



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)

LIQUIDATION REPORT

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NEW CENTURY REAL ESTATE INVESTMENT TRUST

The audited consolidated financial statements of New Century Real Estate Investment Trust (“**New Century REIT**”) and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2021 (the “**Reporting Period**”), being the liquidation date and the date for the financial statements of New Century REIT as required by 11.10(c) of the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong (the “**REIT Code**”), having been audited by the Group’s auditor and reviewed by the audit committee (the “**Audit Committee**”) and disclosures committee (the “**Disclosures Committee**”) of New Century Asset Management Limited (the “**REIT Manager**”) (as manager of New Century REIT), was approved by the board of directors of the REIT Manager (the “**Board**”) on 26 July 2021.

New Century REIT’s portfolio comprised five 5-star hotels and one 4-star hotel up to 19 April 2021, 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 had an aggregate of 2,375 rooms and 374,586 square meters (“**sq.m.**”) in total gross floor area (“**GFA**”).

FINANCIAL HIGHLIGHTS

KEY FINANCIAL FIGURES FOR THE REPORTING PERIOD

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

	(Audited) For the six months ended 30 June 2021 RMB'000	(Unaudited) For the six months ended 30 June 2020 RMB'000	Percentage Increase/ (Decrease)
Revenue	71,515	93,420	(23.4)%
Loss attributable to Unitholders	(12,516)	(473,871)	(97.4)%
Adjusted loss for the period (for distribution purpose)	(16,766)	(6,990)	139.9%
Payout ratio (%)	N/A	N/A	–
Interim distribution for the period ¹	–	–	–
Other distributions:			
Interim distribution ² – paid	1,658,512	–	N/A
Final distribution ³ – declared	1,488	–	N/A
Per Unit Figures			
Distribution per Unit (“DPU”)			
Final DPU (RMB) ³	0.0015	–	N/A
Final DPU (HK\$) ^{3&4}	0.0018	–	N/A
Total DPU (RMB) ^{2&3}	1.6801	–	N/A
Total DPU (HK\$) ²⁻⁴	2.0018	–	N/A

	(Audited) As at 30 June 2021	(Audited) As at 31 December 2020	Percentage Increase/ (Decrease)
Net assets attributable to Unitholders per Unit (“NAV per Unit”) (RMB) ⁵	0.0015	1.6931	(99.9)%
Ratio			
Gearing ratio ⁶	–	41.7%	(41.7)%

FINANCIAL HIGHLIGHTS

Notes:

1. The REIT Manager has resolved that no distribution to be declared for the six months ended 30 June 2021 as there is an adjusted loss for the period (2020: None) except for other distributions as mentioned in Notes 2 and 3 below.
2. Pursuant to Rule 20.1 of the Hong Kong Codes on Takeovers and Mergers (the “**Takeovers Code**”), an interim distribution of HK\$1,976,018,274 (equivalent to approximately RMB1,658,512,000) or HK\$2.0 per unit of New Century REIT (the “**Unit(s)**”) (“**Interim Distribution**”) arising from the proceeds of the Disposal as disclosed in Note 2.1 to the consolidated financial statements, as calculated based on the sum of consideration received from the Disposal and available cash reserves of New Century REIT, minus the estimated disposal costs, was declared and paid to entitled unitholders of New Century REIT (the “**Unitholders**”) on 28 April 2021 whose names appeared on the register of Unitholders on 16 April 2021 (the “**Interim Record Date**”).
3. Pursuant to Note 3 of 11.8 of the REIT Code, a final distribution of HK\$1,788,037 (equivalent to approximately RMB1,488,000) or HK\$0.0018 per Unit (the “**Final Distribution**”) arising from the liquidation of New Century REIT, as calculated based on the cash and cash equivalents of HK\$4,276,172 (equivalent to approximately RMB3,558,000) as at 30 June 2021 minus the disposal costs payable of HK\$2,488,135 (equivalent to approximately RMB2,070,000) as at 30 June 2021, was declared to be paid to the Unitholders whose names appeared on the register of Unitholders on 21 April 2021 (the “**Final Record Date**”) on or before 30 July 2021.
4. Unless indicated otherwise, amounts specified in Hong Kong dollars (“**HK\$**”) are based on an exchange rate of HK\$1=RMB0.83208 as at 30 June 2021 (as at 31 December 2020: HK\$1=RMB0.84164) while amounts specified in United States dollars (“**USD**”) are based on an exchange rate of USD1=RMB6.4601 as at 30 June 2021 (as at 31 December 2020: USD1=RMB6.5249).

Distribution payable to Unitholders is paid in HK\$. For illustration purpose, the exchange rates adopted by the REIT Manager for the Interim Distribution and Final Distribution in the above calculations are HK\$1=RMB0.83932 and HK\$1=RMB0.83208 respectively.

5. NAV per Unit as at 30 June 2021 of RMB0.0015 (As at 31 December 2020: RMB1.6931) was calculated by dividing net assets attributable to Unitholders of RMB1,488,000 (As at 31 December 2020: RMB1,672,834,000) by the number of Units in issue as at 30 June 2021 of 988,009,137 Units (As at 31 December 2020: 988,009,137 Units).
6. Gearing ratio is calculated based on the total gross borrowings (including bank borrowings and loan due to a related party (if any)) excluding transaction costs over the total assets as at the end of each reporting period.

CHAIRMAN'S STATEMENT

Dear Unitholders,

On behalf of the Board, I would like to present the liquidation report of the Group for the period from 1 January 2021 to 30 June 2021 (the "**Reporting Period**") (with 30 June 2021 being the liquidation date and the date for the financial statements of New Century REIT as required by 11.10(c) of the REIT Code) (the "**Liquidation Report**").

New Century REIT was constituted in June 2013 and listed in July 2013 as the first PRC-based hotel REIT in the world to hold an investment portfolio of hotel assets primarily in the PRC. However, the hospitality industry in the PRC has been challenging in recent years and is expected to remain challenging in the short to medium term given the COVID-19 pandemic ("**Pandemic**"). Although the Pandemic is largely under control in the PRC, the revenue generated from outbound tourists, large-scale banquets and conferences has yet to rebound back to pre-Pandemic levels. The operating environment in the short to medium term is still uncertain and challenging.

Following the completion of disposal of Spearhead Global Limited on 19 April 2021, New Century REIT has no remaining operating assets. The interim distribution of HK\$2.00 per Unit was distributed to all eligible Unitholders on 28 April 2021. Subsequently, New Century REIT commenced the liquidation process. After the full settlement of all accrued expenses as at 30 June 2021, the remaining cash balances were distributed to all eligible Unitholders on a pro-rata basis by means of final distribution.

The Final Distribution of HK\$0.0018 per Unit was distributed to the eligible Unitholders on 30 July 2021.

Applications for the delisting and the deauthorization of New Century REIT have been submitted to The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Securities and Futures Commission of Hong Kong ("**SFC**"). The Proposed Delisting and Proposed Deauthorization are expected to take place with effect from 31 August 2021.

Last but not least, on behalf of the REIT Manager, I would like to express my sincere gratitude to DB Trustees (Hong Kong) Limited (the "**Trustee**") and the Unitholders for the support and confidence rendered to us in the past eight years.

On behalf of the Board

New Century Asset Management Limited
(as the manager of New Century REIT)

Jin Wenjie
Chairman

Hong Kong, 30 August 2021

REPORT OF THE REIT MANAGER

DEAR UNITHOLDERS,

On behalf of the Board of the REIT Manager, I am honored to present the liquidation report of the Group for the period from 1 January 2021 to 30 June 2021 (the “**Reporting Period**”) (with 30 June 2021 being the liquidation date and the date for the financial statements of New Century REIT as required by 11.10(c) of the REIT Code) (the “**Liquidation Report**”).

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 RMB72 million (2020: RMB93 million) and RMB17 million (2020: RMB7 million) respectively. Revenue from the Hotel Properties decreased by approximately 23% year-on-year (“**YoY**”), which was mainly due to the disposal of all Hotel Properties through the sale of New Century REIT’s wholly-owned subsidiary, Spearhead Global Limited, (the “**Disposal**”) together with its subsidiaries (the “**Disposed Group**”) as mentioned in section headed “The Disposal of the Disposed Group”, which was completed on 19 April 2021 (the “**Disposal Date**”). The negative distributable income was mainly attributable to the loss arising from the Disposal.

Revenue of New Century REIT for the Reporting Period comprised (i) RMB64 million (2020: RMB83 million) rental income in respect of the leases of the Hotel Properties and (ii) RMB8 million (2020: RMB10 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. The rental income of the Hotel Properties for the Reporting Period represented the pro-rata base rent for the period from 1 January 2021 to the Disposal Date. After the Disposal, the financial performance of the Disposed Group ceased to be consolidated in the Group’s consolidated financial statements.

Although the Pandemic is largely under control in the PRC, the scattered confirmed cases and the prudent prevention and control measures still affected the overall performance of the Hotel Properties. From 1 January 2021 to the Disposal Date, the average occupancy rate (“**Occupancy**”) was approximately 42.3%, the average daily rate (“**ADR**”) was approximately RMB438 and the average revenue per available room (“**RevPAR**”) was approximately RMB186.

As New Century REIT reported an adjusted loss for the Reporting Period, no distribution for the six months ended 30 June 2021 was declared except (i) the interim distribution of HK\$2.00 per unit of New Century REIT (the “**Unit(s)**”) relating to the Disposal pursuant to Rule 20.1 of the Takeovers Code; and (ii) the Final Distribution of HK\$0.0018 per Unit pursuant to Note 3 of 11.8 of the REIT Code, which were declared on 19 April 2021 and 26 July 2021 respectively by the Board. For details, please refer to the section headed “The Disposal of the Disposed Group”.

FINANCIAL POSITION

As at 30 June 2021, the Group had no borrowings (as at 31 December 2020: the aggregate gross borrowings of RMB1,820 million (including bank borrowings and a related party loan)).

As at 30 June 2021, the Group had total cash and cash equivalents of RMB4 million which represented the cash on hand whereas, as at 31 December 2020, the total cash and cash equivalents of RMB280 million represented the cash and cash equivalents of RMB98 million and restricted cash of RMB182 million. After the full settlement of disposal costs payable of approximately RMB2.1 million as at 30 June 2021, the remaining cash balance of approximately RMB1.5 million (equivalent to approximately HK\$1.8 million) was fully distributed to the unitholders of New Century REIT (the “**Unitholders**”) by means of one-off distribution (final distribution) pursuant to Note 3 of 11.8 of the REIT Code.

PLEDGE OF ASSETS

As at 30 June 2021, no asset of New Century REIT was pledged. As at 31 December 2020, the Hotel Properties of New Century REIT with an aggregate carrying value of RMB3,997 million, bank deposits and trade receivables (including trade receivables due from related parties) with an aggregate value of RMB253 million were pledged to secure bank borrowings with an aggregate principal amount of RMB1,730 million.

MAJOR REAL ESTATE AGENTS

During the Reporting Period, no commission was paid to any real estate agents.

REVIEW AND COMMENTS ON THE PERFORMANCE OF NEW CENTURY REIT

The hospitality industry in the PRC including New Century REIT has been challenging in recent years and is expected to be challenging in the short to medium term given the Pandemic. For illustration purpose, the total distributable income for New Century REIT has decreased from approximately RMB108.7 million for the year ended 31 December 2017 to approximately RMB51.0 million and approximately RMB68.9 million for the years ended 31 December 2018 and 2019 respectively. For 31 December 2020, New Century REIT recorded an adjusted loss of approximately RMB193.4 million.

As a result of the challenging operating environment, total distributions to Unitholders have decreased from approximately RMB130.9 million for the year ended 31 December 2017 to approximately RMB95.9 million and approximately RMB62.0 million for the years ended 31 December 2018 and 2019 respectively, and no distributions were paid for the year ended 31 December 2020.

Further, since the listing of New Century REIT in July 2013, the market price of the Units broadly exhibited a downward trend, from the initial offering price of HK\$3.500 per Unit to a low of HK\$0.950 per Unit in March 2020, before an increase from the level of approximately HK\$1.100 per Unit in early December 2020 to HK\$1.750 per Unit as at 26 January 2021 (being the last day on which the Units were traded on the Stock Exchange prior to the publication of a joint announcement dated 27 January 2021 jointly published by Huge Harvest International Limited (“**Huge Harvest**”) and New Century REIT relating to, among other things, the Disposal, “**Last Trading Date**”). During the same period, New Century REIT’s market capitalisation decreased from approximately HK\$2.7 billion on the first trading day to a low of approximately HK\$0.9 billion before rising back to approximately HK\$1.7 billion as at the Last Trading Date. As at the Last Trading Date, the market price of the Units was trading at a discount of approximately 10.3% to its net asset value attributable to Unitholders per Unit of approximately RMB1.7555 as at 30 June 2020 based on the total number of Units in issue as at the Last Trading Date.

There is also limited liquidity in the Units with an average daily trading value of approximately HK\$158,000, HK\$62,000, HK\$58,000 and HK\$57,000 respectively for the 30, 90, 180 trading days before the Last Trading Date, and the Last Trading Date, representing approximately 0.011%, 0.005%, 0.005% and 0.004% of the average market capitalisation of New Century REIT during the respective periods. Such low liquidity hinders the ability of the REIT Manager to raise funds from public equity market which no longer serves as a viable source of funding for developing the New Century REIT’s business and at the same time deters the Unitholders from realizing its Units on open market.

THE DISPOSAL OF THE DISPOSED GROUP

References are made to (i) the joint announcements dated 27 January 2021, 17 February 2021, 19 March 2021, 25 March 2021, 31 March 2021, 12 April 2021, 19 April 2021 and 28 April 2021, respectively, jointly published by Huge Harvest (the “**Purchaser**”) and New Century REIT in connection with, among other things, the proposed disposal, the proposed termination, the proposed liquidation and proposed delisting of New Century REIT (collectively, the “**Proposals**”) (the “**Joint Announcements**”); (ii) the circular dated 19 March 2021 jointly issued by New Century REIT and Huge Harvest (the “**Circular**”); and (iii) the announcements of New Century REIT dated 4 June 2021, 21 July 2021, 26 July 2021, 30 July 2021 and 9 August 2021, respectively (together with the Joint Announcements, the “**Announcements**”). Unless otherwise defined, capitalized terms used in this report shall have the same meanings as defined in the Circular and the Announcements (as the case may be).

REPORT OF THE REIT MANAGER

Assets being disposed of

On 26 January 2021, the Trustee (as the seller) and the REIT Manager have respectively entered into a sale and purchase agreement (the “**Agreement**”) with Huge Harvest (the Purchaser) for the disposal of the entire issued share capital of Spearhead Global Limited (after its reorganisation which involved the acquisition of all issued shares of Strong Tower Global Limited and New Century REIT Hong Kong I Limited (the “**Reorganisation**”)) together with its subsidiaries (the Disposed Group) and the outstanding amount of loan due and owed by Spearhead Global Limited to New Century REIT (the “**Sale Loan**”) as at the completion of the Disposal for a total consideration of HK\$1,921,018,274 (the “**Consideration**”), subject to the approval of Independent Unitholders at an extraordinary general meeting held on 12 April 2021 (the “**EGM**”).

