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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 2020**

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 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**”) were approved by the board of directors of the REIT Manager (the “**Board**”) on 31 March 2021.

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**”). Zhejiang New Century Hotel Management Co., Ltd. (“**New Century Hotel Management**”) together with its subsidiaries (“**New Century Hotel Management Group**”) has about 589 star-rated hotels in operation or under development as at 31 December 2020. As published by HOTELS Magazine in July/August 2020, New Century Hotel Management Group ranked 18th globally in 2019.

New Century REIT's portfolio comprised five 5-star hotels and one 4-star hotel as at 31 December 2020, namely, New Century Grand Hotel Hangzhou (杭州開元名都大酒店), New Century Resort Qiandao Lake Hangzhou (杭州千島湖開元度假村), New Century Grand Hotel Ningbo (寧波開元名都大酒店), New Century Grand Hotel Changchun (長春開元名都大酒店), New Century Hotel Xiaoshan Zhejiang (浙江開元蕭山賓館); (collectively, the “**Initial Hotel Properties**”) and New Century Grand Hotel Kaifeng (開封開元名都大酒店) (the “**Kaifeng Hotel**”) (together with the Initial Hotel Properties, the “**Hotel Properties**”). Altogether they have an aggregate of 2,375 rooms and 374,586 square meters (“**sq.m.**”) in total gross floor area (“**GFA**”). All Hotel Properties were rated the top 2.0% best hotels in their respective cities by TripAdvisor.com as at 1 March 2021.

KEY FINANCIAL FIGURES FOR THE REPORTING PERIOD

(expressed in RMB'000 unless otherwise specified)

	For the year ended 31 December 2020 <i>RMB'000</i>	For the year ended 31 December 2019 <i>RMB'000</i>	Percentage (%) Increase/ (Decrease)
Revenue	<u>214,328</u>	<u>254,881</u>	(15.9%)
Loss attributable to Unitholders	<u>(545,541)</u>	<u>(37,502)</u>	1,354.7%
Basic loss per Unit ¹ (<i>RMB</i>)	<u>(0.5578)</u>	<u>(0.0388)</u>	1,337.6%
Total (adjusted loss)/distributable income for the year	<u>(193,376)</u>	<u>68,877</u>	(380.8%)
Interim distribution	–	33,826	N/A
Final distribution	–	28,163	N/A
Total distribution for the year	<u>–</u>	<u>61,989</u>	N/A
Per Unit Figures			
Distribution Per Unit (“ DPU ”)			
Final DPU ² (<i>RMB</i>)	–	0.0290	N/A
Final DPU ³ (<i>HKD</i>)	–	0.0319	N/A
Total DPU ² (<i>RMB</i>)	–	0.0640	N/A
Total DPU ³ (<i>HKD</i>)	–	0.0709	N/A
Distribution yield ⁴ (%)	–	4.4%	N/A

	As at 31 December 2020	As at 31 December 2019	Percentage (%) Increase/ (Decrease)
NAV per Unit ⁵ (RMB)	1.6931	2.2964	(26.3%)
Gearing ratio ⁶ (%)	41.7%	39.9%	1.8%

Notes:

1. Basic loss per Unit is calculated by dividing loss attributable to Unitholders of RMB545,541,000 (2019: RMB37,502,000) by the weighted average number of Units in issue during the year of 977,946,000 Units (2019: 966,318,000 Units).
2. No final and total DPU were presented for the year ended 31 December 2020 as no distribution was declared.

For the year ended 31 December 2019, total DPU comprised interim DPU of RMB0.0350 and final DPU of RMB0.0290. The interim DPU of RMB0.0350 was calculated by dividing the interim distribution of RMB33,826,000 by 966,935,143 Units in issue at 30 June 2019. The final DPU of RMB0.0290 was calculated by dividing the final distribution of RMB28,163,000 by 971,128,484 Units in issue at 31 December 2019.

3. Unless indicated otherwise, amounts specified in Hong Kong dollars (“**HKD**”) are based on an exchange rate of HKD1=RMB0.84164 as at 31 December 2020 (as at 31 December 2019: HKD1=RMB0.8958) while amounts specified in United States dollars (“**USD**”) are based on an exchange rate of USD1=RMB6.5249 as at 31 December 2020 (as at 31 December 2019: USD1=RMB6.9762).

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 and HKD1=RMB0.9092 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. No distribution yield was presented for the year ended 31 December 2020 as no distribution was declared. Distribution yield of 2019 is calculated based on total DPU of HKD0.0709 for 2019 over the closing market price of the Unit of HKD1.60 on 31 December 2019.
5. Net assets attributable to Unitholders per Unit (“**NAV per Unit**”) is calculated by dividing net assets attributable to Unitholders of RMB1,672,834,000 (2019: RMB2,230,080,000) by the total number of Units in issue as at 31 December 2020 of 988,009,137 Units (as at 31 December 2019: 971,128,484 Units).
6. Gearing ratio is calculated based on the total gross borrowings (including bank borrowings and loan due to a related party) excluding transaction costs over total assets as at the end of the Reporting Period.

KEY FINANCIAL HIGHLIGHTS

Revenue and negative distributable income (being an adjusted loss in the consolidated distribution statement) of New Century REIT for the Reporting Period were approximately RMB214 million and RMB193 million (2019: revenue and positive distributable income of approximately RMB255 million and of RMB69 million) respectively.

Revenue of New Century REIT for the Reporting Period was made up of (i) RMB190 million (2019: RMB228 million) rental income in respect of the leases of the Hotel Properties and (ii) RMB24 million (2019: RMB27 million) other rental income from the leasing of commercial and office spaces, shopping and recreational areas in the Hotel Properties under various individual lease agreements.

Revenue from the Hotel Properties decreased by approximately 16% year-on-year (“YoY”) was mainly due to the drop in rental income of the Hotel Properties resulting from the downward adjustment of its base rent caused by the substantive suspension of the hotel operations in February and March 2020 as a result of the COVID-19 pandemic (“pandemic”) and also the disposal of the Holiday Inn Eindhoven (“Netherlands Hotel”) in November 2019.

The negative distributable income for the year was mainly attributable to the drop in rental income and the accumulated realised foreign exchange losses on bank borrowings which were repaid during the year. As such, according to the Trust Deed, no distribution was declared for the year ended 31 December 2020.

Amid the ailing market conditions under the pandemic, the performance of New Century REIT’s portfolio has steadily picked up since third quarter of 2020. In December 2020, the average occupancy rate (“Occupancy”) was 54.2% (December 2019: 56.5%) and average daily room rate (“ADR”) was RMB413.6 (December 2019: RMB446.7). In addition, the portfolio core gross operating profit margin was 25.3% (December 2019: 34.8%) in December 2020 in the wake of prudent cost control measures. Our high-base rent long-term leases help to mitigate the overall hotel market volatility and rental collectability risk.

