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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

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

REPORT OF THE REIT MANAGER

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

LONG-TERM OBJECTIVES AND STRATEGY

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

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

New Century REIT's portfolio comprised five 5-star hotels and one 4-star hotel as at 31 December 2019, namely, New Century Grand Hotel Hangzhou (杭州開元名都大酒店), New Century Resort Qiandao Lake Hangzhou (杭州千島湖開元度假村), New Century Grand Hotel Ningbo (寧波開元名都大酒店), New Century Grand Hotel Changchun (長春開元名都大酒店), New Century Hotel Xiaoshan Zhejiang (浙江開元蕭山賓館), (collectively, the “**Initial Hotel Properties**”) and New Century Grand Hotel Kaifeng (開封開元名都大酒店) (the “**Kaifeng Hotel**”) (together, the “**Hotel Properties**”). All the Hotel Properties are located in China. Altogether they have an aggregate of 2,375 rooms and 374,586 square meters (“**sq.m.**”) in total gross floor area (“**GFA**”). All Hotel Properties were rated the top 2.0% best hotels in their respective cities by TripAdvisor.com as at 2 March 2020.

KEY FINANCIAL FIGURES FOR THE REPORTING PERIOD

(expressed in RMB'000 unless otherwise specified)

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

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

Notes:

1. Basic (loss)/earnings per Unit is calculated by dividing (loss)/profit attributable to Unitholders of RMB37,502,000 (2018: RMB24,258,000) by the weighted average number of Units in issue during the year of 966,318,000 Units (2018: 959,532,000 Units).

2. For the year ended 31 December 2019, total distribution per Unit (“**DPU**”) comprised interim DPU of RMB0.0350 (2018 interim DPU: RMB0.0522) and final DPU of RMB0.0290 (2018 final DPU: RMB0.0477).

The interim DPU is calculated by dividing the interim distribution of RMB33,826,000 (2018: RMB50,000,000) by 966,935,143 Units in issue at 30 June 2019 (as at 30 June 2018: 958,500,829 Units).

The final DPU is calculated by dividing the final distribution of RMB28,163,000 (2018: RMB45,878,000) by 971,128,484 Units in issue at as 31 December 2019 (as at 31 December 2018: 962,464,398 Units).

3. Unless indicated otherwise, amounts specified in Hong Kong dollars (“**HKD**”) are based on an exchange rate of HKD1=RMB0.8958 as at 31 December 2019 (as at 31 December 2018: HKD1=RMB0.8762) while amounts specified in United States dollars (“**USD**”) are based on an exchange rate of USD1=RMB6.9762 as at 31 December 2019 (as at 31 December 2018: USD1=RMB6.8632).

Distribution payable to Unitholders is paid in HKD. The exchange rates adopted by the REIT Manager for the interim and final distribution of 2019 are HKD1=RMB0.8973 (2018: HKD1=RMB0.8744) and HKD1=RMB0.9092 (2018: HKD1=RMB0.8550) respectively, which are the average closing exchange rates as announced by the People’s Bank of China for the five business days preceding the date of declaration of distribution.

4. Distribution yield is calculated based on total DPU of HKD0.0709 for 2019 (2018: HKD0.1155) over the closing market price of the Unit of HKD1.60 on 31 December 2019 (2018: HKD1.72 on 31 December 2018).

5. Net assets attributable to Unitholders per Unit (“**NAV per Unit**”) is calculated by dividing net assets attributable to Unitholders of RMB2,230,080,000 (2018: RMB2,334,110,000) by the total number of Units in issue as at 31 December 2019 of 971,128,484 Units (as at 31 December 2018: 962,464,398 Units).

6. Gearing ratio is calculated based on the total gross borrowings excluding transaction costs over total assets as at the end of the Reporting Period.

KEY FINANCIAL HIGHLIGHTS

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

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

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

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

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

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

FINANCIAL POSITION

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

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

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

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

ASSET ENHANCEMENT

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

NETHERLANDS HOTEL DISPOSAL

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

The gain on disposal was approximately RMB70 million. For further details, please refer to the announcements of New Century REIT dated 16 September 2019, 28 November 2019, 9 December 2019 and 12 February 2020 respectively and the circular of New Century REIT dated 3 October 2019. As a result of the Disposal, the total number of hotel rooms in New Century REIT’s portfolio decreased from 2,582 to 2,375 and total GFA was reduced to 374,586 sq.m.

PLEDGE OF ASSETS

As at 31 December 2019, the Hotel Properties of New Century REIT with an aggregate carrying value of RMB4,612 million (as at 31 December 2018: RMB4,979 million), bank deposits and trade receivables (including trade receivables due from related parties) with an aggregate value of RMB538 million (as at 31 December 2018: RMB286 million), certain corporate guarantees and equity interests of certain subsidiaries were pledged to secure bank loan borrowings with an aggregate principal amount of RMB2,144 million (as at 31 December 2018: RMB2,223 million). For details, please refer to Notes 11, 13, 14(b), 17 and 24(a) of the Notes to the Consolidated Financial Statements.