Consideration and payment of consideration

The Consideration of HK\$1,921,018,274 was determined by arm’s length negotiation between the REIT Manager (on behalf of New Century REIT) and the Purchaser with reference to (i) the aggregated unaudited net asset value of the Disposed Group attributable to equity holders of approximately RMB1,646.9 million (equivalent to approximately HK\$1,831.1 million) as at 30 June 2020, (ii) the performance and prospects of the Disposed Group and (iii) the historical Unit price performance of New Century REIT. The Consideration represented (i) a premium of 4.9% over the aggregated unaudited net asset value of the Disposed Group attributable to equity holders as at 30 June 2020; and (ii) a premium of 9.6% over the aggregated audited net asset value of the Disposed Group attributable to equity holders of approximately RMB1,576.4 million (equivalent to approximately HK\$1,752.8 million) as at 30 November 2020 (taking into account of appraised value of New Century REIT’s investment properties as at 30 November 2020). For further details, please refer to the Circular.

As set out in New Century REIT’s announcement dated 19 April 2021, the amount of HK\$1,197,827,602, being the entitlement of Huge Harvest and the REIT Manager to the Proposed Interim Distribution based on their respective unitholding in New Century REIT, was deducted by the Purchaser from the total Consideration payable to the Seller for the purpose of offsetting such entitlement, and the remaining balance in the amount of HK\$723,190,672 has already been settled in cash in full by the Purchaser as at Completion.

Conditions precedent

Completion of the Disposal was subject to and conditional upon satisfaction of the following Conditions:

- (a) approval having been obtained for (i) the Agreement and the transactions contemplated therein; (ii) the Proposed Termination and the Proposed Liquidation of New Century REIT in accordance with the REIT Code; and (iii) the Proposed Delisting of Units from trading on the Stock Exchange, being approved by the Approval Threshold, in accordance with the requirements of the Trust Deed, the Takeovers Code, the REIT Code and applicable laws;
- (b) all necessary licences, consents, approvals, authorisations, permissions, waivers, orders, exemptions or notifications of, among others, creditors of the Group Companies, other relevant third parties and/or governmental or regulatory authorities or bodies, which are required for the execution and performance of the Agreement and the transactions contemplated thereunder having been obtained and not having been revoked prior to Completion;

REPORT OF THE REIT MANAGER

- (c) no relevant governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that restricts or prohibits the implementation of the transactions contemplated under the Agreement;
- (d) the supplemental agreement to each of the Master Hotel Lease and Management Agreement and the Kaifeng Hotel Lease Agreement, for the novation of the Manager as a party to the respective agreements to the Purchaser (or its nominee), having been duly entered into;
- (e) the warranties given by the Seller and the REIT Manager remaining true and correct and not misleading in all material respects as if they were repeated at any time prior to Completion by reference to the facts and circumstances then subsisting;
- (f) the warranties given by the Purchaser remaining true and correct and not misleading in all material respects as if they were repeated at any time prior to Completion by reference to the facts and circumstances then subsisting;
- (g) no material adverse change in the business, operations, financial condition of the Group Companies and the Hotel Properties having occurred since the date of the Agreement;
- (h) the Reorganisation having been completed; and
- (i) the waiver from the requirements under Note 1 of 11.8 of the REIT Code having been granted by the SFC and not having been revoked prior to Completion.

Independent Unitholders' approval

Given the Disposed Group, upon completion of the Reorganisation, contained all of the operating businesses and assets of the Group, the Board was of the view that following the completion of the Disposal and the payment of the Interim Distribution, no material assets will remain in New Century REIT, save for the remaining cash for the purpose of payment of the estimated disposal costs (the “**Disposal Costs**”) relating to the Proposals and the balance (if any) for the payment of final distribution. Accordingly, New Century REIT would have no remaining operating real estate assets to fulfil the criteria for operating as a REIT in accordance with the REIT Code and therefore, New Century REIT should be terminated in accordance with the REIT Code, the units should consequentially 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 of New Century REIT are the natural results of the Disposal, the Disposal is then treated as part and parcel of the termination, liquidation and delisting of New Century REIT. As such, the Proposals were then subject to Independent Unitholders' approval by the Approval Threshold at the EGM.

As at the date of the EGM, the total number of Units in issue was 988,009,137 Units. The total number of Units entitling the Independent Unitholders to attend the EGM and to vote for or against the special resolution relating to the Proposals at the EGM was 386,960,336 Units (representing approximately 39.16% of the total number of Units in issue). Independent Unitholders and authorized proxies holding an aggregate of 329,770,499 Units were present at the EGM and 99.994% of them voted for the special resolution while 0.006% of them voted against the special resolution. The special resolution relating to the Proposals was then duly passed.

REPORT OF THE REIT MANAGER

Completion of the Disposal and payment of Interim Distribution

On 19 April 2021, all conditions under the Agreement were fulfilled. Accordingly, the Disposal completed on 19 April 2021 (the “**Completion**”). The Group recognised a loss of approximately RMB45.8 million related to the Disposal. The revenue and related expenses of the Disposed Group for the period from 1 January 2021 to the Disposal Date were included in the consolidated income statement as discontinued operation and then ceased to consolidate thereafter.

Upon the Completion, an Interim Distribution of HK\$1,976,018,274 (equivalent to approximately RMB1,658,512,000) or HK\$2.00 per Unit arising from the proceeds of the Disposal (as calculated based on the sum of Consideration and available cash reserves of New Century REIT, minus the Disposal Costs) was declared and paid to entitled Unitholders whose names appeared on the register of Unitholders on 16 April 2021 pursuant to Rule 20.1 of the Takeover Code. Of the Interim Distribution, (i) an amount of approximately RMB1,005,361,000 (equivalent to HK\$1,197,827,602) representing the entitlement of Huge Harvest and the REIT Manager to the Interim Distribution based on their respective holding of New Century REIT was agreed to be offset against the Consideration and (ii) the balance of approximately RMB653,151,000 (equivalent to HK\$778,190,672) representing the entitlement of other Unitholders was paid and distributed in cash to other Unitholders on 28 April 2021.

TERMINATION

The effective date of the Termination was the first Business Day following the satisfaction of all the below conditions:

- (i) the approval of the Proposed Disposal, the Proposed Termination, the Proposed Liquidation and the Proposed Delisting by the Independent Unitholders at the EGM;
- (ii) the Completion; and
- (iii) the payment of the Proposed Interim Distribution.

The REIT Manager has confirmed that the Termination has completed on 29 April 2021.

LIQUIDATION

The liquidation of New Century REIT commenced on 4 June 2021 when the notice to creditors, requesting the creditors of New Century REIT to send their debts or claims to the REIT Manager on or before 30 June 2021, was published.

As the REIT Manager had not received any claims validly submitted by the creditors by 30 June 2021, the liquidation date and date for the financial statements of New Century REIT as required by 11.10(c) of the REIT Code had been set at 30 June 2021. As such, the consolidated financial statements of New Century REIT for the Reporting Period is treated as the liquidation accounts of New Century REIT.

As at 26 July 2021, after all Disposal costs payable have been settled, the Final Distribution of HK\$1,788,037 (equivalent to approximately RMB1,488,000) or HK\$0.0018 per Unit arising from the liquidation (being a one-off distribution in compliance with Note 3 of 11.8 of the REIT Code) as calculated based on the cash and cash equivalents of HK\$4,276,172 (equivalent to approximately RMB3,558,000) as at 30 June 2021 minus the disposal costs payable of HK\$2,488,135 (equivalent to approximately RMB2,070,000) as at 30 June 2021, was declared and approved by the Board, which was paid to the Unitholders whose names appeared on the register of Unitholders on the Final Record Date on 30 July 2021.

The liquidation of New Century REIT has completed in accordance with the REIT Code and the provisions of the Trust Deed, and New Century REIT has no remaining assets or liabilities.

REPORT OF THE REIT MANAGER

UNCLAIMED DISTRIBUTIONS

On 9 August 2021, the Board gave notice to all Unitholders who bear unrepresented cheque(s) in relation to the previous distribution(s) of New Century REIT to encourage them to claim any unpaid distributions as soon as possible and in any event by 31 October 2021.

If there remains to be any unclaimed monies after 31 October 2021, on or after 1 November 2021, the Trustee will proceed to make an application to the court in Hong Kong to deposit such unclaimed monies with the court. Unclaimed distributions and the balance of any unclaimed monies after the Final Distribution shall be paid into court by the Trustee in accordance with section 62 of the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong), and the same shall, subject to the rules of court, be dealt with according to the orders of the court. Except as permitted by the rules of the court, Unitholders entitled to such unclaimed monies shall have no right to obtain payment thereafter.

DELISTING AND DEAUTHORISATION OF NEW CENTURY REIT

An application had been made to the Stock Exchange and the SFC respectively for the withdrawal of listing of the Units pursuant to the Listing Rules and the deauthorisation of New Century REIT pursuant to section 106(2) of the SFO. The REIT Manager has confirmed that the Proposed Delisting and Proposed Deauthorisation have proceeded in compliance with the relevant requirements under the REIT Code and the Trust Deed. The Stock Exchange and SFC have granted their respective approvals. The withdrawal of listing of Units from the Stock Exchange will take place with effect from 9:00 a.m. on 31 August 2021 and the deauthorisation of New Century REIT will also take place with effect from 31 August 2021.

EMPLOYEES

New Century REIT is managed by the REIT Manager. By contracting out such services, New Century REIT, through its subsidiaries, had three employees in its own right before the Disposal Date and such costs are reimbursed by the REIT Manager. As at 30 June 2021, New Century REIT had no employees in its own right (as at 31 December 2020: three employees).

BUY-BACK, SALE OR REDEMPTION OF UNITS

During the Reporting Period, 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.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Reporting Period, both the REIT Manager and New Century REIT have been in compliance with the relevant laws, applicable regulations of Hong Kong and the PRC. The REIT Manager has also managed and liquidated New Century REIT in accordance with the REIT Code and the provisions of the Trust Deed.

On behalf of the Board

New Century Asset Management Limited
(as the manager of New Century REIT)

HO Wai Chu

Executive Director and Chief Executive Officer

Hong Kong, 30 August 2021

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 Reporting Period, 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 Listing Rules.

During the Reporting Period, 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 SFO, the relevant provisions of the Listing Rules applicable to New Century REIT, the Trust Deed and the Compliance Manual.

BOARD OF DIRECTORS OF THE REIT MANAGER

The Board principally oversees the day-to-day management of the REIT Manager’s affairs and the conduct of its business and is responsible for the overall governance of the REIT Manager. The Board exercises its general powers within the limits defined by the articles of association of the REIT Manager, with a view to ensuring that management discharges its duties, and that sound internal control policies and risk management systems are maintained. The Board will also review major financial decisions and the performance of the REIT Manager. In accordance with the REIT Code, the REIT Manager is required to act in the best interests of the Unitholders, to whom it owes a fiduciary duty. All material policies and decisions remain within the authority of the Board as a whole. Subject to the matters specifically reserved to the Board as set out in the Compliance Manual, the Board delegates the performance and management of the daily operations of the REIT Manager and the New Century REIT to the management team and relevant committees of the Board.

As at the date of this report and as at 30 June 2021, the Board comprised the following members:

Mr. Jin Wenjie (*Chairman and non-executive Director*)
Ms. Ho Wai Chu (*executive Director and chief executive officer*)
Mr. Zhang Guanming (*non-executive Director*)
Mr. Angelini Giovanni (*independent non-executive Director*)
Mr. Yu Hon To David (*independent non-executive Director*)
Professor He Jianmin (*independent non-executive Director*)

As at the date of this report and as at 30 June 2021, the composition of each Board committees was as follows:

AUDIT COMMITTEE

Chairman: Mr. Yu Hon To David
Member: Mr. Angelini Giovanni
Member: Professor He Jianmin

FINANCE AND INVESTMENT COMMITTEE

Chairman: Ms. Ho Wai Chu
Member: Ms. Cheung Chi Shan
Member: Mr. Sit Wai

NOMINATION COMMITTEE

Chairman: Mr. Jin Wenjie
Member: Mr. Angelini Giovanni
Member: Professor He Jianmin

DISCLOSURES COMMITTEE

Chairman: Ms. Ho Wai Chu

Member: Mr. Zhang Guanming

Member: Mr. Yu Hon To David

INTERESTS OF, AND DEALINGS IN UNITS BY DIRECTORS, THE REIT MANAGER OR THE SIGNIFICANT HOLDERS

To monitor and supervise any dealings of Units, the REIT Manager has adopted a code containing rules on securities transactions by the Directors and the REIT Manager on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Appendix 10 of the Listing Rules (the “**Model Code**”), which governs dealings by all Directors and employees of the REIT Manager, subsidiaries of the REIT Manager or the Special Purpose Vehicles of New Century REIT (the “**Management Persons**”).

Specific enquiry has been made to all the Directors and the Management Persons, all of whom have confirmed that they have complied with the required standard set out in the Model Code during the Reporting Period.

NEW UNITS ISSUED

No new Units were issued during the Reporting Period and the total number of Units in issue as at 30 June 2021 was 988,009,137 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 2021.

CONNECTED PARTY TRANSACTIONS

Set out below is summary information in respect of connected party transactions for the six months ended 30 June 2021 between New Century REIT and its connected persons (as defined in paragraph 8.1 of the REIT Code), which are governed by Chapter 8 of the REIT Code.

WAIVERS FROM STRICT COMPLIANCE

As disclosed in the Offering Circular, waivers from strict compliance with the disclosure and Unitholder's approval requirements under Chapter 8 of the REIT Code in respect of certain connected party transactions between New Century REIT and its connected persons were granted by the SFC before the listing of New Century REIT (the "**Waivers**"). The waivers were granted subject to the relevant waiver terms and conditions including, inter alia, the requirements that transactions should be reviewed by the auditor of New Century REIT and the independent non-executive Directors and, where applicable, the transaction amounts should not exceed the specified annual caps (the "**Waiver Conditions**").

With the approval of the Unitholders, on 16 July 2014, the SFC granted a waiver for (i) certain connected party transactions between New Century REIT and Huge Harvest Group (the "**Modified and Extended Waiver**"). With the approval of the Unitholders, on 1 June 2016, the SFC granted an extension of the Modified and Extended Waiver, which covers the period from 1 January 2016 to 31 December 2019 (the "**2016 Extended Waiver**"). For further details of the 2016 Extended Waiver, please refer to the circular of New Century REIT dated 17 May 2016 and the poll results announcement of New Century REIT dated 1 June 2016.

With the approval of the Unitholders, on 17 July 2015, the SFC also granted a waiver for certain connected party transactions between New Century REIT and Huge Harvest Group (the "**Kaifeng Hotel Waiver**"), subject to the terms and conditions as disclosed in the announcement of New Century REIT dated 17 July 2015. For further details of the Kaifeng Hotel Waiver, please refer to the circular of New Century REIT dated 30 June 2015 and the poll results announcement of New Century REIT dated 17 July 2015.

With the approval of the Unitholders, on 5 June 2019, the SFC granted an extension of the Modified and Extended Waiver, which covers the period from 1 January 2020 to 31 December 2022 (the "**2019 Extended Waiver**").

The annual cap under the 2019 Extended Waiver granted by SFC on 5 June 2019 for the year ending 31 December 2021 was RMB11.6 million. New Century REIT had relevant lease transactions within the 2019 Extended Waiver of approximately RMB2.3 million for the Reporting Period, therefore New Century REIT is well within and has fully complied with the annual cap. For the Reporting Period, New Century REIT has complied with the relevant terms and conditions of the 2019 Extended Waiver and the Kaifeng Hotel Waiver.

