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SpringREIT

Spring Real Estate Investment Trust
春泉產業信託

(a Hong Kong collective investment scheme authorized under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

(Stock Code: 01426)

Managed by
Spring Asset Management Limited

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019 AND CLOSURE OF REGISTER OF UNITHOLDERS

ABOUT SPRING REIT

Spring Real Estate Investment Trust ("**Spring REIT**") is a real estate investment trust constituted by a trust deed entered into on 14 November 2013 as amended by the first supplemental deed dated 22 May 2015 (collectively, the "**Trust Deed**") between Spring Asset Management Limited and DB Trustees (Hong Kong) Limited, as trustee of Spring REIT (the "**Trustee**"). Units of Spring REIT (the "**Units**") were first listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 5 December 2013.

ABOUT THE MANAGER

Spring REIT is managed by Spring Asset Management Limited (as manager of Spring REIT, the "**Manager**"), a company incorporated in Hong Kong for the sole purpose of managing Spring REIT. As at 31 December 2019, the Manager was 90.2% owned by Mercuria Investment Co., Limited, an investment management firm listed on the Tokyo Stock Exchange (Stock Code: 7190) with notable shareholders that include the Development Bank of Japan, the Itochu Corporation, and Sumitomo Mitsui Trust Bank, Limited.

DISTRIBUTION

The board of directors (the "**Board**") of the Manager, acting for and on behalf of Spring REIT, has resolved to declare a final distribution for the period from 1 July 2019 to 31 December 2019 ("**2019 Final Distribution Period**") of HK8.9 cents per Unit ("**2019 Final Distribution**") to Unitholders whose names appear on the register of Unitholders on 17 April 2020 (the "**Record Date**"). However, this 2019 Final Distribution may be subject to adjustment in the event of any issuance of new Units between 28 March 2020 and 17 April 2020. Before any such adjustment and together with the interim distribution of HK10.0 cents per Unit, total distributions for the year ended 31 December 2019 (the "**Reporting Year**") amounts to a total of HK18.9 cents per Unit (FY2018: HK19.2 cents per Unit), representing a payout ratio of approximately 100%.

All distributions will be paid in Hong Kong Dollars ("**HK$**"). The exchange rate adopted for the 2019 Final Distribution is Renminbi ("**RMB**") 0.8965 per HK$, which represents the average of month-end central parity rates in the 2019 Final Distribution Period (as announced by the People's Bank of China).

The Manager confirms that the 2019 Final Distribution is composed only of consolidated profit after tax, before transactions with the Unitholders and non-cash adjustments for the 2019 Final Distribution Period.

Based on the closing price of HK$3.22 per Unit as at 31 December 2019, the Reporting Year Distribution Per Unit ("**DPU**") represents a distribution yield of 5.9%. Based on the closing price of HK$2.27 per Unit as at 27 March 2020, being the date of this announcement, the Reporting Year DPU represents a distribution yield of 8.3%. For details of the distribution, please refer to the section headed "Statement of Distributions" in the financial information.

In accordance with the Trust Deed, the Manager's current policy is to distribute to Unitholders at least 90% of Total Distributable Income ("**TDI**") in each financial year. The Manager also has the discretion to direct that Spring REIT makes distributions over and above the minimum 90% of TDI for any financial year if and to the extent that Spring REIT, in the opinion of the Manager, has funds surplus to its business requirements.

The Record Date for the 2019 Final Distribution will be 17 April 2020. The register of Unitholders will be closed for the purpose of determining the identity and holdings of Unitholders from 16 April 2020 to 17 April 2020, both days inclusive, during which period no transfer of Units will be registered. The 2019 Final Distribution is expected to be payable on 29 April 2020 to Unitholders whose names appear on the register of Unitholders on the Record Date.

In order to qualify for the 2019 Final Distribution, all completed transfer forms in respect of transfer of Units (accompanied by the relevant Unit certificates) must be lodged with Spring REIT's Unit registrar in Hong Kong, being Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 pm on 15 April 2020.

