-Year Term.

CONSIDERATIONS IN RESPECT OF THE MARKET RENTAL PACKAGE FOR LEASE YEAR OF 2020

1. General PRC Hotel Market Conditions

As previously highlighted in the Offering Circular and as set out in the Announcements and the 2015 Circular, the hotel business is cyclical and sensitive to changes in the global, regional or local economy generally. Since demand for hotel services in the PRC is affected by economic growth, a global, regional or local recession could lead to a downturn and any such downturn may affect hotel business.

Affected by the sluggish economic ambience, the overall performance of New Century REIT Group's hotel properties in the PRC ("**PRC Hotel Properties**") was weaker. On the other hand, the hospitality industry in China continued to benefit through the rising disposable incomes and middle-class consumption as well as the continuous expansion of transportation networks including the high-speed railway and aviation network. These fundamental factors offset part of the influence from diminished business activities in China. In addition, the supportive measures promulgated by the PRC government in recent years helped to further develop tourist resources and boost growth in China's tourism industry. With real gross domestic product growth during the third quarter in 2019 maintaining at 6%, China is still among the fastest growing countries in the world. The medium to long term outlook of China's hotel industry remains positive.

The performance of PRC Hotel Properties during the six months ended 30 June 2019 with Revenue Per Available Room ("**RevPAR**") decreased by 4% Year-on-Year ("**YoY**") to RMB309 (excluding VAT). Occupancy increased by approximately 0.2 percentage points to 64.2% and average room rate decreased by 4% YoY to RMB481 (excluding VAT). The overall food and beverage spending per customer and revenue per sq.m. per day of banquet room at the PRC Hotel Properties for the six months ended 30 June 2019 decreased 4% YoY to RMB137 (excluding breakfast customers and VAT) and declined by 20% to RMB36 per sq.m. per day respectively.

Based on the unaudited hotel rental income and total revenue (including other rental income) for the PRC Hotel Properties for the six months ended 30 June 2019, hotel rental income was declined by 6.7% to RMB106.74 million while and total revenue (including other rental income) was decreased by 6.5% to RMB119.68 million compared to corresponding period in 2018.

2. Market Rental Package for lease year 2020

The 2020 Market Rental Package Determination has been determined based on the Valuer's professional opinion on the market status (including the assumptions and disregards set out above in this announcement) and of certain factors relating to each of the Initial Hotel Properties and the Kaifeng Hotel, and with reference to the current market conditions of the hotel and tourism industry in the PRC.

In respect of the Market Rental Package for the Initial Hotel Properties for the Lease Year of 2020, the aggregate amount of RMB200 million payable by the Lessee as Base Rent for the Lease Year of 2020 remains the same as that for the Lease Year of 2019. The calculation of the variable Individual Rents also remains the same as compared with that for the First Lease Period, Lease Year of 2018 and Lease Year of 2019. In addition, the security deposit comprised within the 2020 Market Rental Package Determination is RMB20 million (which is the same as the amount of security deposit for the First Lease Period, Lease Year of 2018 and Lease Year of 2019).

In respect of the Kaifeng Hotel Market Rental Package for the Lease Years of 2020 to 2024, the aggregate amount of RMB22 million per Lease Year payable by the Kaifeng Hotel Lessee as Kaifeng Hotel Base Rent for the Lease Years of 2020 to 2024 remains the same as that for the First Five-Year Term. In addition, the security deposit comprised within the 2020 to 2024 Market Rental Package Determination is RMB22 million (which is the same as the amount of security deposit for the First Five-Year Term).

3. Impact on distribution per Unit (“DPU”) and total distributable income

The DPU and total distributable income available for distribution to unitholders of New Century REIT for each financial year is affected by various factors, including, the Base Rent and variable Individual Rent, and Kaifeng Hotel Base Rent receivable by New Century REIT for such financial year. Pursuant to the 2020 Market Rental Package Determination, the Base Rent for the Lease Year of 2020 will be the same as that for the Lease Year of 2019; whereas the Kaifeng Hotel Base Rent for the Lease Year of 2020-2024 will be the same as that for the Lease Year of 2019. Therefore, there is not expected to be an impact on the DPU and total distributable income if only the Base Rent and the Kaifeng Hotel Base Rent comprised within the 2020 Market Rental Package Determination is taken into consideration.

Given the variables involved in the determination of the Base Rent, the Kaifeng Hotel Base Rent and the variable individual rent for the Initial Hotel Properties and the Kaifeng Hotel from year to year, investors should exercise caution in dealing in the units of New Century REIT.

INSPECTION OF VALUER'S REPORT

Pursuant to 5.2(f) of the REIT Code, the Valuer's report on the 2020 Market Rental Package Determination is available for inspection by the public during normal office hours at the REIT Manager's place of business at Unit 4706, 47/F, The Center, 99 Queen's Road Central, Hong Kong.

CONFIRMATION BY THE BOARD

The Board (including all of the INEDs) is satisfied that the terms of the transactions under the Hotel Lease and Management Agreements and the Kaifeng Hotel Lease Agreement are (i) in line with normal business practice for contracts of the relevant type, (ii) conducted in the ordinary and usual course of business of the New Century REIT Group, and (iii) carried out at arm's length on normal commercial terms which are fair and reasonable and in the best interests of the Unitholders as a whole.

CONFIRMATION BY THE INEDS

The INEDs confirm that the 2020 Market Rental Package Determination has been conducted in accordance with the terms of the Master Hotel Lease and Management Agreement and the Kaifeng Hotel Lease Agreement.

This announcement is made pursuant to Chapter 10 of the REIT Code.

GENERAL

A summary of and/or information regarding the 2020 Market Rental Package Determination in relation to the Initial Hotel Properties and Kaifeng Hotel will be set out in New Century REIT's annual reports for each of the three years ending 31 December 2021 and interim report for the six months ending 30 June 2020 and 30 June 2021, respectively.

DEFINITIONS

In this announcement, the following definitions apply throughout unless otherwise stated. Also, where terms are defined and used in only one section of this document, these defined terms are not included in the table below:

“Kaifeng Hotel Reference Average Rent”	the average annual rent received from the Kaifeng Hotel Lessee between the first to fourth full financial years of the First Ten-Year Term
“Lease Year”	means (i) with respect to the Initial Hotel Properties, the period from 10 July in the relevant year to 9 July the following year, and (ii) with respect to Kaifeng Hotel, the period of 31 July in the relevant year to 30 July the following year

By order of the Board
New Century Asset Management Limited
as manager of New Century Real Estate Investment Trust
Mr. Jin Wenjie
Chairman of the REIT Manager

Hong Kong, 10 January 2020

As at the date of this announcement, the executive Director of the REIT Manager is Mr. Cheung Yat Ming, the non-executive Directors of the REIT Manager are Mr. Jin Wenjie, Mr. Zhang Guanming, Mr. Tong JinQuan, and the independent non-executive Directors of the REIT Manager are Mr. Angelini Giovanni, Mr. Yu Hon To David and Professor He Jianmin.