In addition, on 6 July 2020, the SFC granted a waiver for certain connected party loan transactions between New Century REIT and Huge Harvest and New Century Tourism, respectively (the "**Connected Loan Facilities Waiver**"), subject to the terms and conditions as disclosed in the announcement of New Century REIT dated 6 July 2020. For further details on the Connected Loan Facilities Waiver, please refer to the announcement of New Century REIT dated 6 July 2020.

CONNECTED PARTY TRANSACTIONS

INCOME

The following table sets out information on continuing connected party transactions from which New Century REIT derived its income for the Reporting Period:

Name of the Connected Person	Relationship with New Century REIT	Nature of the Connected Party Transaction	Income received/receivable for the Reporting Period (RMB'000)
浙江開元酒店管理股份有限公司及其集團其他成員公司 (Zhejiang New Century Hotel Management Co., Ltd.* and other members of its group)	Associate of significant holder and Director ¹	Leasing transaction	60,495
開封開元名都商務酒店有限公司 (New Century Grand Hotel Kaifeng Business Company Limited*)	Associate of significant holder ²	Leasing transaction	6,570
開元旅業集團有限公司 (New Century Tourism Group Limited*)	Associate of significant holder and Director ³	Leasing transaction	494
杭州開元物產集團有限公司 (Hangzhou New Century Real Estate Group Limited*)	Associate of significant holder and Director ⁴	Leasing transaction	579
杭州開元森泊旅遊投資有限公司 (Hangzhou New Century Senbo Tourism Investment Limited*)	Associate of significant holder and Director ⁴	Leasing transaction	310
杭州開元裝飾工程有限公司 (Hangzhou New Century Decorating Limited*)	Associate of significant holder ²	Leasing transaction	37
杭州開元一然文化旅遊管理有限公司 (Hangzhou New Century Yiran Cultural Tourism Management Co., Ltd.*)	Associate of significant holder ²	Leasing transaction	77

CONNECTED PARTY TRANSACTIONS

RENTAL DEPOSITS

New Century REIT has refunded the following rental deposits to its connected persons for the Reporting Period:

Name of the Connected Person	Relationship with New Century REIT	Nature of the Connected Party Transaction	Rental deposits refunded during the six months ended 30 June 2020 (RMB'000)
浙江開元酒店管理股份有限公司及其集團其他成員公司 (Zhejiang New Century Hotel Management Co., Ltd.* and other members of its Group)	Associate of significant holder and Director ¹	Leasing transaction	36

Notes:

1. The connected person concerned is an associate of Mr. Chen Miaolin (a significant Unitholder of New Century REIT) and Mr. Jin Wenjie (chairman and a non-executive Director of the REIT Manager).
2. The connected person concerned is an associate of Mr. Chen Miaolin (a significant Unitholder of New Century REIT).
3. The connected person concerned is an associate of Mr. Chen Miaolin (a significant Unitholder of New Century REIT), Mr. Jin Wenjie (chairman and a non-executive Director of the REIT Manager) and Mr. Zhang Guanming (a non-executive Director of the REIT Manager).
4. The connected person concerned is an associate of Mr. Chen Miaolin (a significant Unitholder of New Century REIT) and Mr. Zhang Guanming (a non-executive Director of the REIT Manager).

* The English name is shown for identification purpose only.

EXPENSES

Save as disclosed above and in the subsection headed "Loan Facility" and "Terms and Remuneration of Services Provided by the REIT Manager, the Trustee and the Principal Valuer" as set out below in this section, there are no other connected party transactions in which New Century REIT incurred expenses for Reporting Period.

RECEIVABLES AND PAYABLES

There are trade and other receivable and payable balances, as well as advances, with connected persons brought forward from prior years and from leasing transactions occurred during the Reporting Period, which are set out in Note 27 (c) of the notes to the consolidated financial statements of this report.

LOAN FACILITY

On 6 July 2020, the Group through Spearhead Global Limited entered into a unsecured loan facility with Huge Harvest for an aggregate commitment amount of RMB100 million for a term until 10 July 2025 or (if earlier) the date which all amounts outstanding under the offshore term loan facility agreement with the commitment amount of RMB700 million are repaid in full. The loan facility is provided at an interest rate of 3.4% per annum. The loan of RMB60 million initially drawn down in July 2020 was borrowed by the Disposed Group and disposed of on the Disposal Date. The interest expense paid/payable to Huge Harvest for the Reporting Period was RMB564,000.

CONNECTED PARTY TRANSACTIONS

TERMS AND REMUNERATION OF SERVICES PROVIDED BY THE REIT MANAGER, THE TRUSTEE AND THE PRINCIPAL VALUER

Pursuant to 8.7E of the REIT Code, services provided by the REIT Manager, the Trustee and the Principal Valuer to New Century REIT as contemplated under the constitutive documents shall not be deemed connected party transactions. Therefore, such services are not disclosed in the above sections.

For the Reporting Period, the aggregate amount of fees paid/payable to or waived by the Trustee and the REIT Manager under the constitutive documents were RMB704,000 and RMB10,484,000 respectively. Particulars of services provided by the REIT Manager for the six months ended 30 June 2021 are set out in Note 9 to the consolidated financial statements. The fees paid/payable to Cushman & Wakefield Limited, the Principal Valuer of New Century REIT, for the Reporting Period were RMB381,000.

SUMMARY OF MARKET RENTAL PACKAGE OF THE INITIAL HOTEL PROPERTIES IN RESPECT OF THE LEASE YEAR OF 2019, 2020 AND 2021 AND THE KAIFENG HOTEL FOR THE LEASE YEARS OF 2020 TO 2024

Reference is made to the announcements issued by the REIT Manager on 8 January 2019, 10 January 2020 and 8 January 2021, respectively ("**Rental Announcements**"). Unless otherwise defined herein, capitalised terms used in this sub-section shall have the same meanings as those defined in the Rental Announcements.

The summary of the 2021 Market Rental Package Determination for the Initial Hotel Properties, together with a comparison of the corresponding amounts in respect of the Lease Year of 2019 and the Lease Year of 2020, is as follows:

Market Rental Package	Market Rental Package for Lease Year of 2019	Market Rental Package for Lease Year of 2020	Market Rental Package for Lease Year of 2021
Aggregate amount payable by the Lessee as Base Rent	RMB216 million	RMB200 million	RMB183.6 million
Variable Individual Rent for the Initial Hotel Properties (receivable by the relevant Lessors)	20% of Revenue plus 34% of Gross Operating Profit	20% of Revenue plus 34% of Gross Operating Profit	20% of Revenue plus 34% of Gross Operating Profit
Amount of security deposit	RMB20 million	RMB20 million	RMB20 million
Amount to be covered by irrevocable bank guarantee(s)	RMB200 million	RMB200 million	RMB183.6 million

CONNECTED PARTY TRANSACTIONS

SUMMARY OF MARKET RENTAL PACKAGE OF THE INITIAL HOTEL PROPERTIES IN RESPECT OF THE LEASE YEAR OF 2019, 2020 AND 2021 AND THE KAIFENG HOTEL FOR THE LEASE YEARS OF 2020 TO 2024 (CONTINUED)

The summary of the 2020 to 2024 Market Rental Package Determination for the Kaifeng Hotel, together with a comparison of the corresponding amounts in the First Five-Year Term, is as follows :

Market Rental Package	Market Rental Package for First Five Year Term	Market Rental Package for Lease Years of 2020 to 2024
Aggregate amount payable by the Kaifeng Hotel Lessee as Base Rent	RMB22 million per Lease Year	RMB22 million per Lease Year
Variable Individual Rent for the Kaifeng Hotel (receivable by the Kaifeng Hotel Lessor)	20% of Revenue plus 34% of Gross Operating Profit	20% of Revenue plus 34% of Gross Operating Profit
Amount of security deposit	RMB22 million	RMB22 million

All other terms of the Hotel Lease and Management Agreements and the Kaifeng Hotel Lease Agreement, including but not limited to the guarantee provided by New Century Tourism Group Limited in relation to the obligations of the Lessees under the Hotel Lease and Management Agreements and the Kaifeng Hotel Lease Agreement and also New Century Tourism Group Limited's undertaking to maintain a minimum net asset of RMB2 billion, remain the same as those during the Lease Years of 2019, 2020 and 2021 and the First Five-Year Term, respectively.

DISPOSAL OF A SUBSIDIARY

Pursuant to Clause 15 of the Trust Deed, any connected party transaction to be carried out in accordance with the provisions of the REIT Code and any conditions (including any conditions of waivers or exemptions from the operation of the REIT Code granted by the SFC from time to time) imposed by the SFC from time to time. Under 8.1 of the REIT Code, connected persons of New Century REIT include, among others, a Substantial Holder and its associated companies.

References are made to the Announcements and the Circular as mentioned in the section headed "The Disposal of the Disposed Group" under the Report of the REIT Manager. Unless otherwise defined, capitalized terms used in this section shall have the same meanings as defined in the Circular and the Announcements (as the case may be). Huge Harvest has an effective interest in more than 10% of the Units and therefore is a Substantial Holder of New Century REIT. Accordingly, the Disposal constituted a connected party transaction of New Century REIT under 8.5 of the REIT Code. As such, the Disposal was subject to the reporting, announcement and independent unitholders' approval requirements under 8.7A of the REIT Code, which requires all connected party transactions to be regulated with reference to Chapter 14A of the Listing Rules. Further, pursuant to 11.1 of the REIT Code, the termination of New Century REIT shall be subject to unitholders' approval by special resolution at the EGM. As the termination and the consequential liquidation and delisting are natural results of the Disposal, the Disposal should be treated as part and parcel of the termination, the liquidation and the Proposed Delisting. Therefore, the Disposal, the termination, the liquidation and the Proposed Delisting were subject to the independent Unitholders' approval by the approval threshold at the EGM.

CONNECTED PARTY TRANSACTIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal was more than 75%, the Disposal constituted a very substantial disposal transaction of New Century REIT and accordingly, was subject to the reporting, announcement and unitholders' approval requirements under 10.10B of the REIT Code and Chapter 14 of the Listing Rules as if applicable to REITs. Restrictions on voting under 8.7F of the REIT Code requires that where a unitholder had a material interest in the transaction tabled for approval, and that interest was different from that of all other unitholders, such unitholder shall abstain from voting at the general meeting.

Under paragraph 3.2 of Schedule 1 to the Trust Deed, where a Unitholder has a material interest in the transaction tabled for approval at a meeting of Unitholders, and that interest is different from the interests of other Unitholders, such Unitholder shall be prohibited from voting his/her/its Units at, or being counted in the quorum for, such meeting. Therefore, in compliance with the REIT Code, the Listing Rules, the Takeovers Code and the Trust Deed, the Board proposed to submit the Disposal, the termination, the liquidation and the Proposed Delisting for the Independent Unitholders' approval at the EGM as one resolution to be approved by the approval threshold.

As at the date of the EGM, the total number of Units in issue was 988,009,137. The total number of Units entitling the Independent Unitholders to attend the EGM and to vote for or against the above resolution at the EGM was 386,960,336 Units (representing approximately 39.16% of the total number of Units in issue). There were no Units entitling the Independent Unitholders to attend but abstain from voting in favour at the EGM as set out in Rule 13.40 of the Listing Rules (as if applicable to New Century REIT).

In compliance with the REIT Code, the Listing Rules, the Takeovers Code and the Trust Deed, Huge Harvest and the Purchaser Concert Parties (including the REIT Manager, Mr. Jin Wenjie (being the chairman and a non-executive Director of the REIT Manager) and Ms. Ho Wai Chu (being the chief executive officer and an executive Director of the REIT Manager)) abstained from voting at the EGM. Other than Huge Harvest and the Purchaser Concert Parties, no other person has indicated in the Circular his/her/its intention to abstain from voting on or to vote against any of the proposed resolution at the EGM. Independent Unitholders and authorised proxies holding an aggregate of 329,770,499 Units, representing approximately 33.4% of the total number of issued Units were present at the EGM. As more than 75% of the votes attaching to the Units held by the Independent Unitholders present in person or by proxy at the EGM were cast in favour of the special resolution at the EGM and the number of votes cast against the resolution amounted to not more than 10% of the votes attaching to all the Units held by the Independent Unitholders, the special resolution was passed by way of poll at the EGM held on 12 April 2021.

As disclosed in the section headed "The Disposal of the Disposed Group" under the Report of the REIT Manager, on 19 April 2021, all conditions under the Agreement have been fulfilled. Accordingly, the Disposal was completed on 19 April 2021. The Group recognised a loss of approximately RMB45.8 million related to the Disposal. Following the completion of the Disposal, New Century REIT ceased to hold any interest in the Disposed Group.

TRUSTEE'S REPORT

In compliance with 11.10(b) of the REIT Code, we, DB Trustees (Hong Kong) Limited, in our capacity as trustee of New Century REIT, hereby confirm that, having taken into account our duties under the REIT Code and the Trust Deed, to the best of our knowledge and belief and based on reports issued by New Century Asset Management Limited (as manager to New Century REIT) ("Manager") pursuant to 11.10(a) of the REIT Code and Clause 23.8(a) of the Trust Deed, PricewaterhouseCoopers (as the independent auditor to New Century REIT) pursuant to 11.10(c) and (d) and Appendix E to the REIT Code and Clause 23.8(c) and (d) of the Trust Deed, and Alvarez & Marsal Asia Limited (as the advisor to the Manager on the liquidation process): (i) the Manager has managed and liquidated New Century REIT in accordance with the REIT Code and the provisions of the Trust Deed dated 10 June 2013 (as supplemented by the Supplemental Trust Deed dated 20 June 2013 and the Second Supplemental Trust Deed dated 15 June 2015); and (ii) upon completion of the liquidation of New Century REIT (which has taken place as at the date of this report), New Century REIT does not have any remaining assets and liabilities.

As set out in New Century REIT's notice to its unitholders dated 9 August 2021, on or after 1 November 2021, we will proceed to make an application to the court in Hong Kong to deposit unclaimed monies (if any) with the court. Unclaimed distributions and the balance of any unclaimed monies after the final distribution (which was paid to Unitholders on 30 July 2021) shall be paid into court by us in accordance with section 62 of the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong), and the same shall, subject to the rules of court, be dealt with according to the orders of the court. Except as permitted by the rules of the court, unitholders entitled to such unclaimed monies shall have no right to obtain payment thereafter.

DB Trustees (Hong Kong) Limited

(in its capacity as trustee of New Century REIT)

Hong Kong, 30 August 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE



羅兵咸永道

INDEPENDENT AUDITOR'S ASSURANCE REPORT

To the Unitholders of New Century Real Estate Investment Trust and the Board of Directors of New Century Asset Management Limited

We have been engaged to perform a reasonable assurance engagement on New Century Asset Management Limited, the manager of New Century Real Estate Investment Trust ("New Century REIT") (referred to as the "REIT Manager", thereafter), as to whether the REIT Manager has conducted the liquidation of New Century REIT in accordance with the relevant sections of the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong (the "REIT Code") and the trust deed dated 10 June 2013 and as amended by the supplemental trust deeds dated 20 June 2013 and 15 June 2015 (together, the "Trust Deed").

Directors' Responsibilities

The directors of the REIT Manager are responsible for ensuring that the REIT Manager has conducted the liquidation of New Century REIT in compliance with all relevant sections of the REIT Code and the Trust Deed.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibilities

Pursuant to section 11.10(d) of and Appendix E to the REIT Code, it is our responsibility to express an independent opinion as to whether the REIT Manager has conducted the liquidation of New Century REIT in accordance with the relevant sections of the REIT Code and the Trust Deed, based on our work performed and to report our conclusion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to form the opinion.

