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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**

ANNOUNCEMENT

- (1) CONNECTED PARTY TRANSACTIONS – LOAN FACILITY
GRANTED BY NEW CENTURY TOURISM AND HUGE HARVEST;
AND
(2) REFINANCING OF EXISTING BANK LOAN FACILITIES**

THE CONNECTED LOAN FACILITIES AND REFINANCING OF EXISTING BANK LOAN FACILITIES

The Board announces that on 6 July 2020, New Century REIT Group has, through Zhejiang New Century and Spearhead Global respectively, entered into the New Century Tourism Loan Facility (with an aggregate commitment amount of RMB788.1 million) and the Huge Harvest Loan Facility (with an aggregate commitment amount of RMB100 million). The New Century Tourism Loan Facility will serve as a short-term bridge loan facility to facilitate a capital reduction of Zhejiang New Century for remittance of funds offshore and also part repayment of existing indebtedness; whereas the Huge Harvest Loan Facility will be used for repayment of existing indebtedness and working capital by New Century REIT Group in case of any shortfall in short term funds.

New Century REIT Group will also undergo a refinancing of its Original Bank Facilities (with an aggregate original commitment amount of approximately RMB1,940.1 million) by entering into the New Third Party Loan Facilities in order for it to take advantage of the lowered interest rate offered by the financial institutions. As at the date of this announcement, the outstanding amount of borrowings under the Original Bank Facilities are approximately RMB1,883.3 million. The Refinancing Plan will allow New Century REIT Group to (i) lower its overall interest payment obligations, (ii) lower its onshore and offshore borrowings interest rates, and (iii) reduce its foreign exchange exposure (given that all of its new borrowings will be denominated in RMB and all of New Century REIT Group's income is denominated in RMB).

IMPLICATIONS UNDER THE REIT CODE

Huge Harvest has an effective interest in more than 10% of the Units and therefore is a significant holder and a connected person (within the meaning ascribed to it under the REIT Code) of New Century REIT. In addition, New Century Tourism is an associated company of Huge Harvest. Accordingly, the transactions under the Connected Loan Facilities constitute connected party transactions under the REIT Code.

Application has been made to the SFC for a waiver from strict compliance with certain connected party transaction requirements under Chapter 8 of the REIT Code in respect of the Connected Loan Facilities on the basis that the Connected Loan Facilities are unsecured and on normal commercial terms or better, and such waiver has been granted by the SFC on terms as set out in this announcement.

Somerley Capital Limited has been appointed as the Independent Financial Adviser by the REIT Manager to advise the Board (including all the independent non-executive Directors) and the Trustee on the Connected Loan Facilities. The Independent Financial Adviser confirms that it is of the view that the financial assistance provided by (i) New Century Tourism to Zhejiang New Century and (ii) Huge Harvest to Spearhead Global pursuant to the Connected Loan Facilities are conducted on normal commercial terms or better.

Having taken into account the opinion of the Independent Financial Adviser, together with the principal factors taken into consideration, and assumptions and qualifications in arriving at such opinion, the Board (including all independent non-executive Directors) is also satisfied that the transactions as contemplated under the Connected Loan Facilities are as a whole, are carried out at arm's length, on normal commercial terms or better, are fair and reasonable, and are in the best interests of New Century REIT and its Unitholders as a whole.

Based on the opinion of the Board, the information and confirmations given by the REIT Manager to the Trustee and the opinion of the Independent Financial Adviser (and having taken into account its duties under the Trust Deed and the REIT Code), the Trustee has also confirmed that it has no objection for the REIT Manager to proceed with the transactions as contemplated under the Connected Loan Facilities.

THE CONNECTED LOAN FACILITIES

New Century Tourism Loan Facility

On 6 July 2020, Zhejiang New Century (as defined below), a wholly-owned subsidiary of New Century REIT, entered into the New Century Tourism Loan Facility with New Century Tourism, pursuant to which a loan facility was granted by New Century Tourism to Zhejiang New Century:

- (i) which is unsecured;
- (ii) which has a commitment amount of RMB788.1 million;

- (iii) which has a term until 10 August 2020 or (if earlier) the date on which all amounts outstanding under the Original Bank Facilities (as defined below) are irrevocably and unconditionally paid in full; and
- (iv) at no interest.