EMPLOYEES

New Century REIT is managed by the REIT Manager and DB Trustees (Hong Kong) Limited (the “**Trustee**”). By contracting out such services, New Century REIT, through its subsidiaries, had three employees in its own right as at 31 December 2019 (as at 31 December 2018: three employees) and such costs are reimbursed by the REIT Manager.

New Century REIT provides competitive salary packages and bonuses for its employees, as well as other benefits, including participation in retirement schemes, medical insurance schemes, accident insurance schemes, unemployment insurance schemes, and maternity insurance schemes. The salary levels are regularly reviewed against market standards.

FOREIGN CURRENCY EXCHANGE RISK AND INTEREST RATE RISK

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

KEY HOTEL OPERATING HIGHLIGHTS

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

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

For the year ended 31 December 2019

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

Notes:

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

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

For the year ended 31 December 2018

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

Notes:

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

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

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

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

For the year ended 31 December 2019

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

Note:

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

For the year ended 31 December 2018

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

Note:

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

KEY HOTEL OPERATIONAL INITIATIVES

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

HOTEL INDUSTRY CONDITIONS

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

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

OUTLOOK

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

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

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

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

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

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

		Year ended 31 December	
	Notes	2019	2018
		RMB'000	RMB'000
Revenue	5	254,881	275,956
Operating expenses	6	(55,135)	(53,860)
Other gains/(losses) – net	8	62,914	(10,245)
Change in fair values of investment properties	11	(120,094)	83,759
Operating profit		142,566	295,610
Finance income	9	4,913	14,770
Finance costs	9	(155,379)	(192,432)
Finance costs – net		(150,466)	(177,662)
(Loss)/profit before taxation and transactions with unitholders		(7,900)	117,948
Income tax expense	10	(28,784)	(92,259)
(Loss)/profit after taxation for the year, before transactions with unitholders		(36,684)	25,689
(Loss)/profit attributable to unitholders		(37,502)	24,258
Profit attributable to non-controlling interests		818	1,431
		(36,684)	25,689

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

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

Notes:

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

		As at 31 December	
	Notes	2019	2018
		RMB'000	RMB'000
Non-current assets			
Investment properties	11	4,612,000	4,979,073
Goodwill	12	7,987	7,987
Other long-term assets		13,036	–
		<u>4,633,023</u>	<u>4,987,060</u>
Current assets			
Trade and other receivables and prepayments	13	7,531	17,703
Amounts due from related parties	24(a)	30,836	22,534
Derivative financial instruments	16	6,497	14,223
Restricted cash	14	504,978	261,741
Cash and cash equivalents	14	194,062	332,373
		<u>743,904</u>	<u>648,574</u>
Total Assets		<u><u>5,376,927</u></u>	<u><u>5,635,634</u></u>
Current liabilities			
Trade and other payables	15	46,605	38,057
Amounts due to related parties	24(b)	56,702	58,020
Current income tax liabilities		14,641	29,050
Derivative financial instruments	16	–	8
Deferred income		2,741	3,147
Borrowings	17	294,434	2,096,048
		<u>415,123</u>	<u>2,224,330</u>
Net current assets/(liabilities)		<u><u>328,781</u></u>	<u><u>(1,575,756)</u></u>
Total assets less current liabilities		<u><u>4,961,804</u></u>	<u><u>3,411,304</u></u>

		As at 31 December	
	<i>Notes</i>	2019	2018
		<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities, other than net assets attributable to unitholders			
Borrowings	17	1,805,789	113,787
Deferred income tax liabilities	18	896,462	929,159
		<u>2,702,251</u>	<u>1,042,946</u>
Total liabilities, excluding net assets attributable to unitholders			
		<u>3,117,374</u>	<u>3,267,276</u>
Non-controlling interests			
		<u>29,473</u>	<u>34,248</u>
Net assets attributable to unitholders			
	19	<u>2,230,080</u>	<u>2,334,110</u>
Units in issue ('000)			
	19	<u>971,128</u>	<u>962,464</u>
Net assets attributable to unitholders per unit			
	19	<u>RMB2.2964</u>	<u>RMB2.4251</u>

CONSOLIDATED DISTRIBUTION STATEMENT

For the year ended 31 December 2019

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
(Loss)/profit attributable to unitholders	(37,502)	24,258
Adjustments for the total distributable income:		
– Unrealised net foreign exchange losses	32,848	87,793
– Deferred taxation in respect of investment properties and tax losses attributable to unitholders	(15,467)	36,503
– Amortisation of transaction costs of the bank borrowings	28,531	23,347
– REIT Manager fee payable in units in lieu of cash	12,301	13,161
– Fair value losses on outstanding derivative financial instruments	7,718	8,151
– Fair value change on investment properties attributable to unitholders	119,055	(84,168)
– Gain on disposal of a subsidiary (<i>Note 21</i>)	(69,653)	–
– Gains on waived account payable balances	–	(767)
– Accumulated realised foreign exchange losses on the bank borrowings which were repaid during the year (<i>v</i>)	(8,954)	–
– Accumulated realised fair value losses upon the settlement of derivative financial instruments (<i>v</i>)	–	(57,303)
	<hr/>	<hr/>
Total distributable income for the year (<i>i</i>)	68,877	50,975
	<hr/> <hr/>	<hr/> <hr/>
Interim distribution period		
Interim distributable income/(adjusted loss)	37,584	(5,127)
Pay-out ratio (<i>ii</i>)	90%	90%
Distributable income for interim period	33,826	–
Add: Special Distribution for interim period (<i>iii</i>)	–	50,000
	<hr/>	<hr/>
Total distribution for interim period	33,826	50,000
	<hr/> <hr/>	<hr/> <hr/>
Final distribution period		
Total distributable income for the year	68,877	50,975
Less: total distributable income for interim period	(37,584)	–
	<hr/>	<hr/>
Distributable income for second half year	31,293	50,975
	<hr/> <hr/>	<hr/> <hr/>