A reasonable assurance engagement involves performing procedures to obtain sufficient appropriate evidence whether the REIT Manager has conducted the liquidation of New Century REIT, in all material respects, in accordance with the relevant sections of the REIT Code and the Trust Deed. The extent of procedures selected depends on the auditor's judgment and our assessment of the engagement risk. Within the scope of our work we performed amongst others the following procedures, which included: (i) obtain an understanding of the relevant requirements and REIT Manager's interpretation of these requirements regarding the liquidation of the New Century REIT by evaluating the relevant regulatory requirements and enquiry with the management; and (ii) examining of documents supplied to us. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Inherent Limitation

It should be noted that we can not guarantee that any regulatory authority would not reach an alternative opinion (based upon its own interpretation of the legislation, regulations and prevailing industry practices), nor can our findings be considered as legal advice.

Opinion

In our opinion, the REIT Manager has conducted the liquidation of New Century REIT, in all material respects, in accordance with the relevant sections of the REIT Code and the Trust Deed.

Intended Users and Purpose

This report is intended for the unitholders of New Century REIT and the board of directors of the REIT Manager, and for filing with Securities and Futures Commission of Hong Kong, in connection with the liquidation of New Century REIT in accordance with section 11.10(d) of and Appendix E to the REIT Code. This report is not intended to be, and should not be used for any other purpose and we expressly disclaim any liability or duty to any other party in this respect.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 30 August 2021

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS



羅兵咸永道

TO THE UNITHOLDERS OF NEW CENTURY REAL ESTATE INVESTMENT TRUST

(a Hong Kong collective investment scheme authorised under Section 104 of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong))

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

What we have audited

The consolidated financial statements of New Century Real Estate Investment Trust (the “**New Century REIT**”) and its subsidiaries (together, the “**Group**”) set out on pages 29 to 85, which comprise:

- the consolidated balance sheet as at 30 June 2021;
- the consolidated income statement for the six months ended 30 June 2021;
- the consolidated statement of comprehensive income for the six months ended 30 June 2021;
- the consolidated distribution statement for the six months ended 30 June 2021;
- the consolidated statement of changes in net assets attributable to unitholders and equity for the six months ended 30 June 2021;
- the consolidated statement of cash flows for the six months ended 30 June 2021; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

OUR OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial disposition of the Group as at 30 June 2021, and of its consolidated financial transactions and its consolidated cash flows for the six months ended 30 June 2021 in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by International Accounting Standards Board (“**IASB**”).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (“**ISAs**”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

INDEPENDENCE

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (“**IESBA Code**”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

EMPHASIS OF MATTER – BASIS OF ACCOUNTING

We draw attention to Note 2.1 to the consolidated financial statements that New Century REIT is in the process of liquidation and is no longer operating under a going concern basis, the consolidated financial statements for the six months ended 30 June 2021 have therefore been prepared using a liquidation basis of accounting. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in our audit relate to:

- (1) “Disposal of Spearhead Global Limited”;
- (2) “Disposal costs payable”;

Key Audit Matter

How our audit addressed the Key Audit Matter

Disposal of Spearhead Global Limited

Refer to Note 24 to the consolidated financial statements.

Our procedures on the disposal of Spearhead Global Limited included:

On 26 January 2021, DB Trustees (Hong Kong) Limited (the “**Trustee**”, as the seller) and New Century Asset Management Limited (the “**REIT Manager**”) respectively entered into a sale and purchase agreement to dispose the entire issued share capital of Spearhead Global Limited and its subsidiaries (the “**Disposed Group**”) after its reorganisation (the “**Disposal**”) for a consideration of approximately RMB1,613.7 million.

The Group recognised a loss of approximately RMB45.8 million related to the Disposal. Management calculated the loss based on the difference between the consideration received, netting of expenses directly attributable to the Disposal, and the net assets of the Disposed Group on 19 April 2021 (the “**Disposal Date**”).

- (1) Discuss with management and read the sale and purchase agreement of the Disposal and related resolutions of the board of directors of the REIT Manager and announcements to understand the key terms of the Disposal;
- (2) Assess the appropriateness of the Disposal Date by examining the key terms of the sale and purchase agreement;
- (3) Agree the cash consideration received to the terms of sale and purchase agreement and bank in slip;
- (4) Check whether expenses incurred were directly attributable to the Disposal and test on a sample basis, to the supporting documents;

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Key Audit Matter

We focused on this area because the Disposal is a significant transaction that had significant impact on the consolidated financial statements. Significant audit effort was spent on auditing of these amounts.

Disposal costs payable

Refer to Note 2.1, Note 4 and Note 17 to the consolidated financial statements.

As at 30 June 2021, New Century REIT recorded disposal costs payable of RMB2.07 million.

Disposal costs included costs incurred or to be incurred in respect of the Disposal, interim distribution, termination and liquidation of New Century REIT and delisting of units. And disposal costs payable in the consolidated balance sheet represented the disposal costs incurred but not paid and accrued expenses provided based on management's best estimation.

We focused on this area because the amount of disposal costs payable will affect the final distribution to be received by unitholders upon the liquidation of New Century REIT. Significant audit effort was spent on evaluating the accuracy and completeness of disposal costs payable.

How our audit addressed the Key Audit Matter

- (5) Test the mathematical accuracy of the calculation of the loss on the Disposal;
- (6) Assess the appropriateness of the relevant disclosures made in the consolidated financial statements.

Based on the procedures performed, we found the calculation and disclosure of the Disposal were properly supported by available evidence.

Our procedures on management's assessment of the disposal costs payable included:

- (1) Obtain an understanding of management's process for the identification and recording of the disposal costs payable;
- (2) Obtain the list of the disposal costs payable as at 30 June 2021, and check the disposal costs payable to contracts and invoices, and check the basis of calculation of such costs;
- (3) Obtain written confirmations from creditors to confirm the accuracy of the recorded disposal costs payable;
- (4) Perform searching for unrecorded liabilities from balance sheet date to 26 July 2021, and obtain written correspondence from the liquidator to evaluate the completeness of the recorded disposal costs payable;
- (5) Obtain a representation letter from the REIT Manager on whether there are any claims received from creditors, other than those already recorded as disposal costs payable as at 30 June 2021.

Based on the work performed, we found management's assessment of disposal costs payable as at 30 June 2021 were properly supported by the available evidence.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

OTHER MATTER

The comparative information for the consolidated balance sheet is based on the audited financial statements as at 31 December 2020. The comparative information for the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in net assets attributable to unitholders and equity and consolidated statement of cash flows, and related explanatory notes, for the six months ended 30 June 2020 has not been audited.

OTHER INFORMATION

The REIT Manager is responsible for the other information. The other information comprises all of the information included in the liquidation report of New Century REIT for the period from 1 January 2021 to 30 June 2021 as described under 11.8 and 11.10 of the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong (the “**REIT Code**”) in relation to the liquidation of New Century REIT (“the “**Liquidation Report**”) other than the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE REIT MANAGER AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The REIT Manager is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the REIT Manager determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the REIT Manager is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the REIT Manager either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

In addition, the REIT Manager is required to ensure that the consolidated financial statements have been properly prepared from the books and record of New Century REIT, and in accordance with the relevant provisions of 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**”), and the relevant disclosure provisions of Appendix C and E to the REIT Code.

The audit committee of the REIT Manager is responsible for overseeing the Group’s financial reporting process.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. In addition, we are required to assess whether the consolidated financial statements of the Group have been properly prepared from books and record of New Century REIT, and in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C and E to the REIT Code.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the REIT Manager.
- conclude on the appropriateness of the REIT Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with the audit committee all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON MATTERS UNDER THE RELEVANT PROVISIONS OF THE TRUST DEED AND THE RELEVANT DISCLOSURE PROVISIONS OF APPENDIX C AND E TO THE REIT CODE

In our opinion, the consolidated financial statements (i) prepared for the purpose of the liquidation of New Century REIT have been properly prepared from the books and records of New Century REIT; and (ii) have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C to the REIT Code.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 July 2021

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

	Notes	Six months ended 30 June	
		2021	2020
		RMB'000 Note (a)	RMB'000 (Unaudited)
Revenue	6	71,515	93,420
Operating expenses – net	7	(8,883)	(20,280)
Other losses – net	8	(32,719)	(45,046)
Change in fair values of investment properties	12	–	(499,000)
Operating profit/(loss)		29,913	(470,906)
Finance income	10	45	3,232
Finance costs	10	(26,955)	(105,957)
Finance costs – net		(26,910)	(102,725)
Profit/(loss) before taxation and transactions with unitholders		3,003	(573,631)
Income tax (expense)/credit	11	(14,978)	97,642
Loss after taxation for the period, before transactions with unitholders		(11,975)	(475,989)
Loss attributable to unitholders		(12,516)	(473,871)
Profit/(loss) attributable to non-controlling interests		541	(2,118)
		(11,975)	(475,989)

Note:

- (a) As disclosed in Note 2.1 to the consolidated financial statements, as a result of the Disposal, the operating results of Spearhead Global Limited together with its subsidiaries (the “**Disposed Group**”) meet the definition of a discontinued operation. As such, the vast majority of the consolidated income statement of New Century Real Estate Investment Trust (“**New Century REIT**”) for the six months ended 30 June 2021, except for the “Loss on disposal of a subsidiary” recorded in “Other losses – net” meet the definition of discontinued operation as presented above.

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

	Attributable to			
	Unitholders before transactions with unitholders RMB'000	Transactions with unitholders (Note (i)) RMB'000	Unitholders after transactions with unitholders RMB'000	Non-controlling interests RMB'000
Loss for the six months ended 30 June 2020 (Unaudited)	(473,871)	473,587	(284)	(2,118)
Other comprehensive income (Unaudited): <i>Item that may be reclassified subsequently to 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)) (Unaudited)	(473,587)	473,587	–	(2,118)
Loss for the six months ended 30 June 2021	(12,516)	12,834	318	541
Other comprehensive income: <i>Item that may be reclassified subsequently to consolidated income statement:</i>				
Exchange loss on translation of financial statements	(318)	–	(318)	–
Total comprehensive loss for the six months ended 30 June 2021 (Note (ii))	(12,834)	12,834	–	541

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 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 ("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.

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

As at 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

	Notes	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Non-current assets			
Investment properties	12	-	3,997,000
Goodwill	13	-	7,987
Other long-term assets	14	-	1,730
		-	4,006,717
Current assets			
Trade and other receivables and prepayments	15	-	15,369
Amounts due from related parties	27(c)	-	68,148
Restricted cash	16	-	181,528
Cash and cash equivalents	16	3,558	98,095
		3,558	363,140
Total Assets		3,558	4,369,857
Current liabilities			
Disposal costs payable	17	2,070	-
Trade and other payables	18	-	35,542
Amounts due to related parties	27(c)	-	55,162
Current income tax liabilities		-	21,679
Deferred income	19	-	2,335
Borrowings	20	-	208,229
		2,070	322,947
Non-current liabilities, other than net assets attributable to unitholders			
Borrowings	20	-	1,527,809
Loan due to a related party	27(c)	-	60,000
Deferred income tax liabilities	21	-	760,535
		-	2,348,344
Total liabilities, excluding net assets attributable to unitholders		2,070	2,671,291
Non-controlling interests		-	25,732
Net assets attributable to unitholders	22	1,488	1,672,834
Total equity and liabilities		3,558	4,369,857
Net current assets		1,488	40,193

CONSOLIDATED BALANCE SHEET

As at 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

		As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
	<i>Notes</i>		
Units in issue ('000)	<i>22</i>	988,009	988,009
Net assets attributable to unitholders per unit	<i>22</i>	RMB0.0015	RMB1.6931

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 29 to 85 were approved by the board of directors of the REIT Manager on 26 July 2021 and were signed on its behalf.

Jin Wenjie
Chairman

Ho Wai Chu
Executive Director

CONSOLIDATED DISTRIBUTION STATEMENT

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000 (Unaudited)
Loss attributable to unitholders	(12,516)	(473,871)
Adjustments for the total adjusted loss:		
– Unrealised net foreign exchange (gains)/losses (Notes 8 and 10)	(4)	30,333
– Fair value change on investment properties attributable to unitholders	–	495,323
– Deferred taxation in respect of investment properties and tax losses attributable to unitholders	3,531	(117,510)
– Amortisation of transaction costs of bank borrowings (Note 10)	2,707	16,146
– REIT Manager fee payable in units in lieu of cash	–	9,921
– Waiver of the REIT Manager fee (Note 8)	(10,484)	–
– Fair value losses on outstanding derivative financial instruments	–	43,581
– Accumulated realised foreign exchange losses on bank borrowings which were repaid during the period	–	(10,913)
Total adjusted loss for the period (i)	(16,766)	(6,990)
Distribution per unit (iii)	–	–

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 period.

- (ii) The REIT Manager has resolved no dividend (2020: None) to be declared and distributed for the six months ended 30 June 2021 as there is an adjusted loss for the period.
- (iii) No distribution per unit (2020: None) was presented as no distribution was declared for the six months ended 30 June 2021.
- (iv) An interim distribution of HK\$1,976,018,274 (equivalent to approximately RMB1,658,512,000) or HK\$2.0 per unit (“**Interim Distribution**”) arising from the proceeds of the Disposal as disclosed in Note 2.1 to the consolidated financial statements, (as calculated based on the sum of consideration received from the Disposal and available cash reserves of New Century REIT, minus the estimated disposal costs), was declared and paid to entitled unitholders on 28 April 2021 whose names appeared on the register of unitholders on 16 April 2021 pursuant to Rule 20.1 of the Hong Kong Codes on Takeovers and Mergers (the “**Takeovers Code**”).
- (v) Pursuant to Note 3 of 11.8 of the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong (the “**REIT Code**”), a final distribution of HK\$1,788,037 (equivalent to approximately RMB1,488,000) or HK\$0.0018 per unit arising from the liquidation, as calculated based on the cash and cash equivalents of HK\$4,276,172 (equivalent to approximately RMB3,558,000 (Note 16)) as at 30 June 2021 minus the disposal costs payable of HK\$2,488,135 (equivalent to approximately RMB2,070,000 (Note 17)) as at 30 June 2021 was declared to be paid to the unitholders whose names appeared on the register of unitholders on 21 April 2021 (the “**Final Record Date**”) on or before 30 July 2021.

The above consolidated distribution statement should be read in conjunction with the accompanying notes.

