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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

INTERIM RESULTS ANNOUNCEMENT **FOR THE PERIOD FROM 1 JANUARY 2020 TO 30 JUNE 2020**

NEW CENTURY REAL ESTATE INVESTMENT TRUST

The unaudited interim condensed consolidated financial information of New Century Real Estate Investment Trust (“**New Century REIT**”) and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2020 (the “**Reporting Period**”), having been reviewed by the audit committee (the “**Audit Committee**”) and disclosures committee (the “**Disclosures Committee**”) of New Century Asset Management Limited (the “**REIT Manager**”), was approved by the board of directors of the REIT Manager (the “**Board**”) on 25 August 2020.

LONG-TERM OBJECTIVES AND STRATEGY

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

New Century REIT is sponsored by New Century Tourism Group Co., Ltd. (“**New Century Tourism**”) and its subsidiaries (together the “**New Century Tourism Group**”), the largest domestic hotel group according to the number of upscale hotel rooms both in operation and under pipeline in the People’s Republic of China (“**China**” or the “**PRC**”). Zhejiang New Century Hotel Management Co., Ltd. (“**New Century Hotel Management**”) together with its subsidiaries (“**New Century Hotel Management Group**”) has about 512 star-rated hotels in operations or under development as at 30 June 2020. As published by HOTELS Magazine in July/August 2020, based on the number of rooms, New Century Hotel Management Group ranked the 18th globally in 2019.

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

KEY FINANCIAL FIGURES FOR THE REPORTING PERIOD

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

	(Unaudited) For the six months ended 30 June 2020 RMB’000	(Unaudited) For the six months ended 30 June 2019 RMB’000	Percentage Increase/ (Decrease)
Revenue	<u>93,420</u>	<u>127,630</u>	(27)%
(Loss)/profit attributable to Unitholders	<u>(473,871)</u>	<u>7,794</u>	(6,180)%
(Adjusted loss)/distributable income for the period	<u>(6,990)</u>	<u>37,584</u>	(119)%
Payout ratio (%)	N/A	90%	N/A
Interim distribution	<u>–</u>	<u>33,826</u>	N/A
Per Unit Figures			
Distribution per Unit (“DPU”)			
DPU (RMB) ¹	–	0.0350	N/A
DPU (HKD) ^{1&2}	–	0.0390	N/A
	(Unaudited) As at 30 June 2020	(Audited) As at 31 December 2019	Percentage Increase/ (Decrease)
Net assets attributable to Unitholders per Unit (“NAV per Unit”) (RMB) ³	1.7739	2.2964	(23)%
Ratio			
Gearing ratio ⁴	42%	40%	2%

Notes:

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

Distribution payable to Unitholders is paid in Hong Kong dollars. The exchange rate adopted by the REIT Manager for the total distribution for the six months ended 30 June 2019 was HKD1=RMB0.8973, which was the average closing exchange rate as announced by the People’s Bank of China for the five business days preceding the date of declaration of distribution.

3. NAV per Unit as at 30 June 2020 of RMB1.7739 (As at 31 December 2019: RMB2.2964) was calculated by dividing net assets attributable to Unitholders of RMB1,734,430,000 (As at 31 December 2019: RMB2,230,080,000) by the number of Units in issue as at 30 June 2020 of 977,747,833 (As at 31 December 2019: 971,128,484).
4. Gearing ratio is calculated based on the total gross borrowings excluding transaction costs over the total assets as at the end of each reporting period.

KEY FINANCIAL HIGHLIGHTS

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

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

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

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

FINANCIAL POSITION

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

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

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

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

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

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

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

ASSET ENHANCEMENT

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

The proactive implementation of asset enhancement initiatives is expected to enhance New Century REIT’s product offerings as well as the long-term revenue generating ability of its properties.