Nevertheless, as at 31 December 2020, the valuation of the Hotel Properties, as appraised by Cushman & Wakefield Limited, inevitably dropped by RMB615 million (or 13%) to RMB3,997 million as compared to RMB4,612 million as at 31 December 2019 as a result of the pandemic.

FINANCIAL POSITION

In July 2020, the Group completed the refinancing through entering into three new term loan facilities including (i) a 15-year onshore loan facility of RMB900 million provided by the Industrial and Commercial Bank of China Limited (“ICBC”) Xiaoshan Branch, and (ii) a 5-year offshore loan facility of RMB700 million and a 1-year offshore loan facility of RMB300 million, both are provided by ICBC Macau Branch, to repay all of the then original bank borrowings (including loans denominated in HKD and RMB) and the related party loans. The refinancing allowed the 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 are denominated in RMB and all of the Group’s income is denominated in RMB).

As at 31 December 2020, the Group had an aggregate gross borrowings (including bank borrowings and a related party loan) of RMB1,820 million (as at 31 December 2019: RMB2,144 million) and an undrawn banking facility of RMB656 million (equivalent to HKD780 million) (as at 31 December 2019: RMB457 million (equivalent to HKD510 million)) as well as an undrawn related party loan facility of RMB40 million (as at 31 December 2019: nil).

As at 31 December 2020, the gearing ratio of New Century REIT was approximately 41.7% (as at 31 December 2019: 39.9%), being the ratio of the total gross borrowings of RMB1,820 million (as at 31 December 2019: RMB2,144 million) over the total assets of RMB4,370 million (as at 31 December 2019: RMB5,377 million).

The Group had total cash and cash equivalents and restricted cash of RMB280 million (as at 31 December 2019: RMB699 million), which comprised RMB98 million (as at 31 December 2019: RMB194 million) cash and cash equivalents and RMB182 million (as at 31 December 2019: RMB505 million) restricted cash as at 31 December 2020. 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 borrowings of RMB1,820 million as at 31 December 2020, 11.0% of total borrowings was payable on demand or within one year; 40.8% was between one and two years, 0.5% was between two and three years and 47.7% was over three years. These compared respectively to 14.6%, 3.2%, 82.0% and 0% as at 31 December 2019.

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 Reporting Period.

At New Century Grand Hotel Hangzhou, a total of 165 guest rooms and main corridor in level 7 to level 14 have been renovated, large scale lift maintenance works has been completed and air-conditioner and water tank have been cleaned. At New Century Hotel Xiaoshan Zhejiang, wallpaper in certain areas have been replaced and certain shower rooms have been upgraded. At New Century Resort Qiandao Lake Hangzhou, certain guest rooms have been renovated and certain carpets have been replaced. At New Century Grand Hotel Ningbo, the waterproof works on podium roof has been completed and the fire alarm host has been replaced. At New Century Grand Hotel Changchun, the fire control system has been upgraded. At Kaifeng Hotel, the security system has been upgraded and the subsidence issues in certain areas have been repaired.

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.

PLEDGE OF ASSETS

As at 31 December 2020, the Hotel Properties of New Century REIT with an aggregate carrying value of RMB3,997 million (as at 31 December 2019: RMB4,612 million), bank deposits and trade receivables (including trade receivables due from related parties) with an aggregate value of RMB253 million (as at 31 December 2019: RMB538 million), were pledged to secure bank borrowings with an aggregate principal amount of RMB1,760 million (as at 31 December 2019: RMB2,144 million). For details, please refer to Notes 11, 13(a), 14(b), 17 and 23(a) of the Notes to the Consolidated Financial Statements.

EMPLOYEES

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

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. As mentioned, the then original loans denominated in HKD have been fully replaced by new loans denominated in RMB in July 2020. Since then, the foreign currency exchange risk was largely minimised.

As at 31 December 2020, total gross borrowings of approximately RMB922 million (as at 31 December 2019: RMB1,712 million) were at fixed rates and approximately RMB898 million (as at 31 December 2019: RMB432 million) were at floating rates.

KEY HOTEL OPERATING HIGHLIGHTS

Negatively impacted by the pandemic and the travel restrictions, the Occupancy of the Hotel Properties dropped to single digit in February 2020 and steadily rebounded to approximately 54.2% in December 2020. The overall Occupancy of the Hotel Properties was 44.7% during the Reporting Period, having decreased by 21.8 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 years ended 31 December 2020 and 2019 respectively.

For the year ended 31 December 2020	Occupancy	ADR* <i>(excl. Value-Added Tax (“VAT”))</i>	RevPAR* <i>(excl. VAT)</i>
	<i>%</i>	<i>RMB</i>	<i>RMB</i>
New Century Grand Hotel Hangzhou	47.5%	466	221
New Century Hotel Xiaoshan Zhejiang	39.4%	318	126
New Century Resort Qiandao Lake Hangzhou	57.8%	567	328
New Century Grand Hotel Ningbo	48.3%	476	230
New Century Grand Hotel Changchun	39.9%	372	148
The Kaifeng Hotel	37.0%	463	171
Weighted Average	44.7%	448	200

Note:

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

For the year ended 31 December 2019	Occupancy	ADR* <i>(excl. VAT)</i>	RevPAR* <i>(excl. VAT)</i>
	<i>%</i>	<i>RMB</i>	<i>RMB</i>
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	66.5%	486	323

Note:

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

During the Reporting Period, the overall F&B spending per customer (“**F&B Spending Per Customer**”) remained stable. Due to discouragement of organising large scale banquets and social gatherings, the F&B outlet utilisation rate (“**F&B Outlet Utilisation Rate**”) and banquet revenue per square meters per day (“**Banquet Revenue Per Sq.M. Per Day**”) dropped by 24.6 percent points YoY and 9.4 percent points YoY respectively.

The following tables set forth information on the average F&B Spending Per Customer, average F&B outlet utilization rate and Banquet Revenue Per Sq.M. Per Day at the Hotel Properties for the years ended 31 December 2020 and 2019 respectively.

For the year ended 31 December 2020	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	208	127%	46
New Century Hotel Xiaoshan Zhejiang	133	90%	49
New Century Resort Qiandao Lake Hangzhou	114	117%	6
New Century Grand Hotel Ningbo	168	129%	40
New Century Grand Hotel Changchun	106	83%	10
The Kaifeng Hotel	86	117%	7
Weighted Average	142	110%	31

Note:

* F&B Spending Per Customer excludes breakfast customers.

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 breakfast customers.

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 designed the workforce structure and distribution of tasks and duties, negotiated 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, 28.4% of our revenue, having increased by 5.3 percent points as compared to 2019, was derived from OTA sales channels. 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.