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

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

		Net assets attributable to unitholders RMB'000	Equity Non-controlling interests RMB'000	Total RMB'000
	<i>Notes</i>			
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	22	6,100	–	6,100
Distribution paid to unitholders	22	(28,163)	–	(28,163)
Dividends declared to non-controlling interests		–	(1,369)	(1,369)
Other comprehensive income				
– exchange reserve	22	284	–	284
As at 30 June 2020 (Unaudited)		1,734,430	25,986	1,760,416
As at 1 January 2021		1,672,834	25,732	1,698,566
(Loss)/profit for the period		(12,516)	541	(11,975)
Distribution paid to unitholders	22	(1,658,512)	–	(1,658,512)
Disposal of a subsidiary	24	–	(26,273)	(26,273)
Other comprehensive loss				
– exchange reserve	22	(318)	–	(318)
As at 30 June 2021		1,488	–	1,488

The above consolidated statement of changes in net assets attributable to unitholders and equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

	Notes	Six months ended 30 June	
		2021 RMB'000 Note (a)	2020 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	25(a)	41,592	44,933
Interest paid		(25,649)	(54,047)
Income tax paid		(28,189)	(25,920)
Net cash used in operating activities		(12,246)	(35,034)
Cash flows from investing activities			
Additions of investment properties		(39)	(77)
Net cash inflow from disposal of a subsidiary	24	581,855	–
Net cash generated from/(used in) investing activities		581,816	(77)
Cash flows from financing activities			
Changes of restricted cash pledged for borrowings		(59,052)	367,318
Interest received from restricted cash		5,128	2,879
Proceeds from bank borrowings – net of transaction costs		48,222	–
Repayment of bank borrowings		(5,000)	(293,638)
Payment of agency fee		(254)	–
Net proceeds from issuance of units		–	6,100
Distribution paid to unitholders	22	(653,151)	(28,163)
Net cash (used in)/generated from financing activities		(664,107)	54,496
Net (decrease)/increase in cash and cash equivalents		(94,537)	19,385
Cash and cash equivalents at beginning of the period	16	98,095	194,062
Exchange gains on cash and cash equivalents		–	1,783
Cash and cash equivalents at end of the period	16	3,558	215,230

Note:

- (a) As disclosed in Note 2.1 to the consolidated financial statements, as a result of the Disposal, the operating results of the Disposed Group meet the definition of a discontinued operation. As such, the vast majority of the consolidated statement of cash flows of New Century REIT for the six months ended 30 June 2021, except for the “Net cash inflow from disposal of a subsidiary” and “Distribution paid to unitholders” meet the definition of discontinued operation as presented above.

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(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 (the “**Stock Exchange**”) on 10 July 2013 (date of listing) and commenced its operation upon listing.

New Century REIT is in the process of liquidation, details of which are set out in the relevant announcements of New Century REIT and Note 2.1 to the consolidated financial statements.

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 (the “**Board**”) on 26 July 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

On 26 January 2021, the Trustee (as the seller) and the REIT Manager have respectively entered into a sale and purchase agreement (the “**Agreement**”) with Huge Harvest International Limited (“**Huge Harvest**”, as the “**Purchaser**”) for the disposal of the entire issued share capital of Spearhead Global Limited (after its reorganisation which involving the acquisition of all issued shares of Strong Tower Global Limited and New Century REIT Hong Kong I Limited (the “**Reorganisation**”)) and the outstanding amount of loan due and owed by Spearhead Global Limited to New Century REIT (the “**Sale Loan**”) as at the completion of the disposal (collectively, the “**Disposal**”) for a total consideration of HK\$1,921,018,274 (the “**Consideration**”), subject to the approval of independent unitholders’ at an extraordinary general meeting held on 12 April 2021 (the “**EGM**”).

The Disposed Group, upon completion of the Reorganisation, contained all of the operating business and assets of the Group and also following the completion of the Disposal and the payment of the Interim Distribution, no material assets will remain in New Century REIT, save for the remaining cash for the purpose of payment of the disposal costs (the “**Disposal Costs**”) relating to the Disposal, termination, liquidation and delisting of New Century REIT (collectively, the “**Proposals**”) and the balance (if any) for the payment of final distribution. Accordingly, New Century REIT would have no remaining operating real estate assets to fulfil the criteria for operating as a REIT in accordance with the REIT Code and therefore, New Century REIT should be terminated in accordance with the REIT Code, the units should consequentially 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 of New Century REIT are the natural results of the Disposal, the Disposal is then treated as part and parcel of the termination, liquidation and delisting of New Century REIT. As such, the Proposals were then subject to independent unitholders’ approval by the approval threshold at the EGM, where the resolution relating the Proposals was duly passed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

As the Disposal was completed on 19 April 2021 (the “**Disposal Date**”), the revenue and related expenses of the Disposed Group for the period from 1 January 2021 to 19 April 2021 were included in the consolidated income statement as discontinued operation and then ceased to consolidate thereafter.

The liquidation of New Century REIT commenced on 4 June 2021 when the notice to creditors, requesting the creditors of New Century REIT to send their debts or claims to the REIT Manager on or before 30 June 2021, was published.

The REIT Manager has not received any claims validly submitted by the creditors by 30 June 2021. Accordingly, the liquidation date and date for the financial statements of New Century REIT as required by 11.10(c) of the REIT Code has been determined to be 30 June 2021.

Since New Century REIT is no longer operating under a going concern basis, the consolidated financial statements for the six months ended 30 June 2021 have been prepared by liquidation basis of accounting. Its assets and liabilities as at 30 June 2021 were then valued at their estimated realisable amounts and stated at their estimated settlement amounts respectively. As at 30 June 2021, only cash and cash equivalents and disposal costs payable remained in the consolidated balance sheet, all other assets and liabilities had been disposed of to the Purchaser. The comparatives were prepared under going concern basis and therefore not directly comparable.

The consolidated financial statements have been prepared in accordance IFRSs, the relevant provisions of the Trust Deed and Appendix C and E of the REIT Code.

The preparation of these consolidated financial statements in conformity with IFRSs 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 these consolidated financial statements are disclosed in Note 4.

(i) *New and amended standards adopted by the Group*

There are a number of amendments to accounting standards that become applicable for annual reporting periods commencing on or after 1 January 2021 and the following standards and interpretations apply for the first time to financial reporting periods have been adopted by the Group:

- (a) Amendments to IFRS 16 – Covid-19-related Rent Concessions;
- (b) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(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 this reporting period 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 IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 16	Property, Plant and Equipment: Proceeds Before Intended Use	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	Annual Improvements to IFRS Standards 2018–2020	1 January 2022
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture	To be determined

2.2 Principles of consolidation and equity accounting

(a) *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (Continued)

(a) *Subsidiaries (Continued)*

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

(b) *Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income (“OCI”) in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in OCI are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in OCI are reclassified to profit or loss where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business Combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement, and;
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognised any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity, and;
- acquisition-date fair value of any previous equity interest in the acquired entity.

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the senior executive management that makes strategic decisions.

2.5 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("**the functional currency**"). The consolidated financial statements are presented in RMB, which is the Group's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss within "finance income or finance costs". All other foreign exchange gains and losses are presented in the statement of profit or loss within "Other losses – net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through OCI are recognised in OCI.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in OCI.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in OCI. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Investment properties

Investment properties, principally comprising leasehold land, freehold land, buildings and related equipment, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are presented in statement of profit or loss.

2.7 Intangible assets

Goodwill

Goodwill is measured as described in Note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units (“**CGU(s)**”) for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

2.8 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and;
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investments and other financial assets (Continued)

(c) Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- (i) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- (ii) FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- (iii) FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investments and other financial assets (Continued)

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, and the identified impairment loss was immaterial, while cash and cash equivalents and other receivables are also subject to the impairment requirements of IFRS 9 and the identified loss was immaterial.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.11 Derivative and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of each reporting period. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

For the six months ended 30 June 2021, the Group did not designate any derivatives as hedging instruments.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30 to 90 days and therefore all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2.9(d) and Note 15 for the Group's impairment policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Restricted cash is excluded from cash and cash equivalents.

2.14 Restricted cash

Restricted cash represents guaranteed deposits in a separate reserve account to be pledged to the bank and bankers' guarantee or as security deposits under bank borrowing agreement. Such restricted cash will be released when the Group repays the related trade facilities or bank loans.

2.15 Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 1 year of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

As at 30 June 2021, disposal costs payable are stated at their estimated settlement amounts. Provision has been made on the best estimation.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowings are classified as current liabilities if the loan agreements include an overriding repayment on demand clause, which gives the lender the right to demand repayment at any time at their sole discretion, irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

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For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (Continued)

(b) *Deferred income tax (Continued)*

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(c) *Investment allowances and similar tax incentives*

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

2.19 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue recognition

Revenue are recognised when or as the control of the service or good is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point of time.

Rental income (Note 6)

Rental income is measured on the following bases:

- Minimum annual rent (“**Base Rent**”) from hotel properties and other rental income are recognised in the period in which the properties are let and on a straight-line basis over the periods of the respective leases;
- Actual annual rent (“**Total Rent**”) from hotel properties is recognised in the period in which they are earned in accordance with the terms of respective agreements.

2.21 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.22 Dividend income

Dividends are recognised as other income in profit or loss when the right to receive payment is established.

2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to assets are included in non-current liabilities as deferred income and are credited to the consolidated income statement on a straight-line basis over the expected useful lives of the related asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the REIT Manager, who manages and monitors these risk exposures to ensure appropriate measures are implemented in a timely and effective manner.

(a) Market risk

(i) Foreign exchange risk

After the completion of the Disposal, the Group only had cash and cash equivalents denominated primarily in Hong Kong dollar ("HK\$"), the exposure to foreign exchange risks was not significant.

(ii) Cash flow interest rate risk

As at 30 June 2021, the Group has no significant interest-bearing assets except for cash and cash equivalents. Therefore, the Group's interest rate risk mainly arises from cash and cash equivalents. Cash and cash equivalents obtained at variable rates expose the Group to cash flow interest rate risk. Cash and cash equivalents obtained at fixed rates expose the Group to fair value interest rate risk.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

As at 30 June 2021, the cash flow interest rate risk of the Group is immaterial.

(b) Credit risk

Credit risk arises from cash and cash equivalents, restricted cash, amount due from related parties, as well as trade and other receivables included in the consolidated balance sheet.

Credit risk is managed on a group basis. As at 30 June 2021 and 31 December 2020, all cash and cash equivalents and restricted cash were deposited in the major financial institutions in China, Hong Kong and Europe, which the directors of the REIT Manager believe are of high credit quality. The Group categorises its major counterparties into the following Groups:

- Group 1 – Top 4 banks in China (China Construction Bank Corporation, Bank of China Limited, Agriculture Bank of China Limited, and Industrial and Commercial Bank of China Limited) and major listed banks in Hong Kong and China; and
- Group 2 – Other major listed banks in Europe.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The bank deposits balances as at 30 June 2021 and 31 December 2020 which are placed with these institutions are shown as below:

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Group 1	3,558	279,599
Group 2	–	24
	3,558	279,623

While cash and cash equivalents and restricted cash are also subject to impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group established policies in place to ensure that the investment properties is leased to the customers with an appropriate credit term and the Group assesses the credit worthiness and financial strength of its customers as well as considering prior dealing history with the customers. The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the corresponding historical credit losses experienced is immaterial.

Other financial assets at amortised cost include other receivables and amount due from related parties, for which the loss allowance as at 30 June 2021 and 31 December 2020 were determined to be immaterial.

(c) Liquidity risk

The Group's objective is to maintain sufficient cash and sources of funding through committed credit facility. To manage the liquidity risk, management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn banking facilities) and cash and cash equivalents on the basis of expected cash flow. The Group expects to fund the future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

As at 30 June 2021, the Group didn't have any undrawn bank loan facilities (as at 31 December 2020: an undrawn bank loan facility of HK\$780 million (equivalent to RMB656.5 million) and undrawn related party loan facility of RMB40 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
As at 30 June 2021					
Disposal costs payable	2,070	-	-	-	2,070

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
As at 31 December 2020					
Bank borrowings	200,120	682,280	10,010	867,490	1,759,900
Loan due to a related party	-	60,000	-	-	60,000
Interest payable on bank and related party borrowings	72,703	66,082	40,236	265,308	444,329
Trade and other payables and amounts due to related parties	67,354	-	-	-	67,354
	340,177	808,362	50,246	1,132,798	2,331,583

The interest payments on borrowings are calculated based on borrowings held as at 31 December 2020 without taking into account future borrowings. Floating-rate interests are estimated using the relevant interest rates as at 31 December 2020.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders.

Consistent with others in the industry, the REIT Manager monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total asset value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (Continued)

The gearing ratio is calculated based on the gross borrowings excluding transaction costs over total asset value as at 30 June 2021 and 31 December 2020 are as follows:

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Total gross borrowings excluding transaction costs (Note 20, 27(c))	–	1,819,900
Total asset value	3,558	4,369,857
Gearing ratio	–	41.65%

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value as at 30 June 2021 and 31 December 2020 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1;
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2; and
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

See Note 12 for disclosures of the investment properties that are measured at fair value. There is no financial assets at FVPL as at 30 June 2021 and 31 December 2020.

There were no transfers among different levels during the six months ended 30 June 2021 and 2020.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair values of interest rate swaps and interest rate cap are calculated as the present value of the estimated future cash flows based on market observable yield curves.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

4 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 liabilities are addressed below.

(a) Disposal costs payable

The disposal costs payable is stated at their estimated settlement amounts, and provision had been made on the best estimation.

5 SEGMENT INFORMATION

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

The sole principal activity of the Group is the leasing of hotel properties. Geographically, all hotel properties are located in China, the senior executive management concludes that the Group has a single reportable segment and no further analysis for segment information is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

6 REVENUE

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
		(Unaudited)
Rental income from the Initial Hotel Properties (a)	57,434	75,669
Rental income from the Kaifeng Hotel (a)	6,318	7,399
Other rental income (b)	7,763	10,352
	71,515	93,420

- (a) The principal activity of the Group is the leasing of hotel properties located in China until the Disposal Date, New Century REIT itself does not carry out any operation since then. Prior to the completion of the Disposal, the rental income of the Group was all generated from 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 New Century Grand Hotel Kaifeng (開封開元名都大酒店, the "Kaifeng Hotel"). From 1 January 2021 to the Disposal Date, the rental income of RMB63,752,000 was derived from the minimum pro-rated Base Rent of RMB66,296,000 less value-added taxes of RMB2,544,000. For the six months ended 30 June 2020, the rental income of RMB83,068,000 was derived from the minimum pro-rated Base Rent of RMB86,383,000 (as adjusted mentioned below) less value-added taxes of RMB3,315,000.

Since the outbreak of the novel coronavirus pneumonia pandemic (the "Pandemic") in January 2020, 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 (together, the "Hotel Group") of RMB769,000 before value-added taxes of RMB37,000 (2020: RMB1,653,000 before value-added taxes of RMB79,000).

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For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

7 OPERATING EXPENSES

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
		(Unaudited)
REIT Manager fee (Notes 9 and 27(b))	–	9,921
Other Disposal Costs	2,755	–
Urban real estate and land use tax	5,143	6,629
Legal and other professional fees	77	838
Business and other taxes, surcharges and stamp duty	365	783
Auditors' remuneration	24	1,027
Trustee fee (Note 27(b))	265	453
Valuation fees (Note 27(b))	3	223
Miscellaneous	251	406
Total operating expenses – net	8,883	20,280

8 OTHER LOSSES – NET

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
		(Unaudited)
Loss on disposal of a subsidiary (Note 24)	(45,753)	–
Waiver of REIT Manager fee (Note 9 and 27(b))	10,484	–
Government grants (a)	2,590	241
Fair value losses on derivative financial instruments	–	(43,581)
Net realised foreign exchange losses	–	(387)
Net unrealised foreign exchange gains	4	6
Others	(44)	(1,325)
	(32,719)	(45,046)

(a) Government grants

Government grants mainly represented the urban real estate and land use tax refund, 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.

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9 REIT MANAGER FEE

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000 (Unaudited)
Base Fee (waived)/charged	(6,314)	6,795
Variable Fee (waived)/charged	(4,170)	3,126
	(10,484)	9,921

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.