KEY HOTEL OPERATING HIGHLIGHTS

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

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

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

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

Notes:

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

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

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

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

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

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

Note:

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

KEY HOTEL OPERATIONAL INITIATIVES

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

INTEREST RATE RISK

To manage our interest rate risk during the Reporting Period, the Group had entered into interest rate swaps with commercial banks, which effectively converted the borrowing interest rates from floating rates to fixed rates. As at 30 June 2020, the notional principal amount of the outstanding interest rate swaps were HKD250 million and HKD1,611 million or equivalent to RMB228 million and RMB1,472 million respectively (as at 31 December 2019: HKD250 million and HKD1,661 million or equivalent to RMB224 million and RMB1,488 million respectively) with the fixed interest rate of 4.870% and 4.845% per annum respectively (as at 31 December 2019: 4.870% and 4.845% per annum respectively). The remaining borrowings of approximately RMB189 million (as at 31 December 2019: RMB432 million) were at floating interest rates. As at 30 June 2020, total gross borrowings of approximately RMB1,700 million (as at 31 December 2019: RMB1,712 million) were at fixed interest rates and approximately RMB189 million (as at 31 December 2019: RMB432 million) were at floating interest rates.

FOREIGN CURRENCY EXCHANGE RISK

The Group’s exposure to foreign exchange risk relates principally to its cash and cash equivalents and most bank borrowings which were denominated primarily in HKD as at 30 June 2020. Such existing loan facilities denominated in HKD have been fully replaced by new loan facilities denominated in RMB in July 2020. The foreign currency exchange risk will be largely minimised thereafter.

PLEDGE OF ASSETS

As at 30 June 2020, the Hotel Properties of New Century REIT with an aggregate carrying value of RMB4,113 million (as at 31 December 2019: RMB4,612 million), guaranteed deposits, bank deposits and trade receivables (including trade receivables due from related parties) with an aggregate value of RMB193 million (as at 31 December 2019: RMB538 million), certain corporate guarantees and equity interests of certain subsidiaries were pledged to secure bank loan borrowings with an aggregate principal amount of RMB1,889 million (as at 31 December 2019: RMB2,144 million). For details, please refer to Notes 11, 12(a), 13(b), 17 and 22(a) of the Notes to the Interim Condensed Consolidated Financial Information.

OUTLOOK

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

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

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

We will continue to look for growth opportunities cautiously through acquisitions from the New Century Tourism Group or third-party sources around the world. Pipeline of overseas investment opportunities remain plentiful for high-quality and upscale hotels and various asset types including commercial buildings with long-term stable income streams. Potential acquisitions will be funded by internal resources, debt facilities, and/or proceeds from Unit issuances. We believe that investing in different asset classes with stable long-term income stream across the globe will enhance the long-term sustainable growth of New Century REIT and diversify the risks from a single market.

EMPLOYEES

New Century REIT is managed by the REIT Manager and the DB Trustees (Hong Kong) Limited. By contracting out such services, New Century REIT, through its subsidiaries, had three employees in its own right as at 30 June 2020 (as at 31 December 2019: three employees) and such costs are reimbursed by the REIT Manager.

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

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

		Unaudited	
		Six months ended 30 June	
		2020	2019
	Notes	RMB'000	RMB'000
Revenue	5	93,420	127,630
Operating expenses	6	(20,280)	(25,895)
Other losses – net	8	(45,046)	(8,560)
Change in fair values of investment properties	11	(499,000)	9,323
Operating (loss)/profit		(470,906)	102,498
Finance income	9	3,232	2,553
Finance costs	9	(105,957)	(64,652)
Finance costs – net		(102,725)	(62,099)
(Loss)/profit before taxation and transactions with unitholders		(573,631)	40,399
Income tax credit/(expense)	10	97,642	(31,430)
(Loss)/profit after taxation for the period, before transactions with unitholders		(475,989)	8,969
(Loss)/profit attributable to unitholders		(473,871)	7,794
(Loss)/profit attributable to non-controlling interests		(2,118)	1,175
		(475,989)	8,969

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

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

Notes:

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

		Unaudited 30 June 2020 <i>RMB'000</i>	Audited 31 December 2019 <i>RMB'000</i>
	<i>Notes</i>		
Non-current assets			
Investment properties	11	4,113,000	4,612,000
Goodwill		7,987	7,987
Other long-term assets		1,313	13,036
		<u>4,122,300</u>	<u>4,633,023</u>
Current assets			
Trade and other receivables and prepayments	12	15,271	7,531
Amounts due from related parties	22(a)	52,228	30,836
Derivative financial instruments	14	–	6,497
Restricted cash	13	137,660	504,978
Cash and cash equivalents	13	215,230	194,062
		<u>420,389</u>	<u>743,904</u>
Total Assets		<u><u>4,542,689</u></u>	<u><u>5,376,927</u></u>
Current liabilities			
Trade and other payables	15	40,711	46,605
Amounts due to related parties	22(b)	54,464	56,702
Current income tax liabilities		11,964	14,641
Derivative financial instruments	14	37,084	–
Deferred income	16	2,538	2,741
Borrowings	17	57,735	294,434
		<u>204,496</u>	<u>415,123</u>
Net current assets		<u><u>215,893</u></u>	<u><u>328,781</u></u>
Total assets less current liabilities		<u><u>4,338,193</u></u>	<u><u>4,961,804</u></u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)*As at 30 June 2020**(All amounts in Renminbi thousands unless otherwise stated)*