HOTEL INDUSTRY CONDITIONS

From March 2020, China lifted confinement restrictions depending on each city’s epidemic situation and daily living conditions resumed to normal. In mid-July 2020, the Ministry of Culture and Tourism released a notice regarding permitting inter-province group tours, flight and hotel packages; and the cap on traffic at scenic areas was determined by the local government according to the local epidemic situation in March of this year. Also, the PRC government started to roll out the vaccination programme since second half of 2020, but the overall COVID-19 vaccination rate in the PRC was still relatively low as of the end of January 2021. According to the website of the government of China, the Joint Prevention and Control Mechanism of the State Council of China stated that as of 14 March 2021, there were a total of approximately 65.0 million doses of COVID-19 vaccine being administrated in the PRC.

In early 2021, there was resurgence of pandemic in certain cities in the PRC and some prevention and restriction policies were implemented immediately. It follows that the overall economic and business recovery in PRC (especially the hospitality industry) may be negatively affected in the short to medium term.

OUTLOOK

To confront the pandemic, we have enhanced the quality of services and hygiene level in our hotels and strictly implemented epidemic prevention measures such as health code checking to ensure that we provide a pleasant experience and healthy environment to our guests and staff.

We hope the pandemic will soon subside as a number of countries has launched large scale COVID-19 vaccine injection programs in early 2021. Besides, we believe the governmental supportive measures will assist the PRC hotel industry to resume normal in medium term. Comparatively the impact from pandemic on New Century REIT is manageable as we have relied on our operating lease structure with guaranteed Base Rent, which we believe is positive structural attributes that will help support New Century REIT’s performance in the medium term. In the short term, our performance remains challenging.

In view of the solid fundamentals of China's economy and strong domestic demand, we believe the hospitality and tourism industry in China would rebound in the medium to long term though the industry is experiencing unprecedented challenges currently. The pandemic has rippled through the whole hospitality and tourism industry in a way that we have never experienced and most business sectors have been adversely impacted. It is expected that the full recovery of hospitality and tourism industry would take a considerable period of times to resume to the pre-pandemic level.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 27 January 2021, New Century REIT announced that, on 26 January 2021, the DB Trustees (Hong Kong) Limited (as the seller) and the REIT Manager have entered into a sale and purchase agreement for the disposal of all issued shares of Spearhead Global Limited (the "**Target Company**") and its outstanding loan due to New Century REIT to Huge Harvest International Limited ("**Huge Harvest**") (as the purchaser) for a total consideration of HKD1,921,018,274 (the "**Proposed Disposal**"). As one of the condition precedents of the completion of the Proposed Disposal (the "**Completion**"), a reorganisation shall be implemented by Target Company to acquire all issued shares of Strong Tower Global Limited and New Century REIT Hong Kong I Limited and as a result, the Target Company and its subsidiaries will contain all of the operating businesses and assets of New Century REIT. The reorganisation had been completed in February 2021.

As the Proposed Disposal constitutes a very substantial disposal and a connected party transaction of New Century REIT and also given that following the Completion, New Century REIT would have no remaining operating real estate assets to fulfill the criteria for operating as a REIT in accordance with the Code on Real Estate Investment Trust (the "**REIT Code**") issued by the Securities and Futures Commission of Hong Kong ("**SFC**"), and therefore, New Century REIT should be terminated and liquidated in accordance with the REIT Code and the Units should consequently be delisted from trading on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and New Century REIT should be deauthorised in accordance with applicable regulatory requirements. As the termination and the consequential liquidation and delisting are natural results of the Proposed Disposal, the Proposed Disposal should be treated as part and parcel of the proposed termination, the proposed liquidation and the proposed delisting (collectively, the "**Proposals**"). The Proposals are subject to the approval by independent Unitholders (being Unitholders other than Huge Harvest and parties acting in concert with Huge Harvest) (the "**Independent Unitholders**") by the approval threshold (i.e. at least approved by 75% of the votes attaching to the Units held by the Independent Unitholders voting either in person or by proxy with the number of votes cast against the resolution being not more than 10% of the votes attaching to the Units held by the Independent Unitholders) at the extraordinary general meeting ("**EGM**") to be held on 12 April 2021 in accordance with the Hong Kong Codes on Takeovers and Mergers.

If the Proposals are approved by the Independent Unitholders, the proposed interim distribution of HKD2.00 per Unit will be distributed to the entitled Unitholders and New Century REIT will be terminated, liquidated, delisted and deauthorised afterwards. In the event that the Proposals are not approved by the Independent Unitholders, the Board will reconsider other strategic investment options for the New Century REIT in accordance with its investment policy, objectives and strategy.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

(All amounts in Renminbi thousands unless otherwise stated)

		Year ended 31 December	
	Notes	2020	2019
		RMB'000	RMB'000
Revenue	5	214,328	254,881
Operating expenses	6	(43,545)	(55,135)
Other (losses)/gains – net	8	(40,906)	62,914
Change in fair values of investment properties	11	(615,130)	(120,094)
Operating (loss)/profit		(485,253)	142,566
Finance income	9	5,027	4,913
Finance costs	9	(169,101)	(155,379)
Finance costs – net		(164,074)	(150,466)
Loss before taxation and transactions with unitholders		(649,327)	(7,900)
Income tax credit/(expense)	10	101,414	(28,784)
Loss after taxation for the year, before transactions with unitholders		(547,913)	(36,684)
Loss attributable to unitholders		(545,541)	(37,502)
(Loss)/profit attributable to non-controlling interests		(2,372)	818
		(547,913)	(36,684)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

(All amounts in Renminbi thousands unless otherwise stated)

	Attributable to			
	Unitholders before transactions with unitholders <i>RMB'000</i>	Transactions with unitholders (<i>Note (i)</i>) <i>RMB'000</i>	Unitholders after transactions with unitholders <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>
(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 (<i>Note (ii)</i>)	<u>(36,825)</u>	<u>36,825</u>	<u>–</u>	<u>818</u>
(Loss)/profit for the year ended 31 December 2020	(545,541)	545,104	(437)	(2,372)
Other comprehensive income: <i>Item that may be reclassified subsequently to consolidated income statement:</i>				
Exchange gains on translation of financial statements	437	–	437	–
Total comprehensive (loss)/income for the year ended 31 December 2020 (<i>Note (ii)</i>)	<u>(545,104)</u>	<u>545,104</u>	<u>–</u>	<u>(2,372)</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 2020

(All amounts in Renminbi thousands unless otherwise stated)

		As at 31 December	
	Notes	2020	2019
		RMB'000	RMB'000
Non-current assets			
Investment properties	11	3,997,000	4,612,000
Goodwill	12	7,987	7,987
Other long-term assets		1,730	13,036
		<u>4,006,717</u>	<u>4,633,023</u>
Current assets			
Trade and other receivables and prepayments	13	15,369	7,531
Amounts due from related parties	23(a)	68,148	30,836
Derivative financial instruments	16	–	6,497
Restricted cash	14	181,528	504,978
Cash and cash equivalents	14	98,095	194,062
		<u>363,140</u>	<u>743,904</u>
Total Assets		<u>4,369,857</u>	<u>5,376,927</u>
Current liabilities			
Trade and other payables	15	35,542	46,605
Amounts due to related parties	23(b)	55,162	56,702
Current income tax liabilities		21,679	14,641
Deferred income		2,335	2,741
Borrowings	17	208,229	294,434
		<u>322,947</u>	<u>415,123</u>