Upon the completion of the Disposal, the REIT Manager has agreed to waive the Base Fee and Variable Fee since 1 July 2020 which were elected to be settled in form of units. Accordingly, the Base Fee of RMB6,314,000 and Variable Fee of RMB4,170,000 for the period from 1 July 2020 to 31 December 2020 that had been provided in prior year have been reversed in the consolidated income statement and was adjusted to consolidated distribution statement for six months ended 30 June 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

10 FINANCE COSTS – NET

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
		(Unaudited)
Finance income		
– Interest income derived from bank deposits	45	3,232
Finance costs		
– Interest expenses on bank borrowings	(22,609)	(50,120)
– Unrealised net foreign exchange losses on financing activities	–	(30,339)
– Realised net foreign exchange losses on financing activities	(1,383)	(7,667)
– Amortisation of transaction costs of bank borrowings	(2,707)	(16,146)
– Other financing costs	(256)	(1,685)
	(26,955)	(105,957)
Finance costs – net	(26,910)	(102,725)

11 INCOME TAX (EXPENSE)/CREDIT

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
		(Unaudited)
Current income tax		
– Corporate income tax	(7,301)	(19,103)
Deferred income tax		
– Corporate income tax (Note 21)	(7,677)	116,745
Tax (charge)/credit	(14,978)	97,642

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

11 INCOME TAX (EXPENSE)/CREDIT (CONTINUED)

The tax on the Group's loss before taxation and transactions with unitholders differs from the theoretical amount that would arise using the weighted average tax rate applicable to the loss of the consolidated income statement as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
		(Unaudited)
Profit/(loss) before taxation	3,003	(573,631)
Tax calculated at statutory tax rates applicable to each entity	(12,911)	104,394
Tax losses for which no deferred income tax assets was recognised	(697)	(277)
Withholding tax on earnings of subsidiaries	(1,384)	(7,331)
Prior year adjustments	–	756
Utilisation of previous unrecognised tax losses	14	100
Tax (charge)/credit	(14,978)	97,642

(a) Hong Kong profits tax

Enterprises incorporated in Hong Kong are subject to profits tax rate of 16.5% (2020: 16.5%). No Hong Kong profits tax has been provided for as the Group has no assessable profits in Hong Kong for the six months ended 30 June 2021 and 2020.

(b) Luxembourg corporate income tax

Enterprises incorporated in Luxembourg are subject to income tax rate of 15% for the first EUR175,000 taxable income, EUR26,250 plus 31% of the taxable income from EUR175,000 to EUR200,000, and 17% for the taxable income exceeds EUR200,000 (2020: same as 2021). Including solidarity surtax at 7% (2020: 7%) on corporate income tax and municipal business tax of 6.75% (2020: 6.75%), the total tax rate for Luxembourg for the six months ended 30 June 2021 is 22.80% or 24.94% (2020: same as 2021). No Luxembourg corporate income tax has been provided for as the Luxembourg subsidiary has no taxable income for the six months ended 30 June 2021 and 2020.

(c) China corporate income tax

Enterprises incorporated in China are subject to income tax rate of 25% (2020: 25%).

The income tax provision of the Group in respect of its operations in China has been calculated at the applicable tax rate on the estimated assessable profits based on existing legislations, interpretations and practices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

11 INCOME TAX (EXPENSE)/CREDIT (CONTINUED)

(d) China withholding income tax

Pursuant to China Corporate Income Tax Law, a 10% withholding tax is levied on the dividends declared to foreign investors from the foreign investment enterprises established in China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in China in respect of their earnings generated from 1 January 2008.

Pursuant to “Arrangement between the mainland of China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income”, a lower 5% withholding tax rate will be applied to a qualifying company, if it can be considered as a beneficial owner of the dividend and that it holds directly at least 25% of the capital of the mainland enterprise. On 14 April 2020, Spearhead Investments Limited and Sky Town Investments Limited had successfully renewed the certificates of the resident status of the Hong Kong Special Administrative Region with the effective period of three years. Given the above, the local tax authority of China had granted a 5% tax adjustment payment on the withholding tax relating to the dividends declared by 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”) and applied a 5% withholding tax rate for the six months ended 30 June 2021 and 2020.

During the six months ended 30 June 2020, apart from declaring 2019 dividend, Zhejiang New Century Hotel has also declared and paid an additional dividend with the total amount of RMB110,817,502 to its parent companies outside China. No deferred tax liabilities in respect of the withholding tax on unremitted earnings have been recognised for such earnings in previous period. Accordingly, the related withholding tax has been recognised under the current income tax.

12 INVESTMENT PROPERTIES

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Investment properties	–	3,997,000

The investment properties of the Group are all located in China held on land use rights with lease periods of 35 to 40 years. After the Disposal as set out in Note 24, New Century REIT did not hold any investment properties as at 30 June 2021. There was no fair value change during the six months ended 30 June 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

12 INVESTMENT PROPERTIES (CONTINUED)

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000 (Unaudited)
At fair value		
Opening balance	3,997,000	4,612,000
Fair value losses (a)	–	(499,000)
Disposal of a subsidiary (Note 24)	(3,997,000)	–
Closing balance	–	4,113,000

- (a) As at 31 December 2020, the independent valuation of the Group's investment properties in China was performed by the principal valuer, Cushman & Wakefield Limited (the "Principal Valuer" or "Cushman & Wakefield"), to determine the fair value of the investment properties. The investment properties were all pledged as collateral for the Group's bank borrowings (Note 20).

The fair value measurement information for these investment properties in accordance with IFRSs are given below:

Description	Fair value measurements as at 31 December 2020 using		
	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurements			
Investment properties:			
– Initial Hotel Properties	–	–	3,617,000
– Kaifeng Hotel	–	–	380,000
	–	–	3,997,000

There were no transfers between Levels 1, 2 and 3 during the periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

12 INVESTMENT PROPERTIES (CONTINUED)

Investment properties which have fair value measurements using significant unobservable inputs (Level 3):

	Year ended 31 December 2020 China
	RMB'000
As at 1 January 2020	4,612,000
Additions	130
Fair value losses	(615,130)
<hr/>	
As at 31 December 2020	3,997,000

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2020 by the qualified independent professional valuer, Cushman & Wakefield Limited, which holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The REIT Manager reviews the valuations performed by the Principal Valuer for financial reporting purposes and reports directly to the Finance and Investment Committee ("FIC") of the REIT Manager. Discussions of valuation processes and results are held between the REIT Manager and the Principal Valuer at least once a year, in line with the Group's annual reporting dates.

At each financial year end, the REIT Manager:

- verifies all major inputs to the independent valuation report;
- assesses property market conditions and property valuations movements as compared to the prior year valuation reports; and
- holds discussions with the Principal Valuer.

Changes in level 3 fair values are analysed at each reporting date during the annual valuation discussions between the REIT Manager, the FIC and the Principal Valuer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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12 INVESTMENT PROPERTIES (CONTINUED)

Valuation techniques

The valuation was determined using discounted cash flow approach based on significant unobservable inputs. These inputs include:

Future rental cash inflows	Based on the actual location, type and quality of the properties and supported by the terms of any existence lease, other contracts and external evidence such as current market rents for similar properties;
Discount rates	Reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
Maintenance costs	Including necessary investments to maintain functionality of the property for its expected useful life; and
Terminal growth rate	Taking into account assumptions regarding vacancy rates and market rents.

There were no changes to the valuation techniques during the periods.

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12 INVESTMENT PROPERTIES (CONTINUED)

Valuation techniques (Continued)

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value as at 31 December 2020 (RMB'000)	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value	
The Initial Hotel Properties and the Kaifeng Hotel	3,997,000	Discounted cash flow	Rental value	<p>For rental income from the Initial Hotel Properties and the Kaifeng Hotel:</p> <p>Base Rent of the Initial Hotel Properties and the Kaifeng Hotel are both pre-determined fixed amounts per annum. Total Rent of the Initial Hotel Properties and the Kaifeng Hotel are calculated as 20% of the lessees' total revenue, plus 34% of the lessees' gross operating profit from operating the Initial Hotel Properties and the Kaifeng Hotel, respectively. If the Total Rent is less than the Base Rent for that year, the lessee shall pay the difference.</p> <p>For other rental income:</p> <p>Total monthly rental (before value-added taxes) range from RMB36,400 to RMB1,064,599</p>	The higher the input value, the higher the fair value	
			Average daily room rate ("ADR")	2021 – Range from RMB325 to RMB560		
			Annual growth in ADR	Stabilised at 4%		
			Occupancy rate on available room basis	2021 – Range from 55% to 70% Stabilised at range from 68% to 75%		
			Food and beverage revenue ("F&B")	2021 – Range from 26% to 63% of gross revenue Stabilised at range from 26% to 66%		
			Terminal growth rate	4%		
			Furniture, fixtures and equipment ("FF&E") provision	2% of gross revenue		The higher the input rate, the lower the fair value
			Discount rate	The Kaifeng Hotel: 9.25%; and the Initial Hotel Properties: 8.75%		

There are inter-relationships between unobservable inputs. An increase in future rental income may be linked with change of costs. If the remaining lease term increases, the yield may change.

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13 GOODWILL

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Goodwill	-	7,987

	Six months ended 30 June 2021 RMB'000	2020 RMB'000 (Unaudited)
Opening balance	7,987	7,987
Disposal of a subsidiary (Note 24)	(7,987)	-
Closing balance	-	7,987

Impairment tests for goodwill

The goodwill of the Group was arisen from the acquisition of the Kaifeng Hotel by Zhejiang New Century Hotel. During the periods, there were no impairment of goodwill. The goodwill was related to the Disposed Group and was disposed of on the Disposal Date (Note 24).

14 OTHER LONG-TERM ASSETS

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Fees paid for undrawn bank facilities	-	1,730

These assets were held by the Disposed Group and were disposed of on the Disposal Date (Note 24).

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15 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Trade receivables (a)	-	3,083
Other receivables	-	235
Escrow deposit	-	12,038
Prepayments	-	13
	-	-
Trade and other receivables and prepayments – net	-	15,369

All trade and other receivables and prepayments were held by the Disposed Group and were disposed of on the Disposal Date (Note 24).

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

- (a) The trade receivables represented the rental income receivables from the third party lessees. Trade receivables due from related parties please refer to Note 27(c).

The aging of all the trade receivables as at 31 December 2020 was within 30 days.

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 six months ended 30 June 2021 and 2020, 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, all carrying amounts of the Group's trade receivables are denominated in RMB and all trade receivables were pledged as collateral for the Group's bank borrowings (Note 20).

16 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Cash at bank and on hand (a)	3,558	279,623
Less: Restricted cash (b)	-	(181,528)
	-	-
Cash and cash equivalents	3,558	98,095

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16 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (CONTINUED)

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

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Cash at bank and in hand:		
• RMB	–	262,447
• USD	–	1,652
• HK\$	3,558	15,507
• EUR	–	17
	3,558	279,623

Cash and cash equivalents and restricted cash that held by the Disposed Group were disposed of on the Disposal Date (Note 24).

- (a) As at 30 June 2021 and 31 December 2020, 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 20).

17 DISPOSAL COSTS PAYABLE

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Disposal costs payable	2,070	–

It represented the Disposal Costs incurred but not paid and accrued expenses provided based on management's best estimation as at 30 June 2021.

18 TRADE AND OTHER PAYABLES

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Trade payables (b)	–	692
Other payables	–	16,678
Advances from customers	–	2,534
Accrued taxes other than income tax	–	12,290
Dividends payable	–	3,348
	–	35,542

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18 TRADE AND OTHER PAYABLES (CONTINUED)

- (a) All the trade and other payables were held by the Disposed Group and were disposed of on the Disposal Date (Note 24).
- (b) The aging analysis of the trade payables was as follows:

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Trade payables		
– Within 90 days	–	21
– Over 90 days and within 360 days	–	6
– Over 360 days and within 720 days	–	78
– Over 720 days	–	587
	–	692

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

19 DEFERRED INCOME

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Government grants relating to assets	–	2,335

Deferred income represents government grants relating to certain assets, which is deferred and recognised in the consolidated income statement on a straight-line basis over the expected useful lives of the related assets. The deferred income was related to the Disposed Group and was disposed of on the Disposal Date (Note 24).

The movements of deferred income are as below:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000 (Unaudited)
Opening balance	2,335	2,741
Credited to profit or loss	(123)	(203)
Disposal of a subsidiary (Note 24)	(2,212)	–
Closing balance	–	2,538

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20 BORROWINGS

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Non-current		
Principal of bank borrowings – secured (a)	–	1,583,500
Less: transaction costs	–	(23,862)
Current portion of non-current bank borrowings	–	(31,829)
	–	1,527,809
Current		
Bank borrowings – secured (a)	–	176,400
Current portion of non-current bank borrowings	–	31,829
	–	208,229

All the borrowings were held by the Disposed Group and were disposed of on the Disposal Date (Note 24).

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

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
RMB	–	1,736,038

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

	6 months or less RMB'000	Between 6 and 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
As at 30 June 2021	–	–	–	–
As at 31 December 2020	189,635	18,594	1,527,809	1,736,038

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20 BORROWINGS (CONTINUED)

The maturity of borrowings is as follows:

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Within 1 year	–	208,229
Between 1 and 2 years	–	680,428
Between 2 and 3 years	–	7,480
Over 3 years	–	839,901
	–	1,736,038

The weighted average effective interest rates during the six months ended 30 June 2021 and 2020 were as follows:

	Six months ended 30 June	
	2021	2020 (Unaudited)
Borrowings – current		
– HK\$	2.31%	3.68%
– RMB	4.20%	–
Borrowings – non-current		
– HK\$	–	6.51%
– RMB	5.09%	6.34%

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 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Carrying amounts		
Bank borrowings	–	1,527,809
Fair values		
Bank borrowings	–	1,464,363

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.

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20 BORROWINGS (CONTINUED)

(a) Bank borrowings – secured

As at 31 December 2020, the bank borrowings of RMB176,400,000 were secured by bank deposits (Note 16); whereas the bank borrowings of RMB1,583,500,000 were secured by investment properties (Note 12) and all trade receivables (Notes 15 and 27(c)).

The Group had the following undrawn bank borrowing facilities:

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
HK\$/USD facilities – expiring beyond one year	–	656,479

21 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 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Deferred income tax liabilities:		
– to be recovered after more than 12 months	–	755,892
– to be recovered within 12 months	–	4,643
	–	760,535

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Opening balance	760,535	896,462
Charged/(credited) to profit or loss (Note 11)	7,677	(116,745)
Disposal of a subsidiary (Note 24)	(768,212)	–
Payment during the periods	–	(4,140)
Closing balance	–	775,577

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21 DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITIES (CONTINUED)

Movements in deferred income tax assets and liabilities during the six months ended 30 June 2021 and 2020, without taking into consideration the offsetting of balance within the same tax jurisdiction, are as follows:

Deferred income tax assets	Tax losses RMB'000	Deferred Income RMB'000	Total RMB'000
Six months ended 30 June 2020			
As at 1 January 2020	–	686	686
Charged to profit or loss	–	(51)	(51)
As at 30 June 2020 (Unaudited)	–	635	635
Six months ended 30 June 2021			
As at 1 January 2021	–	584	584
Credited/(charged) to profit or loss	297	(31)	266
Disposal of a subsidiary (Note 24)	(297)	(553)	(850)
As at 30 June 2021	–	–	–

Deferred income tax liabilities	Difference between tax book and accounting book in respect of investment properties RMB'000	Amortisation of transaction costs of the bank borrowings RMB'000	Withholding tax in respect of unremitted earnings of subsidiaries RMB'000	Others RMB'000	Total RMB'000
Six months ended 30 June 2020					
As at 1 January 2020	891,807	514	4,140	687	897,148
(Credited)/charged to profit or loss	(118,416)	(170)	1,790	–	(116,796)
Payment during the period	–	–	(4,140)	–	(4,140)
As at 30 June 2020 (Unaudited)	773,391	344	1,790	687	776,212
Six months ended 30 June 2021					
As at 1 January 2021	750,784	5,723	3,859	753	761,119
Charged/(credited) to profit or loss	3,828	2,826	1,384	(95)	7,943
Disposal of a subsidiary (Note 24)	(754,612)	(8,549)	(5,243)	(658)	(769,062)
As at 30 June 2021	–	–	–	–	–

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. All the deferred income tax assets and deferred income tax liabilities were related to the Disposed Group and were disposed of on the Disposal Date (Note 24).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

22 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Net assets attributable to unitholders	1,488	1,672,834

	Number of units	Net assets attributable to unitholders RMB'000
Six months ended 30 June 2020		
As at 1 January 2020	971,128,484	2,230,080
Issuance of new units (a)	6,619,349	6,100
Loss for the period	–	(473,871)
Distribution paid to unitholders during period (c)	–	(28,163)
OCI – exchange reserve	–	284
As at 30 June 2020 (Unaudited)	977,747,833	1,734,430
Six months ended 30 June 2021		
As at 1 January 2021	988,009,137	1,672,834
Loss for the period	–	(12,516)
Distribution paid to unitholders during the period (d)	–	(1,658,512)
OCI – exchange reserve	–	(318)
As at 30 June 2021	988,009,137	1,488

(a) New Century REIT issued 6,619,349 units during the six months ended 30 June 2020:

On 22 May 2020, 6,619,349 units were issued to the REIT Manager at an issue price of HK\$1.0069 per unit (equivalent to RMB6,100,000) as payment of 50% of the REIT Manager fee for the six months ended 31 December 2019.