		Unaudited	Audited
		30 June	31 December
		2020	2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities, other than net assets attributable to unitholders			
Borrowings	<i>17</i>	1,802,200	1,805,789
Deferred income tax liabilities	<i>18</i>	775,577	896,462
		<u>2,577,777</u>	<u>2,702,251</u>
Total liabilities, excluding net assets attributable to unitholders		2,782,273	3,117,374
Non-controlling interests		<u>25,986</u>	<u>29,473</u>
Net assets attributable to unitholders	<i>19</i>	<u>1,734,430</u>	<u>2,230,080</u>
Units in issue ('000)	<i>19</i>	<u>977,748</u>	<u>971,128</u>
Net assets attributable to unitholders per unit	<i>19</i>	<u>RMB1.7739</u>	<u>RMB2.2964</u>

INTERIM CONSOLIDATED DISTRIBUTION STATEMENT

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

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

Notes:

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

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

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

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

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

	<i>Notes</i>	Net assets attributable to unitholders (Unaudited) <i>RMB'000</i>	Non-controlling interests (Unaudited) <i>RMB'000</i>	Total (Unaudited) <i>RMB'000</i>
As at 1 January 2019		2,334,110	34,248	2,368,358
Profit for the period		7,794	1,175	8,969
Issuance of new units	<i>19</i>	6,712	–	6,712
Distributions paid to unitholders	<i>19</i>	(45,878)	–	(45,878)
Dividends declared to non-controlling interests		–	(5,593)	(5,593)
Exchange losses on translation of financial statements	<i>19</i>	(1,642)	–	(1,642)
		<u>2,301,096</u>	<u>29,830</u>	<u>2,330,926</u>
As at 30 June 2019				
As at 1 January 2020		2,230,080	29,473	2,259,553
Loss for the period		(473,871)	(2,118)	(475,989)
Issuance of new units	<i>19</i>	6,100	–	6,100
Distributions paid to unitholders	<i>19</i>	(28,163)	–	(28,163)
Dividends declared to non-controlling interests		–	(1,369)	(1,369)
Exchange gains on translation of financial statements	<i>19</i>	284	–	284
		<u>1,734,430</u>	<u>25,986</u>	<u>1,760,416</u>
As at 30 June 2020				

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2020**(All amounts in Renminbi thousands unless otherwise stated)*

		Unaudited	
		Six months ended 30 June	
		2020	2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities			
Cash generated from operations		44,933	109,543
Interest paid		(54,047)	(40,526)
Income tax paid		(25,920)	(36,307)
Net cash (used in)/generated from operating activities		(35,034)	32,710
Cash flows from investing activities			
Additions of investment properties		(77)	(1,245)
Net cash used in investing activities		(77)	(1,245)
Cash flows from financing activities			
Proceeds from bank borrowings	<i>17</i>	–	139,187
Interest received from restricted cash		2,879	–
Repayment of bank borrowings	<i>17</i>	(293,638)	(314,185)
Distributions paid to unitholders	<i>19</i>	(28,163)	(45,878)
Dividends paid to non-controlling interests		–	(2,941)
Changes of restricted cash pledged for borrowings		367,318	57,498
Net proceeds from issuance of units	<i>19</i>	6,100	6,712
Payment of other finance costs		–	(2,609)
Net cash generated from/(used in) financing activities		54,496	(162,216)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of the period	<i>13</i>	194,062	332,373
Exchange gains on cash and cash equivalents		1,783	838
Cash and cash equivalent at end of the period	<i>13</i>	215,230	202,460

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in Renminbi thousands unless otherwise stated)

1 GENERAL INFORMATION

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

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

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

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

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

This interim condensed consolidated financial information has not been audited.