		As at 31 December	
	<i>Notes</i>	2020	2019
		RMB'000	RMB'000
Non-current liabilities, other than net assets attributable to unitholders			
Borrowings	<i>17</i>	1,527,809	1,805,789
Loan due to a related party	<i>23(b)</i>	60,000	–
Deferred income tax liabilities	<i>18</i>	760,535	896,462
		<u>2,348,344</u>	<u>2,702,251</u>
Total liabilities, excluding net assets attributable to unitholders		2,671,291	3,117,374
Non-controlling interests		25,732	29,473
Net assets attributable to unitholders	<i>19</i>	<u>1,672,834</u>	<u>2,230,080</u>
Total equity and liabilities		<u>4,369,857</u>	<u>5,376,927</u>
Net current assets		<u>40,193</u>	<u>328,781</u>
Units in issue ('000)	<i>19</i>	<u>988,009</u>	<u>971,128</u>
Net assets attributable to unitholders per unit	<i>19</i>	<u>RMB1.6931</u>	<u>RMB2.2964</u>

CONSOLIDATED DISTRIBUTION STATEMENT

For the year ended 31 December 2020

(All amounts in Renminbi thousands unless otherwise stated)

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Loss attributable to unitholders	(545,541)	(37,502)
Adjustments for the total distributable income:		
– Unrealised net foreign exchange losses (Notes 8 and 9)	1,433	32,848
– Deferred taxation in respect of investment properties and tax losses attributable to unitholders	(139,837)	(15,467)
– Amortisation of transaction costs of the bank borrowings (Note 9)	48,879	28,531
– REIT Manager fee payable in units in lieu of cash (Note 7)	20,405	12,301
– Fair value losses on outstanding derivative financial instruments (Note 8)	–	7,718
– Fair value change on investment properties attributable to unitholders	610,269	119,055
– Gain on disposal of a subsidiary	–	(69,653)
– Accumulated realised foreign exchange losses on the bank borrowings which were repaid during the year (iv)	(195,481)	(8,954)
– Accumulated realised fair value gains upon the settlement of derivative financial instruments (iv)	6,497	–
Total (adjusted loss)/distributable income for the year (i)	(193,376)	68,877
Interim distribution period		
Interim distributable income	–	37,584
Pay-out ratio (ii)	–	90%
Distributable income for interim period	–	33,826
Total distribution for interim period	–	33,826
Final distribution period		
Total distributable income for the year	–	68,877
Less: total distributable income for interim period	–	(37,584)
Distributable income for second half year	–	31,293
Pay-out ratio (ii)	–	90%
Distributable income declared and to be paid for second half year	–	28,163
Total distribution declared for second half year	–	28,163
Distribution per unit (RMB) (iii)		
– Interim distribution per unit	–	RMB0.0350
– Final distribution per unit	–	RMB0.0290
	–	RMB0.0640

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 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 no dividend to be declared and distributed for the year ended 31 December 2020 as there was an adjusted loss for the year (2019: 90% of New Century REIT's total distributable income was declared and distributed).

- (iii) No interim and final distribution were declared by the board of directors of the REIT Manager for the year ended 31 December 2020.

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 paid to unitholders of RMB28,163,000 by 971,128,484 units in issue as at 31 December 2019.

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

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

For the year ended 31 December 2020

(All amounts in Renminbi thousands unless otherwise stated)

	Notes	Net assets attributable to unitholders RMB'000	Equity Non- controlling interests RMB'000	Total RMB'000
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	19	12,914	–	12,914
Units bought back for cancellation	19	(415)	–	(415)
Distributions paid to unitholders	19	(79,704)	–	(79,704)
Dividends declared to non-controlling interests		–	(5,593)	(5,593)
Other comprehensive income (“OCI”)				
– exchange reserve	19	677	–	677
As at 31 December 2019		<u>2,230,080</u>	<u>29,473</u>	<u>2,259,553</u>
As at 1 January 2020		2,230,080	29,473	2,259,553
Loss for the year		(545,541)	(2,372)	(547,913)
Issuance of new units	19	16,021	–	16,021
Distributions paid to unitholders	19	(28,163)	–	(28,163)
Dividends declared to non-controlling interests		–	(1,369)	(1,369)
Other comprehensive income				
– exchange reserve	19	437	–	437
As at 31 December 2020		<u>1,672,834</u>	<u>25,732</u>	<u>1,698,566</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

(All amounts in Renminbi thousands unless otherwise stated)

		Year ended 31 December	
	Notes	2020	2019
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations	21	138,069	200,936
Interest paid		(103,759)	(87,325)
Income tax paid		(28,231)	(53,208)
Net cash generated from operating activities		6,079	60,403
Cash flows from investing activities			
Purchase of financial assets at fair value through profit or loss ("FVPL")		(40,000)	–
Proceeds from sale of financial assets at FVPL		40,064	–
Additions of investment properties		(390)	(2,735)
Net cash inflow from disposal of a subsidiary		–	280,769
Net cash (used in)/generated from investing activities		(326)	278,034
Cash flows from financing activities			
Changes of restricted cash pledged for borrowings	14	323,450	(243,237)
Interest received from restricted cash		5,128	8,249
Proceeds from bank borrowings		1,737,088	2,058,928
Repayment of bank borrowings		(2,164,377)	(2,226,215)
Proceeds from related parties' loan		848,100	–
Repayment of a related party's loan		(788,100)	–
Net proceeds from issuance of units	19	16,021	12,914
Distributions paid to unitholders	19	(28,163)	(79,704)
Dividends paid to non-controlling interests		–	(4,441)
Units bought back for cancellation	19	–	(415)
Settlement of derivative financial instruments		(41,491)	–
Payment of other financing costs		(7,950)	(6,175)
Net cash used in financing activities		(100,294)	(480,096)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of the year	14	194,062	332,373
Exchange (losses)/gains on cash and cash equivalents		(1,426)	3,348
Cash and cash equivalents at end of the year	14	98,095	194,062

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in Renminbi thousands unless otherwise stated)

1 GENERAL INFORMATION

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

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

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

New Century REIT was listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) 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 31 March 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of the Group 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 Securities and Futures Commission of Hong Kong (the “**REIT Code**”). The consolidated financial statements have been prepared on a historical cost basis, except for the investment properties and derivative financial instruments, which are measured 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 2020, and have been adopted by the Group:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Revised conceptual framework	Revised Conceptual Framework for Financial Reporting
Amendments to IFRS 16	Covid-19-Related Rent Concessions

The Group had adopted Amendments to IFRS 16 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 interpretations not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds Before Intended Use	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRS Standards 2018-2020	Annual Improvements to HKFRS Standards 2018-2020	1 January 2022
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture	To be determined

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-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, as at 31 December 2020, all hotel properties are located in China. The hotel property located in Netherlands was disposed of in November 2019. As the subsidiary 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	
	2020	2019
	RMB'000	RMB'000
Rental income from the Initial Hotel Properties (a)	172,357	192,325
Rental income from the Kaifeng Hotel (a)	18,034	21,156
Rental income from the Netherlands Hotel (a)	–	14,366
Other rental income (b)	23,937	27,034
	214,328	254,881

- (a) For the year ended 31 December 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**”), New Century Grand Hotel Kaifeng (開封開元名都大酒店, the “**Kaifeng Hotel**”) of RMB190,391,000 was derived from the minimum Base Rent of RMB197,989,000 (as adjusted mentioned below) less value-added taxes of RMB7,598,000.