	Year ended 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Pay-out ratio <i>(ii)</i>	90%	90%
Distributable income declared and to be paid for second half year	28,163	45,878
Total distribution declared for second half year	<u>28,163</u>	<u>45,878</u>
Distribution per unit <i>(RMB)</i> <i>(iv)</i>		
– Interim distribution per unit	RMB0.0350	RMB0.0522
– Final distribution per unit	RMB0.0290	RMB0.0477
	<u>RMB0.0640</u>	<u>RMB0.0999</u>

Notes:

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

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

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

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

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

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

For the year ended 31 December 2019

	<i>Notes</i>	Net assets attributable to unitholders <i>RMB'000</i>	Non-controlling interests <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2018		2,404,023	32,817	2,436,840
Profit for the year		24,258	1,431	25,689
Issuance of new units	<i>19</i>	6,449	–	6,449
Distributions paid to unitholders	<i>19</i>	(101,269)	–	(101,269)
Exchange gains on translation of financial statements	<i>19</i>	649	–	649
		<hr/>	<hr/>	<hr/>
As at 31 December 2018		<u>2,334,110</u>	<u>34,248</u>	<u>2,368,358</u>
As at 1 January 2019		2,334,110	34,248	2,368,358
(Loss)/profit for the year		(37,502)	818	(36,684)
Issuance of new units	<i>19</i>	12,914	–	12,914
Units bought back for cancellation	<i>19</i>	(415)	–	(415)
Distributions paid to unitholders	<i>19</i>	(79,704)	–	(79,704)
Dividends declared to non-controlling interests		–	(5,593)	(5,593)
Exchange gains on translation of financial statements	<i>19</i>	677	–	677
		<hr/>	<hr/>	<hr/>
As at 31 December 2019		<u>2,230,080</u>	<u>29,473</u>	<u>2,259,553</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

		Year ended 31 December	
	Notes	2019	2018
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations	22	200,936	232,725
Interest paid		(87,325)	(73,732)
Income tax paid		(53,208)	(52,598)
Net cash generated from operating activities		60,403	106,395
Cash flows from investing activities			
Additions of investment properties		(2,735)	(3,465)
Net cash inflow from disposal of a subsidiary	21	280,769	–
Net cash generated from/(used in) investing activities		278,034	(3,465)
Cash flows from financing activities			
Changes of restricted cash pledged for borrowings	14	(243,237)	(106,224)
Interest received from restricted cash		8,249	–
Proceeds from bank borrowings		2,058,928	134,689
Repayment of bank borrowings		(2,226,215)	(5,908)
Net proceeds from issuance of units	19	12,914	6,449
Distributions paid to unitholders	19	(79,704)	(101,269)
Dividends paid to non-controlling interests		(4,441)	(104)
Units bought back for cancellation	19	(415)	–
Settlement of capped forward foreign exchange contracts		–	(60,608)
Payment of other financing costs		(6,175)	(4,050)
Net cash used in financing activities		(480,096)	(137,025)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of the year	14	332,373	360,826
Exchange gains on cash and cash equivalents		3,348	5,642
Cash and cash equivalents at end of the year	14	194,062	332,373

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1 GENERAL INFORMATION

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors of the REIT Manager to exercise their judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

(i) New and amended standards adopted by the Group

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

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

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

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

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

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Estimation of fair value of investment properties

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

(b) Current income taxes and deferred tax

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

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

4 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-marker, which has been identified as the senior executive management, in order to allocate resources to segments and to assess their performance.

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

5 REVENUE

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

- (a) For the year ended 31 December 2019, the rental income received from all hotel properties, including New Century Grand Hotel Hangzhou (杭州開元名都大酒店), New Century Hotel Xiaoshan Zhejiang (浙江開元蕭山賓館), New Century Grand Hotel Ningbo (寧波開元名都大酒店), New Century Grand Hotel Changchun (長春開元名都大酒店) and New Century Resort Qiandao Lake Hangzhou (杭州千島湖開元度假村) (collectively, the “**Initial Hotel Properties**”), New Century Grand Hotel Kaifeng (開封開元名都大酒店, the “**Kaifeng Hotel**”) and Holiday Inn Eindhoven (the “**Netherlands Hotel**”) of RMB227,847,000 was derived from the minimum Base Rent of RMB236,366,000 less value-added taxes of RMB8,519,000.

The rental income of the Netherlands Hotel represented the pro-rata Base Rent for the period from 1 January 2019 to 28 November 2019, being the disposal date of New Century Netherlands I B.V. which owns the Netherlands Hotel (“**Disposal Date**”) (Note 21).