2 BASIS OF PREPARATION

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

3 ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

4 SEGMENT INFORMATION

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

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

5 REVENUE

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

- (a) For the six months ended 30 June 2020, the rental income received from all hotel properties, including New Century Grand Hotel Hangzhou (杭州開元名都大酒店), New Century Hotel Xiaoshan Zhejiang (浙江開元蕭山賓館), New Century Grand Hotel Ningbo (寧波開元名都大酒店), New Century Grand Hotel Changchun (長春開元名都大酒店) and New Century Resort Qiandao Lake Hangzhou (杭州千島湖開元度假村) (collectively, the “**Initial Hotel Properties**”) and Kaifeng New Century Grand Hotel (開封開元名都大酒店, the “**Kaifeng Hotel**”) of RMB83,068,000 was derived from the minimum pro-rated base rent of RMB86,383,000 (as adjusted mentioned in below) less value-added taxes of RMB3,315,000 (2019: the rental income including the Initial Hotel Properties, the Kaifeng Hotel and Holiday Inn Eindhoven (the “**Netherlands Hotel**”) of RMB114,692,000 was derived from the minimum pro-rated base rent of RMB118,951,000 less value-added taxes (if applicable) of RMB4,259,000).

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

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

6 OPERATING EXPENSES

	Unaudited	
	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
REIT Manager fee (<i>Note 7</i>)	9,921	12,403
Urban real estate and land use tax	6,629	8,632
Auditors' remuneration	1,027	938
Legal and other professional fees	838	1,304
Business and other taxes, surcharges and stamp duty	783	1,174
Trustee fee	453	539
Valuation fees	223	247
Miscellaneous	406	658
	<hr/>	<hr/>
Total operating expenses	20,280	25,895
	<hr/> <hr/>	<hr/> <hr/>

7 REIT MANAGER FEE

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

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

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

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

8 OTHER LOSSES – NET

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Government grants (a)	241	203
Net realised foreign exchange losses	(387)	–
Net unrealised foreign exchange gains	6	4,816
Fair value losses on derivative financial instruments (Note 14)	(43,581)	(13,254)
Others	(1,325)	(325)
	<u>(45,046)</u>	<u>(8,560)</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.

9 FINANCE COSTS – NET

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

10 INCOME TAX CREDIT/(EXPENSE)

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Current income tax		
– Corporate income tax	(19,103)	(20,736)
Deferred income tax		
– Corporate income tax (Note 18)	116,745	(10,694)
	<u>97,642</u>	<u>(31,430)</u>
Tax credit/(charge)	97,642	(31,430)

11 INVESTMENT PROPERTIES

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

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

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

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

As at 30 June 2020, bank borrowings are secured by the Initial Hotel Properties and the Kaifeng Hotel with the total carrying amount of RMB4,113,000,000 (As at 31 December 2019: RMB4,612,000,000) (Note 17).

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

12 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

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

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

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

As at 30 June 2020 and 31 December 2019, all the trade receivables were pledged as collateral for the Group's bank borrowings (Note 17).

- (b) It represents an escrow deposit of Euro (“EUR”) 1,500,000 (equivalent to RMB11,942,000) as at 30 June 2020 in a notary's account to serve as a deposit for tax indemnity relating to the disposal of New Century Netherlands I B.V. for an escrow period of 18 months after the Disposal Date. This escrow deposit is expected to be collected on 28 May 2021.

13 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

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

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

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
Cash at bank and in hand:		
– RMB	187,275	336,988
– United States dollars (“USD”)	1,793	2,026
– Hong Kong dollars (“HKD”)	160,173	121,460
– EUR	3,649	238,566
	<u>352,890</u>	<u>699,040</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 guaranteed deposits held in reserve accounts and bank deposits pledged to the banks as security deposits under loan facilities (Note 17).

14 DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited		Audited	
	30 June 2020		31 December 2019	
	Assets	Liabilities	Assets	Liabilities
	RMB'000	RMB'000	RMB'000	RMB'000
Interest rate swaps	<u>–</u>	<u>37,084</u>	<u>6,497</u>	<u>–</u>

The Group has entered interest rate swaps with commercial banks. Nevertheless, they were not accounted for as hedging instruments as the conditions for hedge accounting were not met for the six months ended 30 June 2020 and the year ended 31 December 2019. Gains and losses arising from the fair value change of these derivative financial instruments were recognised in the interim condensed consolidated income statement in “Other losses – net” (Note 8).