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 (the “**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 year ended 31 December 2020 by RMB24,011,000 in aggregate.

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**”).

The table below is a summary of the major lease agreements of the Group for the year ended 31 December 2020:

	Effective periods of the lease agreements	Total Rent calculation method	Base Rent for 2020 (including value-added taxes)	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	RMB179,235,000 (downward adjusted from the original Base Rent of RMB200,000,000 due to the suspension of operations during the Pandemic)	The Base Rent of respective hotel properties (being the Initial Hotel Properties and the Kaifeng Hotel) for the first five years remains unchanged. After the first five year, the Base Rent of respective hotel properties of the subsequent periods (the “ Subsequent Period ”) will be the market Base Rent (the “ Market Base Rent ”) determined by an independent professional property valuer. If the Market Base Rent as determined is lower than 85% of the average annual rent received from the lessee for the preceding four years (the “ Reference Average Rent ”), the Base Rent of respective hotel properties for each year during the Subsequent Period should be 85% of the Reference Average Rent of respective hotel properties, instead of the Market Base Rent. In addition, in any event, the Base Rent of the Initial Hotel Properties and the Kaifeng Hotel for each year during the Subsequent Period shall be no less than RMB183.6 million and RMB18.7 million respectively.
The Kaifeng Hotel	From 1 August 2015 to 31 July 2025		RMB18,754,000 (downward adjusted from the original Base Rent of RMB22,000,000 due to the suspension of operations during the Pandemic)	

- (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 RMB3,639,000 before value-added taxes of RMB173,000 (2019: RMB4,106,000 before value-added taxes of RMB196,000).

6 OPERATING EXPENSES

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
REIT Manager fee (Note 7)	20,405	24,603
Urban real estate and land use tax	15,847	17,910
Legal and other professional fees	2,467	5,586
Business and other taxes, surcharges and stamp duty	1,594	2,244
Auditors' remuneration	1,368	1,758
Trustee fee	874	1,066
Valuation fees	408	565
Maintenance and repairs	91	559
Miscellaneous	491	844
Total operating expenses	43,545	55,135

7 REIT MANAGER FEE

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Base Fee	13,109	15,993
Variable Fee	7,296	8,610
	<u>20,405</u>	<u>24,603</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 2020 have been and will be paid to the REIT Manager in form of units (2019: 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. 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 2020, no Divestment Fee was paid to the REIT Manager (2019: RMB1,537,000 was paid in form of cash). The Divestment Fee relating to the disposal of a subsidiary was recorded under the disposal costs and netted against the total cash consideration in calculating the gain on disposal.

8 OTHER (LOSSES)/GAINS – NET

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Gain on disposal of a subsidiary	–	69,653
Government grants (a)	7,346	2,439
Fair value losses on derivative financial instruments	–	(7,718)
Fair value losses on the settlement of derivative financial instruments (Note 16)	(47,988)	–
Net realised foreign exchange losses	(702)	(205)
Net unrealised foreign exchange (losses)/gains	(7)	13
Others	445	(1,268)
	<u>(40,906)</u>	<u>62,914</u>

(a) **Government grants**

Government grants mainly represented the concession of urban real estate and land use tax, and 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	
	2020 RMB'000	2019 RMB'000
Finance income		
– Interest income derived from bank deposits	<u>5,027</u>	<u>4,913</u>
Finance costs		
– Interest expenses on bank borrowings and related party loan	(87,852)	(85,710)
– Unrealised net foreign exchange losses on financing activities	(1,426)	(32,861)
– Amortisation of transaction costs of the bank borrowings	(48,879)	(28,531)
– Realised net foreign exchange losses on financing activities	(24,228)	(5,003)
– Other financing costs	<u>(6,716)</u>	<u>(3,274)</u>
	<u>(169,101)</u>	<u>(155,379)</u>
Finance costs – net	<u>(164,074)</u>	<u>(150,466)</u>

10 INCOME TAX CREDIT/(EXPENSE)

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Current income tax		
– Corporate income tax	(30,373)	(39,979)
Deferred income tax		
– Corporate income tax (Note 18)	<u>131,787</u>	<u>11,195</u>
Tax credit/(charge)	<u>101,414</u>	<u>(28,784)</u>

11 INVESTMENT PROPERTIES

	As at 31 December	
	2020	2019
	RMB'000	<i>RMB'000</i>
Investment properties	3,997,000	4,612,000

The investment properties of the Group are located in China. The investment properties located in China are held on land use rights with lease periods of 35 to 40 years.

	Year ended 31 December	
	2020	2019
	RMB'000	<i>RMB'000</i>
At fair value		
Opening balance	4,612,000	4,979,073
Fair value losses (a)	(615,130)	(120,094)
Additions	130	2,172
Exchange differences recognised in profit or loss	–	(3,616)
Disposal of a subsidiary	–	(245,535)
Closing balance	3,997,000	4,612,000

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

As at 31 December 2020 and 2019, bank borrowings are secured by the Initial Hotel Properties and the Kaifeng Hotel with the total carrying amount of RMB3,997,000,000 and RMB4,612,000,000, respectively (Note 17).

12 GOODWILL

	Goodwill
	<i>RMB'000</i>
Year ended 31 December 2020 and 2019	
Opening and closing net book amount	7,987
As at 31 December 2020 and 2019	
Cost	7,987
Accumulated impairment	–
Net book amount	7,987

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 2020 and 2019.

13 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade receivables (a)	3,083	2,621
Other receivables	235	3,130
Escrow deposit (b)	12,038	–
Prepayments	13	1,780
	<u>15,369</u>	<u>7,531</u>
Trade and other receivables and prepayments – net	<u>15,369</u>	<u>7,531</u>

As at 31 December 2020 and 2019, the carrying amount of the trade and other receivables of the Group approximated their carrying amounts.

- (a) As at 31 December 2020 and 2019, the trade receivables represented the rental income receivables from the third party lessees. Trade receivables due from related parties please refer to Note 23(a).