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

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

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

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

6 OPERATING EXPENSES

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
REIT Manager fee (Notes 7)	24,603	26,321
Urban real estate and land use tax	17,910	18,981
Legal and other professional fees	5,586	1,922
Business and other taxes, surcharges and stamp duty	2,244	2,346
Auditors' remuneration	1,758	1,763
Trustee fee	1,066	1,127
Valuation fees	565	597
Maintenance and repairs	559	–
Miscellaneous	844	803
	<hr/>	<hr/>
Total operating expenses	55,135	53,860

7 REIT MANAGER FEE

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

Pursuant to the Trust Deed, the REIT Manager is entitled to receive remuneration for its services as manager of New Century REIT, which is the aggregate of:

- a base fee (the “**Base Fee**”) of 0.3% per annum of the value of the deposited property as at each balance sheet date. Pursuant to the Trust Deed, the deposited property represents all the assets of New Century REIT, including all its authorised investments, for the time being and from time to time held or deemed to be held (including but not limited to through special purpose vehicles) upon the trusts of the Trust Deed and any interest arising on subscription monies from the issuance of units; and
- a variable fee (the “**Variable Fee**”) of 4% per annum of net property income, which is defined in the Trust Deed for each of the year.

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

A divestment fee (the “**Divestment Fee**”) is calculated by 0.5% of the sales price of any real estate disposed by New Century REIT. In 2019, Divestment Fee with a total amount of RMB1,537,000 has been paid to the REIT Manager in form of cash (Note 21).

8 OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Gain on disposal of a subsidiary (<i>Note 21</i>)	69,653	–
Government grants (<i>a</i>)	2,439	881
Unrealised fair value losses on derivative financial instruments (<i>Note 16</i>)	(7,718)	(8,151)
Net realised foreign exchange losses	(205)	–
Net unrealised foreign exchange gains	13	–
Fair value losses on settlement of capped forward foreign exchange contracts	–	(3,305)
Gains on waived account payable balances	–	767
Others	(1,268)	(437)
	<u>62,914</u>	<u>(10,245)</u>

(a) Government grants

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

9 FINANCE COSTS – NET

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

10 INCOME TAX EXPENSE

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Current income tax		
– Corporate income tax	39,979	56,622
Deferred income tax		
– Corporate income tax (<i>Note 18</i>)	<u>(11,195)</u>	<u>35,637</u>
Tax charge	<u>28,784</u>	<u>92,259</u>

11 INVESTMENT PROPERTIES

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

The investment properties of the Group are located in China and the Netherlands. The investment properties located in China are held on land use rights of 35 to 40 years and the investment property located in the Netherlands is with freehold interest. In 2019, the Group disposed the investment property located in the Netherlands (Note 21).

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At fair value		
Opening balance	4,979,073	4,890,598
Fair value (losses)/gains (a)	(120,094)	83,759
Additions	2,172	3,391
Exchange differences recognised in other comprehensive income	–	1,325
Exchange differences recognised in the consolidated income statement	(3,616)	–
Disposal of a subsidiary (Note 21)	(245,535)	–
	<hr/>	<hr/>
Closing balance	4,612,000	4,979,073
	<hr/> <hr/>	<hr/> <hr/>

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

As at 31 December 2019, bank borrowings are secured by the Initial Hotel Properties and the Kaifeng Hotel with the total carrying amount of RMB4,612,000,000 (2018: secured by Initial Hotel Properties, the Kaifeng Hotel and the Netherlands Hotel with a total carrying amount of RMB4,979,073,000) (Note 17).

12 GOODWILL

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

Impairment tests for goodwill

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

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

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

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

13 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

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

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

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

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

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

As at 31 December 2019 and 2018, all trade receivables were pledged as collateral for the Group's bank borrowings (Note 17).

14 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

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

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

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

(a) All cash at bank are deposits with original maturity within 3 months. The Group earns interest on cash at bank, including restricted cash, at floating bank deposit rates.

(b) Restricted cash represents guarantee deposits held in reserve accounts and bank deposits to the banks as security deposits under loan facilities (Note 17).

15 TRADE AND OTHER PAYABLES

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

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

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

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

16 DERIVATIVE FINANCIAL INSTRUMENTS

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

The Group has entered into various derivative financial instruments including interest rate swaps and interest rate cap with commercial banks. Nevertheless, they were not accounted for as hedging instruments as the conditions for hedge accounting were not met for the years ended 31 December 2019 and 2018. Gains and losses arising from the fair value change and the settlement of these derivative financial instruments were recognised in the consolidated income statement in “Other gains/(losses) – net” (Note 8).