New Century REIT didn't issue any new units during the six months ended 30 June 2021.

(b) As at 30 June 2021, the net assets attributable to unitholders per unit of RMB0.0015 is calculated by dividing the net assets attributable to unitholders of RMB1,488,000 by number of units in issue of 988,009,137 (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).

(c) 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 unitholders on 22 May 2020.

(d) The distribution in the amount of approximately RMB1,658,512,000 (equivalent to HK\$1,976,018,274) or HK\$2 per unit declared as pursuant to Rule 20.1 of the Takeovers Code during the six months ended 30 June 2021 represents the Interim Distribution arising from the proceeds of the Disposal, which was paid to unitholders on 28 April 2021. Of the Interim Distribution, (i) an amount of approximately RMB1,005,361,000 (equivalent to HK\$1,197,827,602) representing the entitlement of Huge Harvest and the REIT Manager to the Interim Distribution based on their respective holding of New Century REIT was agreed to be offset against the Consideration and (ii) the balance of approximately RMB653,151,000 (equivalent to HK\$778,190,672) representing the entitlement of other unitholders was paid and distributed in cash to other unitholders on 28 April 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

23 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 period.

	Six months ended 30 June	
	2021	2020 (Unaudited)
Loss after income tax before transactions with unitholders attributable to unitholders (RMB'000)	(12,516)	(473,871)
Weighted average number of units in issue ('000)	988,009	972,583
Basic loss per unit (RMB)	(0.0127)	(0.4872)

The diluted loss per unit is same as the basic loss per unit as there were no diluted instruments in issue during the six months ended 30 June 2021 and 2020.

24 DISPOSAL OF A SUBSIDIARY – SPEARHEAD GLOBAL LIMITED

On 26 January 2021, the Trustee and the REIT Manager have respectively entered into the Agreement for the disposal of entire issued share capital of Spearhead Global Limited, a wholly-owned subsidiary of New Century REIT and the Sale Loan as at the Disposal Date to Huge Harvest for the Consideration of HK\$1,921,018,274 (equivalent to approximately RMB1,613,675,000). The Disposal was completed on 19 April 2021.

The loss arising from the Disposal representing the difference between the carrying value of net assets of the Disposed Group as at the Disposal Date and the Consideration in relation to the Disposal as derived in below was included in “Other losses – net” (Note 8) of the consolidated income statement.

Expenses directly attributable to the Disposal of RMB8,278,000, among which comprises the trustee fee in the amount of RMB439,000 (Note 27(b)) and the valuation fee to Cushman & Wakefield of RMB378,000 (Note 27(b)), were netted against the Consideration for the Disposal. RMB8,181,000 had been paid during the period and the balance of RMB97,000 had been included in the “Disposal costs payable” (Note 17) of the consolidated balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

24 DISPOSAL OF A SUBSIDIARY – SPEARHEAD GLOBAL LIMITED (CONTINUED)

The following table summarises the carrying value of net assets disposed of on the Disposal Date and the Consideration received, as well as the net cash flow arising from the Disposal.

	Carrying value RMB'000
Net assets of the Disposed Group at the Disposal Date	
Investment properties (Note 12)	3,997,000
Goodwill (Note 13)	7,987
Other long-term assets	1,513
Trade and other receivables and prepayments	21,562
Amount due from related parties	76,933
Restricted cash (Note 25(b))	240,580
Cash and cash equivalents (Note 25(b))	18,278
Amounts due to related parties	(67,306)
Current income tax liabilities	(791)
Deferred income	(2,212)
Trade and other payables	(28,763)
Borrowings (Note 25(b))	(1,782,077)
Loan due to a related party (Note 25(b))	(60,000)
Deferred income tax liabilities (Note 21)	(768,212)
Non-controlling interests	(26,273)
Net assets disposed of	1,628,219
Consideration for the Disposal	1,613,675
Less: Expenses directly attributable to the Disposal	(8,278)
Net Consideration for the Disposal	1,605,397
Less: Net assets disposed of	(1,628,219)
Less: The amount of the Sale Loan	(22,931)
Loss on disposal of a subsidiary (Note 8)	(45,753)
Net cash inflow arising on the Disposal:	
Consideration for the Disposal	1,613,675
Less: Expenses directly attributable to the Disposal paid	(8,181)
Less: Interim Distribution entitlement of Huge Harvest and the REIT Manager to offset against the Consideration (Note 22(d))	(1,005,361)
Cash and cash equivalents in the Disposed Group	(18,278)
Net cash inflow from disposal of a subsidiary	581,855

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

25 CASH FLOWS INFORMATION

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000 (Unaudited)
Profit/(loss) before taxation and transactions with unitholders	3,003	(573,631)
Adjustments for:		
– Fair value changes on investment properties	–	499,000
– Interest expenses on bank borrowings (Note 10)	22,609	50,120
– Unrealised net foreign exchange (gains)/losses (Notes 8 and 10)	(4)	30,333
– Amortisation of transaction costs of bank borrowings (Note 10)	2,707	16,146
– Fair value losses on derivative financial instruments	–	43,581
– Realised net foreign exchange losses on financing activities (Note 10)	1,383	7,667
– Other financing costs (Note 10)	256	1,685
– Amortisation of deferred income (Note 19)	(123)	(203)
– Interest income on restricted cash	–	(2,879)
– Loss on disposal of a subsidiary (Note 8)	45,753	–
	75,584	71,819
Changes in working capital:		
– (Increase)/decrease in trade and other receivables and prepayments	(12,927)	3
– Decrease in trade and other payables	(1,493)	(3,270)
– Increase in amounts due from related parties	(8,785)	(21,392)
– Decrease in amounts due to related parties	(10,787)	(2,227)
	41,592	44,933

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

25 CASH FLOWS INFORMATION (CONTINUED)

(b) Net cash and liabilities relating to financing activities

	As at 30 June 2021 RMB'000		As at 31 December 2020 RMB'000	
Cash and cash equivalents	3,558		98,095	
Restricted cash	-		181,528	
Borrowings – repayable within one year	-		(208,229)	
Borrowings – repayable after one year	-		(1,527,809)	
Loan due to a related party	-		(60,000)	
Dividend payable	-		(3,348)	
	3,558		(1,519,763)	
Cash and restricted cash	3,558		279,623	
Borrowings – fixed interest rates	-		(921,430)	
Borrowings – variable interest rates	-		(874,608)	
Dividend payable	-		(3,348)	
	3,558		(1,519,763)	

	Other assets		Liabilities from financing activities				Total RMB'000
	Cash and cash equivalents RMB'000	Restricted cash RMB'000	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Dividend payable RMB'000	Loan due to a related party RMB'000	
As at 1 January 2020	194,062	504,978	(294,434)	(1,805,789)	(1,979)	-	(1,403,162)
Cash flows	(94,541)	(323,450)	144,336	285,071	-	(60,000)	(48,584)
Non-cash change							
Dividend declared	-	-	-	-	(1,369)	-	(1,369)
Foreign exchange adjustments	(1,426)	-	(5,531)	(11,277)	-	-	(18,234)
Amortisation of transaction costs of bank borrowings	-	-	(31,850)	(16,564)	-	-	(48,414)
Reclassification	-	-	(20,750)	20,750	-	-	-
As at 31 December 2020	98,095	181,528	(208,229)	(1,527,809)	(3,348)	(60,000)	(1,519,763)
Cash flows	(94,537)	59,052	(43,222)	-	-	-	(78,707)
Non-cash change							
Amortisation of transaction costs of bank borrowings	-	-	(2,707)	-	-	-	(2,707)
Foreign exchange adjustments	-	-	(110)	-	-	-	(110)
Reclassification	-	-	(677,141)	677,141	-	-	-
Disposal of a subsidiary	-	(240,580)	931,409	850,668	3,348	60,000	1,604,845
As at 30 June 2021	3,558	-	-	-	-	-	3,558

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

26 COMMITMENTS

Capital commitments

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
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In respect of investment properties, contracted but not provided for	–	2,462
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27 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with connected and related parties during the period:

(a) Nature of relationship with connected/related parties

The table set forth below summarises the names of the connected/related parties and nature of their relationship with the Group as at 30 June 2021.

Connected/related party	Relationship with the Group
Chen Miaolin	Significant holder of New Century REIT
Jin Wenjie	Chairman and non-executive director of REIT Manager (“Director”)
Zhang Guanming	Director
Huge Harvest	Significant holder of New Century REIT
New Century Tourism Group Limited	Associated corporation of significant holder of New Century REIT and Director
Hangzhou New Century Real Estate Group Limited	Associated corporation of significant holder of New Century REIT and Director
Hangzhou New Century Decorating Limited	Associated corporation of significant holder of New Century REIT
Hangzhou New Century Senbo Tourism Investment Limited	Associated corporation of significant holder of New Century REIT and Director
The Hotel Group	Associated corporation of significant holder of New Century REIT and Director
New Century Grand Hotel Kaifeng Business Company Limited	Associated corporation of significant holder of New Century REIT
Hangzhou New Century Yiran Cultural Tourism Management Co., Ltd.	Associated corporation of significant holder of New Century REIT
The REIT Manager	The manager of New Century REIT
The Trustee	The trustee of New Century REIT
Cushman & Wakefield	The Principal Valuer of New Century REIT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

27 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Transactions with connected/related parties

Rental income received/receivable from:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
		(Unaudited)
The Hotel Group (i)	60,495	80,342
New Century Grand Hotel Kaifeng Business Company Limited	6,570	7,694
New Century Tourism Group Limited	494	887
Hangzhou New Century Real Estate Group Limited	579	826
Hangzhou New Century Senbo Tourism Investment Limited	310	160
Hangzhou New Century Decorating Limited	37	61
Hangzhou New Century Yiran Cultural Tourism Management Co., Ltd.	77	–
	68,562	89,970

- (i) The net rental income from the Hotel Group for the six months ended 30 June 2021 amounted to RMB58,166,000 (2020: RMB77,243,000) which was calculated by gross rental income of RMB60,495,000 (2020: RMB80,342,000) netting of value-added taxes of RMB2,329,000 (2020: RMB3,099,000).

Rental deposit received from/(refunded to):

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
		(Unaudited)
The Hotel Group	(36)	79

Interest payable/paid to:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
		(Unaudited)
Huge Harvest	564	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

27 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Transactions with connected/related parties (Continued)

Other connected party transactions:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000 (Unaudited)
REIT Manager fee (waived) and paid/payable to the REIT Manager (Note 9)	(10,484)	9,921
Trustee fee paid/payable to the Trustee (Notes 7 and 24)	704	453
Valuation fee paid/payable to Cushman & Wakefield (Notes 7 and 24)	381	223
	(9,399)	10,597

(c) Balances with connected/related parties

Trade receivables due from:

	As at	As at
	30 June	31 December
	2021	2020
	RMB'000	RMB'000
The Hotel Group (i)	-	59,729
New Century Grand Hotel Kaifeng Business Company Limited	-	8,384
	-	68,113

(i) As at 31 December 2020, all the trade receivables due from related parties were pledged as collateral for the Group's bank borrowings (Note 20).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

27 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Balances with connected/related parties (Continued)

Other receivables due from:

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
The REIT Manager	–	35

Other payables due to:

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
New Century Grand Hotel Kaifeng Business Company Limited	–	22,000
The Hotel Group	–	20,803
The REIT Manager	–	10,484
New Century Tourism Group Limited	–	451
Hangzhou New Century Real Estate Group Limited	–	480
Hangzhou New Century Senbo Tourism Investment Limited	–	67
Hangzhou New Century Yiran Cultural Tourism Management Co., Ltd.	–	44
Hangzhou New Century Decorating Limited	–	31
Subtotal of other payables due to related parties	–	54,360
The Trustee (i)	341	355
Cushman & Wakefield (i)	–	85
	341	54,800

(i) Other payables due to the Trustee and Cushman & Wakefield were recorded in “Disposal costs payable” and “Trade and other payables” at the consolidated balance sheet as at 30 June 2021 and 31 December 2020, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

27 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Balances with connected/related parties (Continued)

Advances from customers:

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
The Hotel Group	-	16
New Century Tourism Group Limited	-	153
Hangzhou New Century Real Estate Group Limited	-	138
Hangzhou New Century Yiran Cultural Tourism Management Co., Ltd.	-	22
Hangzhou New Century Decorating Limited	-	10
	-	339

Loan due to a related party:

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Huge Harvest	-	60,000

Interest payable to a related party:

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Huge Harvest	-	463

(d) Key management compensation

There was no key management compensation for the six months ended 30 June 2021 and 2020.