The aging analysis of trade receivables as at 31 December 2020 and 2019 was as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade receivables, gross		
– Within 30 days	<u>3,083</u>	<u>2,621</u>

Credit period granted to customers is normally within 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 2020 and 2019, 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 immaterial.

As at 31 December 2020 and 2019, all carrying amounts of the Group's trade receivables are denominated in RMB.

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

- (b) It represents an escrow deposit of EUR1,500,000 (equivalent to (i) RMB12,038,000 as at 31 December 2020 and (ii) RMB11,723,000 as at 31 December 2019 recorded in "Other long-term assets") 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. The escrow deposit is expected to be released on 28 May 2021.

14 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Cash at bank and on hand (a)	279,623	699,040
Less: Restricted cash (b)	(181,528)	(504,978)
	<hr/>	<hr/>
Cash and cash equivalents	98,095	194,062
	<hr/> <hr/>	<hr/> <hr/>

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Cash at bank and in hand:		
• RMB	262,447	336,988
• USD	1,652	2,026
• HKD	15,507	121,460
• EUR	17	238,566
	<hr/>	<hr/>
	279,623	699,040
	<hr/> <hr/>	<hr/> <hr/>

- (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) As at 31 December 2020, restricted cash represents guaranteed deposits pledged to the banks as security deposits under loan facilities (Note 17).

As at 31 December 2019, restricted cash represents guaranteed deposits held in reserve accounts and bank deposits pledged to the banks as security deposits under loan facilities (Note 17).

15 TRADE AND OTHER PAYABLES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade payables (a)	692	941
Other payables	16,678	34,435
Advances from customers	2,534	1,532
Accrued taxes other than income tax	12,290	7,718
Dividends payable	3,348	1,979
	<u>35,542</u>	<u>46,605</u>

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade payables		
– Within 90 days	21	86
– Over 90 days and within 360 days	6	40
– Over 360 days and within 720 days	78	255
– Over 720 days	587	560
	<u>692</u>	<u>941</u>

As at 31 December 2020 and 2019, 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	
	2020	2019
	RMB'000	RMB'000
Interest rate swaps	–	6,497
	<u>–</u>	<u>6,497</u>

The Group has entered into interest rate swaps with commercial banks. Nevertheless, they were not accounted for as hedging instruments as the conditions for hedge accounting were not met for the years ended 31 December 2020 and 2019. Gains and losses arising from the fair value change of these derivative financial instruments were recognised in the consolidated income statement in “Other (losses)/gains – 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 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. These interest rate swaps were fully settled in 2020 and the settlement losses with the total amount of RMB47,988,000 were recognised in the consolidated income statement in “Other (losses)/gains – net” (Note 8).

17 BORROWINGS

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current		
Principal of bank borrowings – secured (a)	1,583,500	1,902,465
Less: transaction costs	(23,862)	(44,103)
Current portion of non-current bank borrowings	(31,829)	(52,573)
	<u>1,527,809</u>	<u>1,805,789</u>
Current		
Bank borrowings – secured (a)	176,400	241,861
Current portion of non-current bank borrowings	31,829	52,573
	<u>208,229</u>	<u>294,434</u>

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

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
HKD	–	1,911,291
RMB	1,736,038	188,932
	<u>1,736,038</u>	<u>2,100,223</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 <i>RMB'000</i>	Between 6 and 12 months <i>RMB'000</i>	Over 1 year <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2020	<u>189,635</u>	<u>18,594</u>	<u>1,527,809</u>	<u>1,736,038</u>
As at 31 December 2019	<u>243,445</u>	<u>50,989</u>	<u>1,805,789</u>	<u>2,100,223</u>

The maturity of borrowings is as follows:

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	208,229	294,434
Between 1 and 2 years	680,428	55,759
Between 2 and 3 years	7,480	1,750,030
Over 3 years	839,901	–
	<u>1,736,038</u>	<u>2,100,223</u>

The weighted average effective interest rates during the years ended 31 December 2020 and 2019 were as follows:

	Year ended 31 December	
	2020	2019
Borrowings – current		
– USD	–	3.95%
– HKD	3.93%	3.90%
– RMB	3.97%	–
	<u> </u>	<u> </u>
Borrowings – non-current		
– HKD	9.95%	6.22%
– RMB	5.04%	6.25%
– EUR	–	3.79%
	<u> </u>	<u> </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	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amounts		
Bank borrowings	<u>1,527,809</u>	<u>1,805,789</u>
Fair values		
Bank borrowings	<u>1,464,363</u>	<u>1,782,192</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 2020, the bank borrowings of RMB176,400,000 were secured by bank deposits (Note 14); whereas the bank borrowings of RMB1,583,500,000 were secured by investment properties (Note 11) and all trade receivables (Notes 13 and 23(a)).

As at 31 December 2019, the bank borrowings of RMB241,861,000 were secured by bank deposits of RMB262,500,000 (Note 14). The bank borrowings of RMB1,902,465,000 were secured and guaranteed by the following:

- Secured by investment properties (Note 11), the guaranteed deposits of RMB242,478,000 (Note 14) and all trade receivables (Notes 13 and 23(a));
- Secured by equity interest of Zhejiang New Century Hotel, 浙江銳至投資股份有限公司 (Zhejiang Spearhead Investment Limited), 寧波開元銳至投資有限公司 (Ningbo New Century Spearhead Investment Limited), 長春開元銳至投資管理有限公司 (Changchun New Century Spearhead Investment and Management Limited), 淳安千島湖開元銳至投資有限公司 (Chun'an Qiandao Lake New Century Spearhead Investment Limited), 開封開元名都大酒店有限公司 (Kaifeng New Century Grand Hotel Limited), Spearhead Global Limited, Spearhead Investments Limited and Sky Town Investments Limited, subsidiaries of the Group;
- Guaranteed by Zhejiang New Century Hotel, Spearhead Investments Limited and Sky Town Investments Limited, subsidiaries of the Group.

The Group had the following undrawn bank borrowing facilities:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
HKD/USD facilities – expiring beyond one year	656,479	456,848

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. As at 31 December 2020, none (2019: HKD270,000,000 or equivalent to RMB241,861,000) of this facility was utilised.