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

17 **BORROWINGS**

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

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

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

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	6 months or less RMB'000	Between 6 and 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
As at 31 December 2019	<u>243,445</u>	<u>50,989</u>	<u>1,805,789</u>	<u>2,100,223</u>
As at 31 December 2018	<u>453,038</u>	<u>1,756,797</u>	–	<u>2,209,835</u>

The maturity of borrowings is as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
On demand or within 1 year	294,434	2,096,048
Between 1 and 2 years	55,759	–
Between 2 and 3 years	1,750,030	113,787
	<u>2,100,223</u>	<u>2,209,835</u>

The weighted average effective interest rates during the years ended 31 December 2019 and 2018 were as follows:

	Year ended 31 December	
	2019	2018
Borrowings – current		
– USD	3.95%	4.69%
– HKD	3.90%	–
– RMB	–	6.10%
	<u>–</u>	<u>6.10%</u>
Borrowings – non-current		
– HKD	6.22%	–
– RMB	6.25%	–
– EUR	3.79%	3.13%
	<u>3.79%</u>	<u>3.13%</u>

The fair values of current borrowings equal their carrying amounts as the discounting impact is not significant.

The carrying amounts and fair values of the non-current borrowings are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Carrying amounts		
Bank borrowings	<u>1,805,789</u>	<u>113,787</u>
Fair values		
Bank borrowings	<u>1,782,192</u>	<u>111,166</u>

The fair values are based on cash flows discounted using the market interest rates prevailing at each balance sheet date and are within level 2 of the fair value hierarchy.

(a) Bank borrowings – secured

As at 31 December 2019, the bank borrowings of RMB241,861,000 (As at 31 December 2018: RMB199,033,000) were secured by bank deposits of RMB262,500,000 (As at 31 December 2018: RMB203,010,000) (Note 14).

As at 31 December 2019, the bank borrowings of RMB1,902,465,000 were secured and guaranteed by the following:

- Secured by investment properties (Note 11), the guaranteed deposits (Note 14) and trade receivables (Notes 13 and 24(a)) (As at 31 December 2018: same as at 31 December 2019);
- Secured by equity interest of Zhejiang New Century Hotel Investment & Management Group Limited, (“**Zhejiang New Century Hotel**”), 浙江銳至投資股份有限公司 (Zhejiang Spearhead Investment Limited), 寧波開元銳至投資有限公司 (Ningbo New Century Spearhead Investment Limited), 長春開元銳至投資管理有限公司 (Changchun New Century Spearhead Investment and Management Limited), 淳安千島湖開元銳至投資有限公司 (Chun’an Qiandao Lake New Century Spearhead Investment Limited), 開封開元名都大酒店有限公司 (Kaifeng New Century Grand Hotel Limited), Spearhead Global Limited, Spearhead Investments Limited and Sky Town Investments Limited, subsidiaries of the Group (As at 31 December 2018: same as at 31 December 2019 plus the equity interest of New Century Netherlands I B.V.);
- Guaranteed by Zhejiang New Century Hotel, Spearhead Investments Limited and Sky Town Investments Limited, subsidiaries of the Group (As at 31 December 2018: same as at 31 December 2019 plus by New Century Europe I S.à.r.l.).

The Group had the following undrawn bank borrowing facilities:

	As at 31 December	
	2019	2018
	RMB’000	RMB’000
USD facilities – expiring beyond one year	<u>–</u>	<u>487,287</u>
HKD/USD facilities – expiring beyond one year	<u>456,848</u>	<u>–</u>

In April 2019, the Group entered into a new HKD/USD revolving loan facility, pursuant to which the Group obtained an offshore revolving loan facility of HKD780,000,000 or its equivalent in USD with a period of 3 years (“**New Revolving Loan Facility**”) to replace the original USD revolving loan facility. As at 31 December 2019, HKD270,000,000 (equivalent to RMB241,861,000) of this New Revolving Loan Facility had been drawn down.

18 DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITIES

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

	As at 31 December	
	2019	2018
	RMB’000	RMB’000
Deferred income tax liabilities:		
– to be recovered after more than 12 months	891,653	928,915
– to be recovered within 12 months	<u>4,809</u>	<u>244</u>
	<u>896,462</u>	<u>929,159</u>

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

	Year ended 31 December	
	2019	2018
	RMB'000	<i>RMB'000</i>
Opening balance	929,159	899,059
(Credited)/charged to the consolidated income statement (<i>Note 10</i>)	(11,195)	35,637
Disposal of a subsidiary (<i>Note 21</i>)	(21,208)	–
Charged to other comprehensive income – exchange reserve	–	88
Credited to the consolidated income statement – exchange reserve	(294)	–
Payment during the year	–	(5,625)
	<hr/>	<hr/>
Closing balance	896,462	929,159
	<hr/> <hr/>	<hr/> <hr/>

Movements in deferred income tax assets and liabilities during the years ended 31 December 2019 and 2018, without taking into consideration the offsetting of balance within the same tax jurisdiction, are as follows:

Deferred income tax assets	Tax losses	Deferred	Derivative	Total
	RMB'000	Income	financial	RMB'000
	RMB'000	RMB'000	instruments	RMB'000
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2017	1,131	888	28	2,047
Charged to the consolidated income statement	(385)	(102)	(26)	(513)
Credited to other comprehensive income – exchange reserve	5	–	–	5
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 December 2018	751	786	2	1,539
Charged to the consolidated income statement	(417)	(100)	(2)	(519)
Disposal of a subsidiary	(273)	–	–	(273)
Charged to the consolidated income statement – exchange reserve	(61)	–	–	(61)
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 December 2019	–	686	–	686
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Deferred income tax liabilities	Difference between tax book and accounting book in respect of investment properties RMB'000	Amortisation of transaction costs of the bank borrowings RMB'000	Withholding tax in respect of unremitted earnings of subsidiaries RMB'000	Others RMB'000	Total RMB'000
As at 31 December 2017	893,619	776	5,625	1,086	901,106
Charged/(credited) to the consolidated income statement	36,045	(446)	–	(475)	35,124
Payment during the year	–	–	(5,625)	–	(5,625)
Charged to other comprehensive income – exchange reserve	92	1	–	–	93
As at 31 December 2018	929,756	331	–	611	930,698
(Credited)/charged to the consolidated income statement	(16,114)	184	4,140	76	(11,714)
Disposal of a subsidiary	(21,481)	–	–	–	(21,481)
Credited to the consolidated income statement – exchange reserve	(354)	(1)	–	–	(355)
As at 31 December 2019	891,807	514	4,140	687	897,148

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB6,539,000 (2018: RMB6,075,000) in respect of losses amounting to RMB26,754,000 (2018: RMB24,343,000) that can be carried forward against future taxable income. The negative impact of tax rate change on the recognised deferred income tax assets for tax losses was RMB232,000 (2018: RMB684,000).

19 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	Number of units	Net assets attributable to unitholders RMB'000
Year ended 31 December 2018		
Opening balance	958,500,829	2,404,023
Issuance of new units (a)	3,963,569	6,449
Profit for the year	–	24,258
Distributions paid to unitholders during the year (e)	–	(101,269)
Other comprehensive income – exchange reserve	–	649
As at 31 December 2018	962,464,398	2,334,110
Year ended 31 December 2019		
Opening balance	962,464,398	2,334,110
Issuance of new units (b)	8,957,086	12,914
Units bought back for cancellation (c)	(293,000)	(415)
Loss for the year	–	(37,502)
Distributions paid to unitholders during the year (f)	–	(79,704)
Other comprehensive income – exchange reserve	–	677
As at 31 December 2019	971,128,484	2,230,080

- (a) New Century REIT issued 3,963,569 units during the year ended 31 December 2018:

On 28 September 2018, 3,963,569 units were issued to the REIT Manager at an issue price of HKD1.8581 per unit (equivalent to RMB6,449,000) as payment of 50% of the REIT Manager fee for the six months ended 30 June 2018;

- (b) New Century REIT issued 8,957,086 units during the year ended 31 December 2019:

On 24 May 2019, 4,470,745 units were issued to the REIT Manager at an issue price of HKD1.7088 per unit (equivalent to RMB6,712,000) as payment of 50% of the REIT Manager fee for the six months ended 31 December 2018;

On 27 September 2019, 4,486,341 units were issued to the REIT Manager at an issue price of HKD1.5315 per unit (equivalent to RMB6,202,000) as payment of 50% of the REIT Manager fee for the six months ended 30 June 2019;

- (c) From August to November 2019, New Century REIT had repurchased and cancelled a total of 293,000 units on The Stock Exchange of Hong Kong Limited at the prevailing market price with the aggregate consideration of HKD461,000 (equivalent to RMB415,000). Details of the units bought back during the year ended 31 December 2019 were as follows:

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

All units bought back were cancelled during the year ended 31 December 2019.

- (d) As at 31 December 2019, the net assets attributable to unitholders per unit of RMB2.2964 is calculated by dividing the net assets attributable to unitholders of RMB2,230,080,000 by the number of units in issue of 971,128,484 (2018: the net assets attributable to unitholders per unit of RMB2.4251 is calculated by dividing the net assets attributable to unitholders of RMB2,334,110,000 by the number of units in issue of 962,464,398).
- (e) The distributions with amount of RMB101,269,000 paid during the year ended 31 December 2018 comprises:
- Final distribution for the period from 1 July 2017 to 31 December 2017 with a total amount of RMB51,269,000, which was paid to unitholders on 25 May 2018; and
 - Interim distribution (including special distribution) for the period from 1 January 2018 to 30 June 2018 with a total amount of RMB50,000,000 which was paid to unitholders on 28 September 2018.

- (f) The distributions with amount of RMB79,704,000 paid during the year ended 31 December 2019 comprises:
- Final distribution for the period from 1 July 2018 to 31 December 2018 with a total amount of RMB45,878,000, which was paid to unitholders on 24 May 2019; and
 - Interim distribution for the period from 1 January 2019 to 30 June 2019 with a total amount of RMB33,826,000 which was paid to unitholders on 27 September 2019.

20 (LOSS)/EARNINGS PER UNIT BASED UPON (LOSS)/PROFIT AFTER INCOME TAX BEFORE TRANSACTIONS WITH UNITHOLDERS ATTRIBUTABLE TO UNITHOLDERS

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

	Year ended 31 December	
	2019	2018
(Loss)/profit after income tax before transactions with unitholders attributable to unitholders (<i>RMB'000</i>)	<u>(37,502)</u>	<u>24,258</u>
Weighted average number of units in issue (<i>'000</i>)	<u>966,318</u>	<u>959,532</u>
Basic (loss)/earnings per unit (<i>RMB</i>)	<u>(0.0388)</u>	<u>0.0253</u>

The diluted (loss)/earnings per unit is same as the basic (loss)/earnings per unit as there were no diluted instruments in issue during the years ended 31 December 2019 and 2018.