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

In July 2020, the Group settled all the existing outstanding interest rate swaps with a total cost of approximately RMB41 million, which will be realised in the consolidated income statement for the second half of 2020.

15 TRADE AND OTHER PAYABLES

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

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

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

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

16 DEFERRED INCOME

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

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

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

17 BORROWINGS

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

Movements in borrowings are analysed as follows:

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

The maturity of borrowings is as follows:

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

(a) Bank borrowings – secured

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

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

- secured by investment properties (Note 11), the guaranteed deposits (Note 13) and trade receivables (Notes 12 and 22(a)) (As at 31 December 2019: same as at 30 June 2020);
- secured by equity interest of Zhejiang New Century Hotel Investment & Management Group Limited (浙江開元酒店投資管理集團有限公司, “Zhejiang New Century Hotel”), 浙江銳至投資股份有限公司 (Zhejiang Spearhead Investment Limited), 寧波開元銳至投資有限公司 (Ningbo New Century Spearhead Investment Limited), 長春開元銳至投資管理有限公司 (Changchun New Century Spearhead Investment and Management Limited), 淳安千島湖開元銳至投資有限公司 (Chun'an Qiandao Lake New Century Spearhead Investment Limited), 開封開元名都大酒店有限公司 (Kaifeng New Century Grand Hotel Limited), Spearhead Global Limited, Spearhead Investments Limited and Sky Town Investments Limited, subsidiaries of the Group (As at 31 December 2019: same as at 30 June 2020); and
- guaranteed by Zhejiang New Century Hotel, Spearhead Investments Limited and Sky Town Investments Limited, subsidiaries of the Group (As at 31 December 2019: same as at 30 June 2020).

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

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

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

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

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

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:

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

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

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

19 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

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

As at 30 June 2020, the net assets attributable to unitholders per unit of RMB1.7739 is calculated by dividing the net assets attributable to unitholders of RMB1,734,430,000 by the number of unit in issue of 977,747,833 (As at 31 December 2019: the net assets attributable to unitholders per unit of RMB2.2964 is calculated by dividing the net assets attributable to unitholders of RMB2,230,080,000 by the number of units in issue of 971,128,484).

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

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

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

- (a) On 22 May 2020, 6,619,349 units were issued to the REIT Manager at an issue price of HKD1.0069 per unit (equivalent to RMB6,100,000) as payment of 50% of the REIT Manager fee for the six months ended 31 December 2019.

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

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

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

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

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

21 COMMITMENTS

Capital commitments

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

22 AMOUNTS DUE FROM/TO RELATED PARTIES

(a) Amounts due from related parties

Trade receivables due from:

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

(i) As at 30 June 2020 and 31 December 2019, all the trade receivables due from related parties were pledged as collateral for the Group's bank borrowings (Note 17).

Other receivables due from:

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 <i>RMB'000</i>
The REIT Manager	<u>31</u>	<u>34</u>

(b) Amounts due to related parties

Other payables due to:

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

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

Advances from customers:

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

(c) **Key management compensation**

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

(d) **Director's emoluments**

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

23 NON-CANCELLABLE OPERATING LEASES

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

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

CORPORATE GOVERNANCE REPORT

New Century REIT is committed to maintaining a high level of corporate governance practices and procedures. The REIT Manager has adopted a compliance manual for use in relation to the management and operation of New Century REIT (the “**Compliance Manual**”) which sets out the key processes, systems, measures and certain corporate governance policies and procedures to be applied for governing the management and operation of New Century REIT and for compliance with all applicable laws and regulations. During the six months ended 30 June 2020, New Century REIT and the REIT Manager have applied the principles and complied with, to the extent appropriate, the code provisions in the Corporate Governance Code in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

During the six months ended 30 June 2020, both the REIT Manager and New Century REIT have in material terms complied with the provisions of the 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.

NEW UNITS ISSUED

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

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

PUBLIC FLOAT OF THE UNITS

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

BUY-BACK, SALE OR REDEMPTION OF UNITS

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

REVIEW OF INTERIM RESULTS

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

ISSUANCE OF INTERIM REPORT

The interim report of New Century REIT for the six months ended 30 June 2020 is expected to be despatched to Unitholders on or about 31 August 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, 25 August 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, and the independent non-executive Directors of the REIT Manager are Mr. Angelini Giovanni, Mr. Yu Hon To David and Professor He Jianmin.