(e) Director's emoluments

No directors' emoluments were paid or payable by the Group for the six months ended 30 June 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

28 SUBSIDIARIES

Particulars of the principal subsidiaries before the Disposal Date are as follows:

Name	Date of incorporation and type of legal entity (for PRC subsidiaries)	Issued and paid up capital/ registered capital	Effective interests held by the Group (%)	Principal activities and place of operations
Incorporated in China:				
浙江開元酒店投資管理集團有限公司 (Zhejiang New Century Hotel Investment & Management Group Limited)	30 November 2001, limited liability company	RMB111,000,000	100%	Investment holding and hotel properties leasing in China
浙江銳至投資股份有限公司 (Zhejiang Spearhead Investment Limited)	8 September 1994, limited liability company	RMB102,571,739	95.46%	Hotel properties leasing in China
寧波開元銳至投資有限公司 (Ningbo New Century Spearhead Investment Limited)	1 December 2004, limited liability company	RMB170,488,723	100%	Hotel properties leasing in China
長春開元銳至投資管理有限公司 (Changchun New Century Spearhead Investment and Management Limited)	13 November 2007, limited liability company	RMB120,000,000	100%	Hotel properties leasing in China
淳安千島湖開元銳至投資有限公司 (Chun'an Qiandao Lake New Century Spearhead Investment Limited)	15 January 2001, limited liability company	RMB30,000,000	100%	Hotel properties leasing in China
開封開元名都大酒店有限公司 (Kaifeng New Century Grand Hotel Limited)	25 December 2013, limited liability company	RMB50,000,000	100%	Hotel properties leasing in China
Incorporated in British Virgin Islands:				
Spearhead Global Limited	8 March 2013	20,000 ordinary shares of USD1 each	100%	Investment holding in Hong Kong
Strong Tower Global Limited	13 January 2014	10,000 ordinary shares of USD1 each	100%	Investment holding in Hong Kong
Incorporated in Hong Kong:				
Spearhead Investments Limited	25 March 2013	1 ordinary share of HK\$1 each	100%	Investment holding in Hong Kong
Sky Town Investments Limited	22 May 2007	438,334,995 ordinary shares of HK\$1 each	100%	Investment holding in Hong Kong
Full Wise Industrial Limited	20 September 2012	10,000 ordinary shares of HK\$1 each	100%	Investment holding in Hong Kong
New Century REIT Hong Kong I Limited	3 August 2016	1 ordinary share of EUR1 each	100%	Investment holding in Hong Kong
New Century Europe I S.à.r.l.	20 May 2016	12,500 ordinary share of EUR1 each	100%	Investment holding in Luxembourg

After the completion of the Disposal, New Century REIT did not hold any subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

(All amounts in Renminbi thousands unless otherwise stated)

29 NON-CANCELLABLE OPERATING LEASES

As at 30 June 2021 and 31 December 2020, the Group has future minimum lease payment receivables under non-cancellable leases as follow:

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Within one year	-	193,721
Between one year and five years	-	442,037
Over five years	-	39,817
	-	675,575

30 EVENTS AFTER THE BALANCE SHEET DATE

The final distribution of HK\$1,788,037 (equivalent to approximately RMB1,488,000) or HK\$0.0018 per unit arising from the liquidation (as calculated based on the cash and cash equivalents of HK\$4,276,172 (equivalent to approximately RMB3,558,000 (Note 16)) as at 30 June 2021 minus the disposal costs payable of HK\$2,488,135 (equivalent to approximately RMB2,070,000 (Note 17)) as at 30 June 2021 was declared and approved by the Board on 26 July 2021, which will be paid to the unitholders whose names appeared on the register of unitholders on the Final Record Date on or before 30 July 2021.

PERFORMANCE TABLE

As at 30 June 2021

	(Audited)		(Unaudited)		
	2021	2020	As at 30 June		
			2019	2018	2017
Net assets attributable to Unitholders (RMB'000)	1.488	1,734,430	2,301,096	2,377,861	2,359,088
Net assets attributable to Unitholders per Unit (RMB)	0.0015	1.7739	2.3798	2.4808	2.4612
(Equivalent to HK\$) (Note a)	0.0018	1.9420	2.7054	2.9425	2.8358
The highest premium of the traded price to net assets attributable to Unitholders per Unit (Note b)	113,233.33%	N/A	N/A	N/A	N/A
The highest discount of the traded price to net assets attributable to Unitholders per Unit (Note b)	N/A	56.23%	40.86%	27.61%	24.54%
Distribution yield per Unit (including special and other distributions (if any)) (Note c)	98.13%	N/A	2.29%	2.74%	4.00%
Number of Units in issue at the end of the reporting period (Units)	988,009,137	977,747,833	966,935,143	958,500,829	958,500,829
Gearing ratio (Note d)	-	42%	38%	39%	41%
Gross liabilities as a percentage of gross assets (Note e)	58%	62%	57%	57%	59%

Notes:

a. Unless indicated otherwise, Hong Kong dollar amounts are based on an exchange rate at the end of each reporting period. The exchange rate as at 30 June 2021 was HK\$1=RMB0.83208.

b. The highest premium is calculated based on the Unit's highest traded price of HK\$2.04 on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the six months ended 30 June 2021. The highest discount is calculated based on the Unit's lowest traded price of HK\$1.3 on the Stock Exchange during the six months ended 30 June 2021.

As the lowest traded price during the six months ended 30 June 2021 is higher than the net assets attributable to Unitholders per Unit as at 30 June 2021, no highest discount ratio was presented.

c. Distribution yield per Unit is calculated based on total distribution (including special and other distributions (if any)) per Unit over the closing price of the Unit as at the end of each reporting period.

d. Gearing ratio is calculated based on the total gross borrowings, comprising the bank borrowings excluding transaction costs and loan from a related party (if any), over total assets as at the end of each reporting period.

e. It is calculated based on total liabilities, excluding transaction costs on borrowings and net assets attributable to Unitholders, over total assets at the end of each reporting period.

THE REIT MANAGER AND REGISTERED OFFICE

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BOARD OF DIRECTORS OF THE REIT MANAGER

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(Chairman and Non-executive Director)
HO Wai Chu
(Chief Executive Officer and Executive Director)
ZHANG Guanming
(Non-executive Director)
ANGELINI Giovanni
(Independent Non-executive Director)
YU Hon To David
(Independent Non-executive Director)
HE Jianmin
(Independent Non-executive Director)

RESPONSIBLE OFFICERS OF THE REIT MANAGER

HO Wai Chu
CHEUNG Chi Shan

APPROVED PERSON OF THE REIT MANAGER

HO Wai Chu

COMPANY SECRETARY OF THE REIT MANAGER

SIT Wai

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PricewaterhouseCoopers
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PRINCIPAL VALUER

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LEGAL ADVISOR

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UNIT REGISTRAR

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PRC

STOCK CODE

1275

WEBSITE

www.ncreit.com

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

ADR	average daily room rate, which means room revenue divided by rooms in use.
Changchun New Century Grand	Changchun New Century Spearhead Investment and Management Limited* (長春開元銳至投資管理有限公司, previously 長春開元名都大酒店有限公司), a wholly-owned subsidiary of Zhejiang New Century Hotel incorporated in the PRC on 13 November 2007.
Connected Person(s)	has the meaning ascribed to it in the REIT Code.
Directors	the directors of the REIT Manager.
Full Wise HK	Full Wise Industrial Limited (惠富實業有限公司), a company incorporated in Hong Kong on 20 September 2012 and an indirect wholly-owned subsidiary of New Century REIT up until 19 April 2021.
Gross Floor Area or GFA	in respect of a property, the gross floor area of that property being the area contained within the external walls of the building measured at each floor level (including any floor below the level of the ground), together with the area of each balcony in the building, which shall be calculated from the overall dimensions of the balcony (including the thickness of the sides thereof), and the thickness of external walls of the building excluding any floor space that is constructed or intended to be used solely for parking motor vehicles, loading or unloading of motor vehicles, or for refuse storage chambers, material recovery chambers, refuse chutes, refuse hopper rooms and other types of facilities provided to facilitate the separation of refuse, or for access facilities for telecommunications and broadcasting services, or occupied solely by machinery or equipment for any lift, air-conditioning or heating system or any similar service.
Hangzhou New Century Real Estate	Hangzhou New Century Real Estate Group Limited* (杭州開元房地產集團有限公司), a company incorporated in the PRC on 6 July 2001.
Hotel Lease and Management Agreements	with respect to the Initial Hotel Properties, the master hotel lease and management agreement dated 14 June 2013 entered into between Zhejiang New Century Hotel and New Century Hotel Management and the separate hotel lease and management agreements entered into between the Lessors and the Lessees in respect of the leasing of Initial Hotel Properties and delegation of the hotel management function by the Manager to the Lessees; the Kaifeng Hotel Lease Agreement and the Kaifeng Hotel Management Agreement both dated 29 June 2015 in respect of Kaifeng Hotel.
Huge Harvest	Huge Harvest International Limited (浩豐國際有限公司), a company incorporated in the British Virgin Islands on 11 January 2008, the controlling shareholder of which was Mr. Chen Miaolin as at 30 June 2021.
Huge Harvest Group	Huge Harvest, its direct and indirect subsidiaries, associates and associated company.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

Initial Hotel Properties	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 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) and New Century Grand Hotel Changchun (長春開元名都大酒店); and each an “Initial Hotel Property”.
Lessee(s)	New Century Hotel Management and its wholly-owned subsidiaries in respect of the Initial Hotel Properties and New Century Grand Hotel Kaifeng Management Company Limited* (開封開元名都酒店管理有限公司) in respect of Kaifeng Hotel.
Lessor(s)	the Property Companies.
Kaifeng Hotel	New Century Grand Hotel Kaifeng* (開封開元名都大酒店).
Kaifeng New Century Grand	Kaifeng New Century Grand Hotel Limited* (開封開元名都大酒店有限公司), a wholly-owned subsidiary of Zhejiang New Century Hotel incorporated in the PRC on 25 December 2013.
Kaifeng Hotel Lease Agreement	with respect to Kaifeng Hotel, the hotel lease agreement dated 29 June 2015 entered into between Kaifeng New Century Grand, New Century Grand Hotel Kaifeng Management Company Limited* (開封開元名都酒店管理有限公司), New Century Tourism and the REIT Manager in respect of the leasing of Kaifeng Hotel, as amended, supplemented and/or otherwise modified from time to time.
Kaifeng Hotel Management Agreement	with respect to Kaifeng Hotel, the hotel management agreement dated 29 June 2015 entered into between New Century Grand Hotel Kaifeng Management Company Limited* (開封開元名都酒店管理有限公司) and New Century Hotel Management in respect of the management of Kaifeng Hotel, as amended, supplemented and/or otherwise modified from time to time.
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented and/or otherwise modified from time to time.
New Century (Cayman)	New Century Hotel Group Limited (開元酒店集團有限公司), a company incorporated in the Cayman Islands on 24 March 2011.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

New Century Europe	New Century Europe I S.à.r.l., a private limited liability company, incorporated on 20 May 2016 under the laws of Luxembourg and registered with the Luxembourgian trade register, an indirect wholly-owned subsidiary of New Century REIT up until 19 April 2021.
New Century Group	New Century (Cayman) and its subsidiaries.
New Century Hotel Management	Zhejiang New Century Hotel Management Co., Ltd.* (浙江開元酒店管理股份有限公司), a company listed on the Stock Exchange, incorporated in the PRC on 17 December 2008 and whose registered address is 18th Floor, 818 Shixin Zhong Road Beigan Street, Xiaoshan District, Hangzhou, PRC.
New Century REIT Hong Kong I	New Century REIT Hong Kong I Limited, a company incorporated in Hong Kong on 3 August 2016, a wholly-owned subsidiary of New Century REIT up until 19 April 2021.
New Century Tourism	New Century Tourism Group Limited* (開元旅業集團有限公司), a company incorporated in the PRC on 9 January 2001.
Ningbo New Century Grand	Ningbo New Century Spearhead Investment Limited* (寧波開元銳至投資有限公司, previously 寧波開元名都大酒店有限公司), a wholly-owned subsidiary of Zhejiang New Century Hotel incorporated in the PRC on 1 December 2004.
Offering Circular	the offering circular of New Century REIT dated 24 June 2013 and as supplemented by the supplemental offering circular dated 29 June 2013.
Ordinary Resolution	a resolution of Unitholders proposed and passed by a simple majority of the votes of those present and entitled to vote that shall be taken by way of poll, but with a quorum of two or more Unitholders holding 10% of Units in issue.
PRC or China	the People's Republic of China excluding, for the purpose of this report only, Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC, and Taiwan.
Property Companies	Changchun New Century Grand, Zhejiang New Century Hotel, Ningbo New Century Grand, Qiandao Lake Resort, Xiaoshan Hotel Company and Kaifeng New Century Grand.
Purchaser Concert Party(ies)	means party(ies) acting in concert or presumed be acting in concert with Huge Harvest, including the Manager, Mr. Jin Wenjie and Ms. Ho Wai Chu.
Qiandao Lake Resort	Chun'an Qiandao Lake New Century Spearhead Investment Limited* (淳安千島湖開元銳至投資有限公司, previously 杭州千島湖開元度假村開發有限公司), a wholly-owned subsidiary of Zhejiang New Century Hotel incorporated in the PRC on 15 January 2001.
REIT(s)	real estate investment trust(s).

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

REIT Code	the Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified for the time being or, for the purpose of the Trust Deed, from time to time, including but not limited by published practice statements or in any particular case, by specific written guidance issued or exemptions or waivers granted by the SFC.
SFC	the Securities and Futures Commission of Hong Kong.
SFO	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) as amended, supplemented or otherwise modified and the rules thereunder.
Significant Holder(s)	has the meaning ascribed to this term in the REIT Code.
Sky Town	Sky Town Investments Limited, a company incorporated in Hong Kong on 22 May 2007 and an indirect wholly-owned subsidiary of New Century REIT up until 19 April 2021.
Special Purpose Vehicle(s) or SPV(s)	the entities wholly or majority-owned directly or indirectly by New Century REIT in accordance with the REIT Code through which New Century REIT holds or owns real estate, and as at 31 December 2020, including SPV (BVI), SPV (HK), Sky Town, Strong Tower, Full Wise HK, New Century REIT Hong Kong I, New Century Europe and the Property Companies.
Special Resolution	a resolution of Unitholders proposed and passed by a majority consisting of 75% or more of the votes of those present and entitled to vote in person or by proxy where the votes shall be taken by way of poll, but with a quorum of two or more Unitholders holding 25% of the Units in issue.
SPV (BVI)	Spearhead Global Limited, a company incorporated in the British Virgin Islands on 8 March 2013 and a wholly-owned subsidiary of New Century REIT up until 19 April 2021.
SPV (HK)	Spearhead Investments Limited (銳至投資有限公司), a company incorporated in Hong Kong on 25 March 2013 and an indirect wholly-owned subsidiary of New Century REIT up until 19 April 2021.
sq.m.	square meter.
Stock Exchange	The Stock Exchange of Hong Kong Limited.
Strong Tower	Strong Tower Global Limited, a company incorporated in the British Virgin Islands on 13 January 2014 and a wholly-owned subsidiary of New Century REIT up until 19 April 2021.
Substantial Holder(s)	pursuant to 8.1 of the REIT Code, a Unitholder who/which is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of New Century REIT or any of its subsidiaries

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

Trust Deed	the trust deed dated 10 June 2013 entered into between the Trustee and the REIT Manager constituting New Century REIT and as amended by the supplemental trust deed dated 20 June 2013 and the second supplemental trust deed dated 15 June 2015, as may be further amended and supplemented from time to time.
Unit(s)	unit(s) of New Century REIT.
Unitholder(s)	holders of the Units from time to time.
Variable Individual Rent	the rent payable under a Hotel Lease and Management Agreement.
Xiaoshan Hotel Company	Zhejiang Spearhead Investment Limited* (浙江銳至投資股份有限公司, previously 浙江蕭山賓館股份有限公司), a joint stock company (non-listed) incorporated in the PRC on 8 September 1994, which is approximately 95.46% owned by Zhejiang New Century Hotel, and approximately 4.54% owned by 28 independent third parties.
Zhejiang New Century Hotel	Zhejiang New Century Hotel Investment & Management Group Limited* (浙江開元酒店投資管理集團有限公司), a company incorporated in the PRC on 30 November 2001 and an indirect wholly-owned subsidiary of New Century REIT up until 19 April 2021.
Zhejiang New Century Real Estate	Zhejiang New Century Real Estate Limited* (浙江開元置業有限公司), a company incorporated in the PRC on 21 May 2002.

The English translation of company names in Chinese or another language which are marked with “” and the Chinese translation of company names in English which are marked with “*” are for identification purposes only.*