21 DISPOSAL OF A SUBSIDIARY

On 28 November 2019, New Century REIT disposed of the entire registered capital of New Century Netherlands I B.V. (the “**Disposal Company**”), which owns the Netherlands Hotel. The difference between the carrying value of net assets disposed of and the total consideration in relation to the disposal was included in “Other gains/(losses) – net” (Note 8) of the consolidated income statement for the year ended 31 December 2019.

The expenses incurred directly related to the disposal of RMB13,263,000 (the “**Disposal Cost**”), among which comprises divestment fee to the REIT Manager and the Trustee with amounts of RMB1,537,000 and RMB72,000 respectively and the valuation fee to Cushman & Wakefield Limited of RMB51,000, were netted against the total cash consideration for the disposal.

The following table summarises the carrying value of net assets disposed of at the Disposal Date and the consideration received, as well as the net cash flow arising from the disposal (using the exchange rate of EUR vs RMB as at the completion date: 7.7334).

	Carrying value RMB'000
Net assets of the Disposal Company at the Disposal Date	
Investment property (<i>Note 11</i>)	245,535
Trade and other receivables and prepayments	492
Cash and cash equivalents	2,392
Amounts due to related parties	(505)
Current income tax liabilities	(494)
Trade and other payables	(1,993)
Loan due to related parties (<i>i</i>)	(148,675)
Deferred income tax liabilities (<i>Note 18</i>)	(21,208)
	<hr/>
Net assets disposed	75,544
	<hr/> <hr/>
Total consideration for the disposal	158,619
Less: Disposal Cost	(13,263)
	<hr/>
Net consideration for the disposal	145,356
Less: net assets disposed	(75,544)
Less: accumulated realised exchange differences on translation of financial statements	(159)
	<hr/>
Gain on disposal of a subsidiary (<i>Note 8</i>)	69,653
	<hr/> <hr/>
Net cash inflow arising on the disposal:	
Net consideration for the disposal	145,356
Settlement of loan and amounts due to related parties by the buyer	149,180
Add: excess payment repayable from the buyer	225
	<hr/>
Subtotal	294,761
Less: escrow deposit	(11,600)
Cash and cash equivalents in the Disposal Company	(2,392)
	<hr/>
Total	280,769
	<hr/> <hr/>

The Disposal Company was acquired by New Century REIT on 8 August 2016, on which the fair value of the investment property held by the Disposal Company was amounted to RMB195,668,000. The accumulated fair value gains of investment property of RMB53,405,000, and the related deferred tax liabilities of RMB19,281,000 for the prior years were added back and then deducted the same in the consolidated distribution statement for the year ended 31 December 2019 as pursuant to the Trust Deed, the realised gain on the disposal of properties of New Century REIT should be adjusted from the consolidated distribution statement. As a result, no such items were included in the total distributable income for the year ended 31 December 2019.

- (i) It represented an intercompany loan due to Spearhead Global Limited with an outstanding principal of EUR19,225,000 (equivalent to RMB148,675,000) at an interest rate of 2.90% per annum. The related interest payables on the Disposal Date was EUR43,000 (equivalent to RMB331,000). All were settled upon disposal by the buyer.

22 CASH FLOWS INFORMATION

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

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
(Loss)/profit before taxation and transactions with unitholders	(7,900)	117,948
Adjustments for:		
– Fair value changes on investment properties (<i>Note 11</i>)	120,094	(83,759)
– Interest expenses on bank borrowings (<i>Note 9</i>)	85,710	78,160
– Unrealised net foreign exchange losses (<i>Note 8 and 9</i>)	32,848	87,793
– Amortisation of transaction costs of bank borrowings (<i>Note 9</i>)	28,531	23,347
– Fair value losses on derivative financial instruments (<i>Note 8</i>)	7,718	8,151
– Realised net foreign exchange losses on financing activities (<i>Note 9</i>)	5,003	1,395
– Other financing costs (<i>Note 9</i>)	3,274	1,737
– Fair value losses on the settlement of capped forward foreign exchange contracts (<i>Note 8</i>)	–	3,305
– Gains on waived account payable balances (<i>Note 8</i>)	–	(767)
– Realised exchange reserves related to the disposal of a subsidiary (<i>Note 21</i>)	(159)	–
– Amortisation of deferred income	(406)	(406)
– Interest income on restricted cash	(2,879)	(7,589)
– Gain on disposal of a subsidiary (<i>Note 8</i>)	(69,653)	–
	202,181	229,315
Changes in working capital:		
– Decrease in trade and other receivables and prepayments	2,037	1,670
– Increase in trade and other payables	6,327	2,455
– Increase in amounts due from related parties	(8,302)	(474)
– Decrease in amounts due to related parties	(1,307)	(241)
	200,936	232,725

23 COMMITMENTS

Capital commitments

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
In respect of investment properties, contracted but not provided for	<u>2,462</u>	<u>185</u>

24 BALANCES WITH CONNECTED/RELATED PARTIES

(a) Amount due from related parties

Trade receivables due from:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
The Hotel Group (i)	28,689	21,148
New Century Grand Hotel Kaifeng Business Company Limited (i)	<u>2,113</u>	<u>1,351</u>
	<u>30,802</u>	<u>22,499</u>

- (i) As at 31 December 2019 and 2018, all the trade receivables due from related parties were pledged as collateral for the Group's bank borrowings (Note 17).