Any drawdown under the New Century Tourism Loan Facility should be repaid within ten calendar days of the drawdown date. There are currently no hedging or interest swap arrangements in place pursuant to the New Century Tourism Loan Facility.

It is currently expected that drawdown under the New Century Tourism Loan Facility will be made in early July 2020. The New Century Tourism Loan Facility will serve as a short-term bridge loan facility to facilitate a capital reduction of Zhejiang New Century (as defined below) for remittance of funds offshore and also part repayment of existing indebtedness.

Huge Harvest Loan Facility

On 6 July 2020, Spearhead Global, a wholly-owned subsidiary of New Century REIT, entered into the Huge Harvest Loan Facility with Huge Harvest, pursuant to which a loan facility was granted by Huge Harvest to Spearhead Global:

- (i) which is unsecured;
- (ii) which has a commitment amount of RMB100 million;
- (iii) which has a term until 10 July 2025 or (if earlier) the date on which all amounts outstanding under the New Offshore Loan Facility 1 are irrevocably and unconditionally paid in full; and
- (iv) at an interest rate of 3.4% per annum.

The term and interest rate of the Huge Harvest Loan Facility will be the same as those of the New Offshore Loan Facility 1; however, unlike the New Offshore Loan Facility 1, no security will be granted by New Century REIT Group to Huge Harvest. There are currently no hedging or interest swap arrangements in place pursuant to the Huge Harvest Loan Facility.

It is currently expected that drawdown will be made under the Huge Harvest Loan Facility in early July 2020. The Huge Harvest Loan Facility will be used for repayment of existing indebtedness and working capital by New Century REIT Group in case of any shortfall in short term funds.

No drawdown has been made under the existing HK\$24 million loan facility between Huge Harvest and Strong Tower Global, which will be terminated upon full repayment of all amounts outstanding under the Original Offshore Bank Facility (as defined below).

REASONS FOR AND BENEFITS OF OBTAINING THE CONNECTED LOAN FACILITIES

Refinancing of existing bank loan facilities

On 27 June 2019, Spearhead Global entered into a credit agreement in respect of HK\$1,911 million (equivalent to approximately RMB1,740.1 million) credit facilities with certain financial institutions (“**Original Offshore Bank Facility**”). In addition, on 14 June 2019, Zhejiang New Century Hotel Investment & Management Group Limited (“**Zhejiang New Century**”) and Kaifeng New Century Grand Hotel Limited (“**Kaifeng New Century**”) (both companies of which are wholly-owned and controlled by New Century REIT) also entered into a credit agreement with certain financial institutions in respect of RMB200 million credit facilities (the “**Original Onshore Bank Facility**”, together with the Original Offshore Bank Facility, the “**Original Bank Facilities**”). All of such financial institutions are independent third parties and are not connected persons (as defined in the REIT Code) of New Century REIT. As at the date of this announcement, the outstanding amount of borrowings under the Original Offshore Bank Facility and the Original Onshore Bank Facility are approximately (i) HK\$1,861 million (equivalent to approximately RMB1,694.6 million) and (ii) RMB188.7 million, respectively.

New Century REIT Group will undergo a refinancing of its Original Bank Facilities (the “**Refinancing Plan**”) by entering into certain new third party loan facilities (the “**New Third Party Loan Facilities**”) in order for it to take advantage of the lowered interest rate offered by the financial institutions. The Refinancing Plan will allow New Century REIT Group to (i) lower its overall interest payment obligations, (ii) lower its onshore and offshore borrowings interest rates, and (iii) reduce its foreign exchange exposure (given that all of its new borrowings will be denominated in RMB and all of New Century REIT Group’s income is denominated in RMB).

Use of proceeds and financial impact of the Connected Loan Facilities and New Third Party Loan Facilities

The proceeds of the New Third Party Loan Facilities will be wholly used to repay the facilities under the Original Bank Facilities and/or other existing indebtedness. The proposed terms of the New Third Party Loan Facilities (with an expected approximate aggregate commitment amount of RMB1,900 million) to be entered into shall be as follows:

| New Third Party Loan Facilities | Approximate commitment amount | Interest rate | Term |
|--|---|--|-------------|
| New Onshore Term Loan Facility | Not exceeding RMB900 million in aggregate | Above-5-year loan prime rate (LPR) published by the National Interbank Funding Center on the business day before a drawdown date plus 0.1% | 15 years |
| New Offshore Loan Facility 1 | Not exceeding RMB700 million in aggregate | 3.4% per annum | Five years |
| New Offshore Loan Facility 2 | Not exceeding RMB300 million in aggregate | 3.4% per annum | One year |