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	
	2020	2019
	RMB'000	RMB'000
Deferred income tax liabilities:		
– to be recovered after more than 12 months	755,892	891,653
– to be recovered within 12 months	4,643	4,809
	760,535	896,462

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Opening balance	896,462	929,159
Credited to profit or loss (<i>Note 10</i>)	(131,787)	(11,195)
Disposal of a subsidiary	–	(21,208)
Credited to OCI – exchange reserve	–	(294)
Payment during the year	(4,140)	–
	<hr/>	<hr/>
Closing balance	760,535	896,462
	<hr/> <hr/>	<hr/> <hr/>

Movements in deferred income tax assets and liabilities during the years ended 31 December 2020 and 2019, 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	instruments	
			RMB'000	RMB'000
As at 31 December 2018	751	786	2	1,539
Charged to profit or loss	(417)	(100)	(2)	(519)
Disposal of a subsidiary	(273)	–	–	(273)
Charged to OCI – exchange reserve	(61)	–	–	(61)
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 December 2019	–	686	–	686
Charged to profit or loss	–	(102)	–	(102)
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 December 2020	–	584	–	584
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Deferred income tax liabilities	Difference	Amortisation	Withholding	Others	Total
	between tax book	of transaction	tax in respect		
	and accounting	costs of the bank	of unremitted		
	book in respect	borrowings	earnings of		
	of investment	properties	subsidiaries		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2018	929,756	331	–	611	930,698
(Credited)/charged to profit or loss	(16,114)	184	4,140	76	(11,714)
Disposal of a subsidiary	(21,481)	–	–	–	(21,481)
Credited to OCI – exchange reserve	(354)	(1)	–	–	(355)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 December 2019	891,807	514	4,140	687	897,148
(Credited)/charged to profit or loss	(141,023)	5,209	3,859	66	(131,889)
Payment during the year	–	–	(4,140)	–	(4,140)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 December 2020	750,784	5,723	3,859	753	761,119
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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 RMB8,361,000 (2019: RMB6,539,000) in respect of losses amounting to RMB37,730,000 (2019: RMB26,754,000) that can be carried forward against future taxable income. The negative impact of tax rate change on the unrecognised deferred income tax assets for tax losses was nil (2019: RMB232,000).

19 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	Number of units	Net assets attributable to unitholders RMB'000
Year ended 31 December 2019		
Opening balance	962,464,398	2,334,110
Issuance of new units (a)	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 (e)	–	(79,704)
OCI – exchange reserve	–	677
	<hr/>	<hr/>
As at 31 December 2019	971,128,484	2,230,080
	<hr/> <hr/>	<hr/> <hr/>
Year ended 31 December 2020		
Opening balance	971,128,484	2,230,080
Issuance of new units (b)	16,880,653	16,021
Loss for the year	–	(545,541)
Distributions paid to unitholders during the year (f)	–	(28,163)
OCI – exchange reserve	–	437
	<hr/>	<hr/>
As at 31 December 2020	988,009,137	1,672,834
	<hr/> <hr/>	<hr/> <hr/>

(a) 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; and

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.

- (b) New Century REIT issued 16,880,653 units during the year ended 31 December 2020:

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; and

On 25 September 2020, 10,261,304 units were issued to the REIT Manager at an issue price of HKD1.1050 per unit (equivalent to RMB9,921,000) as payment of the REIT Manager fee for the six months ended 30 June 2020.

- (c) No units were bought back or cancelled during the year ended 31 December 2020. (2019: from August to November 2019, New Century REIT had repurchased and cancelled a total of 293,000 units on the Stock Exchange at the prevailing market prices ranging from HKD1.50 to HKD1.75 with the aggregate consideration of HKD461,000 (equivalent to RMB415,000)).
- (d) As at 31 December 2020, the net assets attributable to unitholders per unit of RMB1.6931 is calculated by dividing the net assets attributable to unitholders of RMB1,672,834,000 by the number of units in issue of 988,009,137 (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).
- (e) 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.
- (f) The distributions with amount of RMB28,163,000 paid during the year ended 31 December 2020 represents the final distribution for the period from 1 July 2019 to 31 December 2019, which was paid to unitholders on 22 May 2020.

20 LOSS PER UNIT BASED UPON LOSS AFTER INCOME TAX BEFORE TRANSACTIONS WITH UNITHOLDERS ATTRIBUTABLE TO UNITHOLDERS

Loss per unit based upon loss after income tax before transactions with unitholders attributable to unitholders is calculated by dividing the loss 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	
	2020	2019
Loss after income tax before transactions with unitholders attributable to unitholders (RMB'000)	<u>(545,541)</u>	<u>(37,502)</u>
Weighted average number of units in issue ('000)	<u>977,946</u>	<u>966,318</u>
Basic loss per unit (RMB)	<u>(0.5578)</u>	<u>(0.0388)</u>

The diluted loss per unit is same as the basic loss per unit as there were no diluted instruments in issue during the years ended 31 December 2020 and 2019.

21 CASH FLOWS INFORMATION

Reconciliation of loss before taxation to cash generated from operations

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Loss before taxation and transactions with unitholders	(649,327)	(7,900)
Adjustments for:		
– Fair value changes on investment properties (<i>Note 11</i>)	615,130	120,094
– Interest expenses on bank borrowings (<i>Note 9</i>)	87,852	85,710
– Unrealised net foreign exchange losses (<i>Notes 8 and 9</i>)	1,433	32,848
– Amortisation of transaction costs of bank borrowings (<i>Note 9</i>)	48,879	28,531
– Fair value losses on derivative financial instruments (<i>Note 8</i>)	–	7,718
– Realised net foreign exchange losses on financing activities (<i>Note 9</i>)	24,228	5,003
– Other financing costs (<i>Note 9</i>)	6,716	3,274
– Fair value losses on the settlement of derivative financial instruments (<i>Note 8</i>)	47,988	–
– Realised exchange reserves related to the disposal of a subsidiary	–	(159)
– Amortisation of deferred income	(406)	(406)
– Interest income on restricted cash	(1,528)	(2,879)
– Gain on disposal of a subsidiary (<i>Note 8</i>)	–	(69,653)
	180,965	202,181
Changes in working capital:		
– (Increase)/decrease in trade and other receivables and prepayments	(8,332)	2,037
– Increase in trade and other payables	4,738	6,327
– Increase in amounts due from related parties	(37,312)	(8,302)
– Decrease in amounts due to related parties	(1,990)	(1,307)
	138,069	200,936

22 COMMITMENTS

Capital commitments

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
In respect of investment properties, contracted but not provided for	—	2,462

23 BALANCES WITH CONNECTED/RELATED PARTIES

(a) Amounts due from related parties

Trade receivables due from:

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
The Hotel Group (i)	59,729	28,689
New Century Grand Hotel Kaifeng Business Company Limited (i)	8,384	2,113
	<u>68,113</u>	<u>30,802</u>

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

Credit period granted to related parties is normally within 30 days. No interest is charged on the trade receivables. The Group applied simplified approach, which requires expected lifetime losses to be recognised from the initial recognition of the receivables. The aging of the trade receivables due from related parties were all within credit period. The Group believe that there were no significant financial difficulty of the related parties and based on the part experience, there were no significant changes in the credit quality of the related parties and the identified impairment losses was immaterial.