Other receivables due from:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
The REIT Manager	<u>34</u>	<u>35</u>

(b) **Amount due to related parties**

Other payables due to:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
New Century Grand Hotel Kaifeng Business Company Limited	22,000	22,000
The Hotel Group	21,026	21,028
The REIT Manager	12,200	13,424
New Century Tourism Group Limited	466	466
Hangzhou New Century Real Estate Group Limited	434	434
Hangzhou New Century Senbo Tourism Investment Limited	67	67
Hangzhou New Century Decorating Limited	31	31
Hangzhou New Century Zhijiang Cleaning Chain Limited	–	34
	<hr/>	<hr/>
Subtotal of other payables due to related parties	56,224	57,484
The Trustee (ii)	530	582
Cushman & Wakefield Limited (ii)	268	–
Savills (ii)	–	340
	<hr/>	<hr/>
	57,022	58,406
	<hr/> <hr/>	<hr/> <hr/>

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

Advances from customers:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
The Hotel Group	155	163
New Century Tourism Group Limited	148	167
Hangzhou New Century Real Estate Group Limited	138	155
Hangzhou New Century Senbo Tourism Investment Limited	27	30
Hangzhou New Century Decorating Limited	10	10
Hangzhou New Century Zhijiang Cleaning Chain Limited	–	11
	<hr/>	<hr/>
	478	536
	<hr/> <hr/>	<hr/> <hr/>

25 NON-CANCELLABLE OPERATING LEASES

As at 31 December 2019 and 2018, the Group has future minimum rental receivables under non-cancellable leases as follow:

	As at 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year (a)	236,544	256,313
Between one year and five years	577,301	818,610
Over five years	33,727	244,172
	<u>847,572</u>	<u>1,319,095</u>

- (a) In December 2019, Zhejiang New Century Hotel as the Lessor and the Zhejiang New Century Hotel Management Limited as the Lessee had jointly appointed Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd. to determine the Market Base Rent of the Initial Hotel Properties for the 8th lease year from 10 July 2020 to 9 July 2021 (the “Lease Year of 2020”). According to the valuer’s report, the Market Base Rent for the Lease Year of 2020 is RMB200,000,000 which is same as the Lease Year of 2019 (being the lease period from 10 July 2019 to 9 July 2020). Other terms of the lease agreements, including but not limited to the calculation of the individual rent and security deposit, remains unchanged.

26 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

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

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

CORPORATE GOVERNANCE

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

During the year ended 31 December 2019, both the REIT Manager and New Century REIT have in material terms complied with the provisions of the Code on Real Estate Investment Trusts (the “**REIT Code**”), the relevant provisions of the Securities and Futures Ordinance (the “**SFO**”), the relevant provisions of the Listing Rules applicable to New Century REIT, the Trust Deed and the Compliance Manual.

ISSUE OF NEW UNITS

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

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

PUBLIC FLOAT OF THE UNITS

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

BUY-BACK, SALE OR REDEMPTION OF UNITS

During the year ended 31 December 2019, the REIT Manager (on behalf of New Century REIT) bought-back and cancelled 293,000 Units. The details of such buy-back are set out in Note 19 of the Notes to the Consolidated Financial Statements.

Save as disclosed above, there was no buy-back, sale or redemption of the Units by the REIT Manager on behalf of New Century REIT or any of the special purpose vehicles that are owned and controlled by New Century REIT.

CLOSURE OF REGISTER OF UNITHOLDERS FOR FINAL DISTRIBUTION

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

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

CLOSURE OF THE REGISTER OF UNITHOLDERS FOR ANNUAL GENERAL MEETING

The record date for the annual general meeting will be on 3 June 2020, Wednesday. The Register of Unitholders will be closed from 29 May 2020, Friday, to 3 June 2020, Wednesday, both days inclusive, during which period no transfer of units will be effected.

In order to qualify to attend and vote at the annual general meeting, all properly completed transfer forms (accompanied by the relevant unit certificates) must be lodged for registration with New Century REIT’s Unit Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on 28 May 2020, Thursday.

ANNUAL GENERAL MEETING

An annual general meeting of New Century REIT will be convened on 3 June 2020, Wednesday. Notice convening the meeting will be issued to the Unitholders in accordance with the requirements of the REIT Code, the Listing Rules, the Trust Deed and other applicable requirements.

REVIEW OF ANNUAL RESULTS

The Group’s consolidated financial statements for the Reporting Period have been reviewed by the Audit Committee and the Disclosures Committee of the REIT Manager, in conjunction with the external auditor of New Century REIT, PricewaterhouseCoopers.

ISSUANCE OF ANNUAL REPORT

The annual report of New Century REIT for the year ended 31 December 2019 is expected to be despatched to Unitholders on or about 29 April 2020.

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, 24 March 2020

As at the date of this announcement, the executive Director of the REIT Manager is Ms. Ho Wai Chu, 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.