As part of the Refinancing Plan, Zhejiang New Century will undergo a capital reduction in order to remit funds offshore (to its holding companies based in Hong Kong) for the repayment of the Original Offshore Bank Facility. To facilitate the capital reduction, RMB700 million (the “**New Century Tourism Loan Initial Disbursement**”) will be drawn down from the New Century Tourism Loan Facility. The REIT Manager confirms that as third-party financial institutions are unable to provide financing to New Century REIT Group for the sole purpose of facilitating a capital reduction, the New Century Tourism Loan Initial Disbursement is the only available avenue of financing to facilitate the capital reduction of Zhejiang New Century for allowing remittance of funds offshore.

Under the Original Onshore Bank Facility, both Zhejiang New Century and Kaifeng New Century were borrowers, whereas Zhejiang New Century will be the sole borrower under the New Onshore Term Loan Facility. The third-party lender under the New Onshore Term Loan Facility is unable to extend a loan for on-lending to Kaifeng New Century for repayment of its portion of the outstanding borrowings under the Original Onshore Bank Facility. As such, Zhejiang New Century will make a further drawdown of RMB88.1 million (the “**New Century Tourism Loan Second Disbursement**”) from the New Century Tourism Loan Facility to make part repayment of the Original Onshore Bank Facility. Subsequently, Zhejiang New Century will drawdown from the New Onshore Term Loan Facility for, among others, full repayment of the New Century Tourism Loan Facility.

As the New Third Party Loan Facilities, together with internal resources of New Century REIT, are insufficient for the full repayment of the Original Offshore Bank Facility and required working capital, New Century REIT Group entered into the Huge Harvest Loan Facility.

A table of comparison between the Original Bank Facilities, the Connected Loan Facilities and the proposed New Third Party Loan Facilities is set out as follows:

| | Outstanding borrowings prior to the Refinancing Plan | Outstanding borrowings upon completion of the Refinancing Plan |
|---------------------------------|--|---|
| Original Offshore Bank Facility | HK\$1,861 million (equivalent to approximately RMB1,694.6 million) | – |
| New Offshore Loan Facility 1 | – | RMB686 million |
| New Offshore Loan Facility 2 | – | RMB176 million |
| Original Onshore Bank Facility | RMB188.7 million | – |
| New Onshore Term Loan Facility | – | RMB900 million |
| Connected Loan Facilities | – | RMB60 million |

Upon completion of the Refinancing Plan, the expected outstanding borrowings under the new offshore loan facilities, the New Onshore Term Loan Facility, and the Connected Loan Facilities shall be approximately (i) RMB862 million, (ii) RMB900 million and (iii) RMB60 million, respectively.

The New Third Party Loan Facilities are expected to be drawn down by around 10 July 2020. Assuming repayment of existing indebtedness, fees and charges, upon completion of the Refinancing Plan, the gearing ratio of New Century REIT will decrease from approximately 40.4% (based on New Century REIT Group's unaudited accounts as at 30 April 2020) to 37.6%, due to an expected decrease in the aggregate amount of New Century REIT Group's borrowings by approximately RMB307 million (upon completion of the Refinancing Plan and as compared to New Century REIT's financial position as at 30 April 2020). The REIT Manager does not expect the loan facilities to have a material impact on the financial position of New Century REIT with respect to the latest published audited annual financial statements of New Century REIT as at 31 December 2019.

IMPLICATIONS UNDER THE REIT CODE

Huge Harvest has an effective interest in more than 10% of the Units and therefore is a significant holder and a connected person (within the meaning ascribed to it under the REIT Code) of New Century REIT. In addition, New Century Tourism is an associated company of Huge Harvest. Accordingly, the transactions under the Connected Loan Facilities constitute connected party transactions under the REIT Code.