Other receivables due from:

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
The REIT Manager	35	34

(b) Amounts due to related parties

Other payables due to:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
New Century Grand Hotel Kaifeng Business Company Limited	22,000	22,000
The Hotel Group	20,803	21,026
The REIT Manager	10,484	12,200
New Century Tourism Group Limited	451	466
Hangzhou New Century Real Estate Group Limited	480	434
Hangzhou New Century Senbo Tourism Investment Limited	67	67
Hangzhou New Century Yiran Cultural Tourism Management Co., Ltd.	44	–
Hangzhou New Century Decorating Limited	31	31
	<hr/>	<hr/>
Subtotal of other payables due to related parties	54,360	56,224
The Trustee (ii)	355	530
Cushman & Wakefield Limited (ii)	85	268
	<hr/>	<hr/>
	54,800	57,022
	<hr/> <hr/>	<hr/> <hr/>

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

Advances from customers:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
The Hotel Group	16	155
New Century Tourism Group Limited	153	148
Hangzhou New Century Real Estate Group Limited	138	138
Hangzhou New Century Yiran Cultural Tourism Management Co., Ltd.	22	–
Hangzhou New Century Decorating Limited	10	10
Hangzhou New Century Senbo Tourism Investment Limited	–	27
	<hr/>	<hr/>
	339	478
	<hr/> <hr/>	<hr/> <hr/>

Loan due to a related party:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Huge Harvest	60,000	–
	<hr/>	<hr/>

Interest payable:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Huge Harvest	463	–
	<hr/>	<hr/>

24. NON-CANCELLABLE OPERATING LEASES

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within one year (a)	193,721	236,544
Between one year and five years	442,037	577,301
Over five years	39,817	33,727
	<u>675,575</u>	<u>847,572</u>

- (a) In November 2020, Zhejiang New Century Hotel (as the Lessor) and the Zhejiang New Century Hotel Management Co., Ltd. (as the Lessee) had jointly appointed Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd. (the “**Valuer**”) to determine the Market Base Rent of the Initial Hotel Properties for the 9th lease year from 10 July 2021 to 9 July 2022 (the “**Lease Year of 2021**”). According to the Valuer’s report, the Market Base Rent for the Lease Year of 2021 as determined is RMB180 million, while other terms of the Hotel Lease and Management Agreements, including but not limited to, the calculation of the individual rent and security deposit, remain unchanged. Given both the Market Base Rent and 85% of the Reference Average Rent (being RMB175.4 million) are lower than RMB183.6 million, the aggregate amount payment by the Lessee as Base Rent for the Lease Year of 2021 is RMB183.6 million, which is RMB16.4 million lower than that for the Lease Year of 2020 (being the lease period from 10 July 2020 to 9 July 2021).

25. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 27 January 2021, New Century REIT announced that, on 26 January 2021, the DB Trustees (Hong Kong) Limited (as the seller) and the REIT Manager have entered into a sale and purchase agreement for the disposal of all issued shares of Spearhead Global Limited (the “**Target Company**”) and its outstanding loan due to New Century REIT to Huge Harvest (as the purchaser) for a total consideration of HKD1,921,018,274 (the “**Proposed Disposal**”). As one of the condition precedents of the completion of the Proposed Disposal (the “**Completion**”), a reorganisation shall be implemented by Target Company to acquire all issued shares of Strong Tower Global Limited and New Century REIT Hong Kong I Limited and as a result, the Target Company and its subsidiaries will contain all of the operating businesses and assets of New Century REIT. The reorganisation had been completed in February 2021.

As the Proposed Disposal constitutes a very substantial disposal and a connected party transaction of New Century REIT and also given that following the Completion, New Century REIT would have no remaining operating real estate assets to fulfill the criteria for operating as a REIT in accordance with the REIT Code, and therefore, New Century REIT should be terminated and liquidated in accordance with the REIT Code and the units should consequently be delisted from trading on the Stock Exchange and New Century REIT should be deauthorised in accordance with applicable regulatory requirements. As the termination and the consequential liquidation and delisting are natural results of the Proposed Disposal, the Proposed Disposal should be treated as part and parcel of the proposed termination, the proposed liquidation and the proposed delisting (collectively, the “**Proposals**”). The Proposals are subject to the approval by independent Unitholders (being Unitholders other than Huge Harvest and parties acting in concert with Huge Harvest) (the “**Independent Unitholders**”) by the approval threshold (i.e. at least approved by 75% of the votes attaching to the units held by the Independent Unitholders voting either in person or by proxy with the number of votes cast against the resolution being not more than 10% of the votes attaching to the units held by the Independent Unitholders) at the extraordinary general meeting to be held on 12 April 2021 in accordance with the Hong Kong Codes on Takeovers and Mergers.

If the Proposals are approved by the Independent Unitholders, the proposed interim distribution of HK\$2.00 per unit will be distributed to the entitled unitholders and New Century REIT will be terminated, liquidated, delisted and deauthorised afterwards. In the event that the Proposals are not approved by the Independent Unitholders, the Board will reconsider other strategic investment options for the New Century REIT in accordance with its investment policy, objectives and strategy.

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 2020, both the REIT Manager and New Century REIT have in material terms complied with the provisions of the REIT Code, the relevant provisions of the 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 22 May 2020 and 25 September 2020, respectively issued by the REIT Manager. During the year ended 31 December 2020, an aggregate of 16,880,653 new Units were issued to the REIT Manager as payment of 50% and all of the REIT Manager’s base fee and variable fee for the period from 1 July 2019 to 31 December 2019 and 1 January 2020 to 30 June 2020, respectively.

The total number of Units in issue as at 31 December 2020 was 988,009,137 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 2020.

BUY-BACK, SALE OR REDEMPTION OF UNITS

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 for the year ended 31 December 2020.

CLOSURE OF THE REGISTER OF UNITHOLDERS FOR ANNUAL GENERAL MEETING

Reference is made to the circular dated 19 March 2021 (the “**Circular**”) and the announcement dated 25 March 2021 jointly issued by New Century REIT and Huge Harvest in respect of, among others, the proposed very substantial disposal and connected party transaction, and the proposed termination, proposed liquidation, proposed delisting and proposed deauthorisation of New Century REIT. Capitalised terms used in this paragraph shall have the same meanings as defined in the Circular. If the Proposals are approved by the Independent Unitholders at the EGM, the register of Unitholders will be closed from Wednesday, 21 April 2021 and will remain closed until the effective date of the Proposed Delisting. The effective date and the arrangement of the Proposed Delisting and the Proposed Deauthorisation are subject to approval of the Stock Exchange and the SFC. Those Unitholders on the register of Unitholders as at Wednesday, 21 April 2021 are entitled to attend the annual general meeting to be held on 18 June 2021.

Further announcement(s) will be made if the Proposals are not approved by the Independent Unitholders at the EGM or if there are changes to the book closure period.

ANNUAL GENERAL MEETING

An annual general meeting of New Century REIT will be convened on 18 June 2021, Friday. 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 2020 is expected to be despatched to Unitholders on or about 12 April 2021.

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, 31 March 2021

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 and 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.