Waiver for Connected Party Transactions in respect of the Connected Loan Facilities

Application has been made to the SFC for a waiver from strict compliance with certain connected party transaction requirements under Chapter 8 of the REIT Code in respect of the Connected Loan Facilities on the basis that the Connected Loan Facilities are unsecured and on normal commercial terms or better, and such waiver has been approved by the SFC on 6 July 2020. The terms of the waiver granted by the SFC are set out as follows:

The transactions between New Century REIT Group and New Century Tourism and Huge Harvest, respectively, as contemplated under the Connected Loan Facilities (the "**Facility Transactions**") will not be subject to any requirements for announcement or Unitholders' approval under Chapter 8 of the REIT Code, and, in addition, the disclosure and reporting requirements under Chapter 8 of the REIT Code with respect to the Facility Transactions shall be as described below:

- (i) a summary disclosure of the Facility Transactions in each financial year will be disclosed in the semi-annual and annual reports of New Century REIT. Such information shall include the nature of the transactions, types of transactions or services and identities of the connected persons of the same transactions;
- (ii) the independent non-executive Directors of the REIT Manager shall confirm in the annual report that they have reviewed the terms of any such transactions and are satisfied that these transactions have been entered into:
 - (a) in the ordinary and usual course of business of New Century REIT;
 - (b) on normal commercial terms (to the extent that there are comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to New Century REIT than terms available to or from (as appropriate) independent third parties; and

- (c) in accordance with the relevant agreement and the REIT Manager's internal procedures governing them on terms that are fair and reasonable and in the interests of the unitholders of New Century REIT as a whole;
- (iii) the auditors of New Century REIT shall be engaged to perform certain agreed review procedures and report in the auditors' report in respect of New Century REIT to the REIT Manager (and a copy of such report shall be provided to the SFC) confirming that all such transactions:
- (a) have followed the REIT Manager's internal procedures for such transactions and are in accordance with the terms disclosed in this announcement;
 - (b) have received the approval of the board of directors of the REIT Manager (including the independent non-executive Directors); and
 - (c) have been entered into and carried out in accordance with the terms of the agreements governing the transactions;
- (iv) the REIT Manager shall allow, and shall procure the counterparty to the relevant connected party transactions to allow, the auditors of New Century REIT sufficient access to their records for the purpose of reporting on the transactions; and
- (v) the REIT Manager shall promptly notify the SFC and publish an announcement if it knows or has reason to believe that the auditors of New Century REIT and/or the independent non-executive Directors will not be able to confirm the matters set out in paragraphs (ii) and (iii) above.

GENERAL

Opinion of the Independent Financial Adviser

Somerley Capital Limited has been appointed as the Independent Financial Adviser by the REIT Manager to advise the Board (including all the independent non-executive Directors) and the Trustee on the Connected Loan Facilities. The Independent Financial Adviser confirms that, having considered various reasons and factors, such as (i) the terms offered under the Connected Loan Facilities in comparison with those under the New Third Party Loan Facilities, and (ii) the fact that all of the hotel properties of New Century REIT are expected to be pledged for the purpose of the New Third Party Loan Facilities, such that it is unlikely for New Century REIT to obtain additional borrowings with more favorable terms than that of the Connected Loan Facilities, and on the assumption that the New Third Party Loan Facilities will be entered into and on the same terms as disclosed to the Independent Financial Adviser, it is of the view that the financial assistances provided by (a) New Century Tourism to Zhejiang New Century and (b) Huge Harvest to Spearhead Global pursuant to the Connected Loan Facilities are conducted on normal commercial terms or better.

Opinion of the Board

Having taken into account the opinion of the Independent Financial Adviser, together with the principal factors taken into consideration, and assumptions and qualifications in arriving at such opinion, the Board (including all the independent non-executive Directors) confirms that in its opinion that the Connected Loan Facilities are:

- (i) in the ordinary and usual course of business of New Century REIT;
- (ii) consistent with the investment objectives and strategy of New Century REIT; and
- (iii) at arm's length and on normal commercial terms or better which are fair and reasonable and in the best interests of the independent Unitholders, as well as the Unitholders as a whole.

Opinion of the Trustee

Based on the opinion of the Board, the information and confirmations given by the REIT Manager to the Trustee and the opinion of the Independent Financial Adviser (and having taken into account its duties under the Trust Deed and the REIT Code), the Trustee has confirmed that it has no objection for the REIT Manager to proceed with the transactions contemplated under the Connected Loan Facilities.

DEFINITIONS

Unless the context otherwise requires, capitalized terms used in this announcement shall have the following meanings:

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| “Board” | means the board of Directors of the REIT Manager |
| “Connected Loan Facilities” | means the Huge Harvest Loan Facility and the New Century Tourism Loan Facility |
| “Directors” | means the directors of the REIT Manager, and each a “Director” |
| “HK\$” | means Hong Kong Dollars, the lawful currency of Hong Kong |
| “Hong Kong” | means the Hong Kong Special Administrative Region of the PRC |
| “Huge Harvest Loan Facility” | means the loan facility with an aggregate commitment amount of RMB100 million provided by Huge Harvest to Spearhead Global pursuant to an agreement dated 6 July 2020 |
| “Huge Harvest” | means Huge Harvest International Limited, being a significant holder |

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|-------------------------------------|--|
| “Independent Financial Adviser” | means Somerley Capital Limited, a licensed corporation which is permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO |
| “Listing Rules” | means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “New Century REIT” | means New Century Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO subject to applicable conditions from time to time, the units of which are listed on the Stock Exchange |
| “New Century REIT Group” | means New Century REIT and other companies or entities held or controlled by New Century REIT |
| “New Century Tourism” | means New Century Tourism Group Co., Limited* (開元旅遊集團有限公司), being an associated company of Huge Harvest and hence a connected party of New Century REIT |
| “New Century Tourism Loan Facility” | means the loan facility with an aggregate commitment amount of RMB788.1 million provided by New Century Tourism to Zhejiang New Century pursuant to an agreement dated 6 July 2020 |
| “New Offshore Loan Facility 1” | has the meaning ascribed to it under the section headed “Reasons for and benefits of obtaining the Connected Loan Facilities – Use of proceeds and financial impact of the Connected Loan Facilities and New Third Party Loan Facilities” in this announcement |
| “New Offshore Loan Facility 2” | has the meaning ascribed to it under the section headed “Reasons for and benefits of obtaining the Connected Loan Facilities – Use of proceeds and financial impact of the Connected Loan Facilities and New Third Party Loan Facilities” in this announcement |
| “New Onshore Term Loan Facility” | has the meaning ascribed to it under the section headed “Reasons for and benefits of obtaining the Connected Loan Facilities – Use of proceeds and financial impact of the Connected Loan Facilities and New Third Party Loan Facilities” in this announcement |
| “New Third Party Loan Facilities” | has the meaning ascribed to it under the section headed “Reasons for and benefits of obtaining the Connected Loan Facilities – Refinancing of existing bank loan facilities” in this announcement |

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| “PRC” | means the People’s Republic of China excluding, for the purposes of this announcement only, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “RMB” | means Renminbi, the lawful currency of the PRC |
| “REIT Code” | means the Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified for the time being or, for the purpose of the Trust Deed, from time to time, including but not limited to by published practice statements or in any particular case, by specific written guidance issued or exemptions or waivers granted by the SFC |
| “REIT Manager” | means New Century Asset Management Limited (開元資產管理有限公司), manager of New Century REIT |
| “SFC” | means the Securities and Futures Commission of Hong Kong |
| “SFO” | means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified and the rules thereunder |
| “significant holder” | has the meaning ascribed to it under the REIT Code |
| “Spearhead Global” | means Spearhead Global Limited, a company incorporated in the British Virgin Islands on 8 March 2013 and a wholly-owned subsidiary of New Century REIT |
| “Stock Exchange” | means The Stock Exchange of Hong Kong Limited |
| “Strong Tower Global” | means Strong Tower Global Limited, a company incorporated in the British Virgin Islands on 13 January 2014 and a wholly-owned subsidiary of New Century REIT |
| “subsidiary(ies)” | has the meaning ascribed to it in the Listing Rules |
| “Trust Deed” | means the trust deed constituting New Century REIT dated 10 June 2013, entered into between the Trustee and the REIT Manager, as amended by the supplemental trust deed dated 20 June 2013 and the second supplemental trust deed dated 15 June 2015 (as may be further amended and supplemented from time to time) |
| “Trustee” | means DB Trustees (Hong Kong) Limited, in its capacity as trustee of New Century REIT |

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|-----------------|---------------------------------------|
| “Unit(s)” | means (a) unit(s) of New Century REIT |
| “Unitholder(s)” | means holder(s) of the Unit(s) |
| “%” | per cent |

* *for identification purposes only*

For the purpose of this announcement and for illustration purposes only, amounts denominated in RMB have been converted into HK\$ using the exchange rate of RMB0.91056 = HK\$1.00. No representation is made that any amount in HK\$ or RMB could have been or could be converted at such rate or at any other rates at all.

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, 6 July 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.