CHAIRMAN'S STATEMENT

Dear Unitholders,

On behalf of the Board of the Manager, I have pleasure in presenting the financial results of Spring REIT for FY2019. During the year, Spring REIT operated in a cautious and prudent manner in the face of considerable global uncertainty. Certain macro factors had a negative impact on leasing demand in Beijing, namely the trade war between the US and China, a considerable amount of new office supply becoming available in Beijing, and more recently, the outbreak of the COVID-19 virus. However, I am pleased to report that Spring REIT still managed to deliver stable distributions to our unitholders. Most gratifyingly, our major property asset in Beijing outperformed the office market in Beijing's Central Business District (**"CBD"**), registering a solid average rental reversion of 2.1% for the full year of 2019 and having an occupancy rate of 95.1% as at 31 December 2019. This performance bucked the trend in the Beijing CBD office market, where according to Jones Lang LaSalle ("**JLL**"), the average rental rate for Grade A office space in the CBD suffered a decline of 5.4% for the year, while occupancy stood at 83.6% at the end of the year.

Elsewhere, in late 2019, the Manager successfully refinanced the US$470 million loan facility due in April 2020. This has substantially strengthened Spring REIT's capital structure and provided it with a stronger platform for long-term development. Moreover, the timing of the refinancing could not have been completed at a more opportune time given the rapid deterioration in economic conditions since December 2019.

Further, since the onset of COVID-19 in early 2020, global capital markets have reacted negatively and risk premium in all asset types have risen significantly across the board. In this environment, the Manager will seek unitholders' approval in the upcoming Annual General Meeting tentatively scheduled in May for a general mandate to repurchase Spring REIT units as and when appropriate.

Performance Review

Spring REIT's operations remained steady in the context of a challenging year, with a stable net property income that was marginally down by 3.2% year-on-year (**"YoY"**). Because our primary business is the leasing of premium grade office space in the Beijing CBD, the performance of Spring REIT across 2019 was very encouraging in the context of the deteriorating macro business environment in China generally and Beijing in particular, and in the light of recent trends in office leasing and supply in the city.

The China-US trade war had already begun to have an impact on business confidence and performance in 2018. In 2019, the lack of any clear-cut resolution to the conflict saw an increasing number of businesses operating in Beijing opting to cut back on their business expansion plans. In some cases, businesses engaged in cost-cutting exercises such as downsizing their office space or relocating to lower-cost areas of the city. This led to a general weakening of demand for office space in Beijing, which in turn showed itself in softer rent levels generally and more flexible terms being offered by landlords. These conditions were exacerbated by new office buildings coming onto the market during the year, resulting in a sharp increase in city-wide office vacancy rates towards the end of 2019.

Given this environment, one might have expected a less favourable performance from Spring REIT's property year-on-year. However, the quality of office tenants and the reputation of Spring REIT's China Central Place Office Towers 1 and 2 and its approximately 600 car parking slots (the **"CCP Property"**) to a large extent shielded it from the negative trends evident in the wider Beijing office market. As discussed earlier, the CCP Property delivered a gratifyingly steady performance across the year in the context of overall Beijing office market. Against a backdrop of weak business sentiment, this strong performance bears testimony to both the property's strategic location and the quality services provided by Spring REIT to its tenants.

Going into 2020, yet another challenge presented itself with the outbreak and spread of the COVID-19 in China. The outbreak of the novel virus brings with it a high degree of uncertainty, and we are currently seeing this being manifested in two major ways. Firstly, many businesses are delaying their real estate decisions as their business operations are partially interrupted, and these delays will have a dampening effect on leasing activity in the short term. Secondly, corporations are becoming inclined to adopt a more conservative leasing strategy as they prioritize stability within an environment of uncertainty.

In direct response to the outbreak, we have been working with the building manager to put in place a comprehensive set of safety precautions at the CCP Property. The health and safety of our tenants has been our top priority from the start, and will continue to be so going forward. We are confident that the quality of our property, together with our exceptional services, will remain our biggest advantages in the market.

Meanwhile, we continued to enjoy steady and stable cash flow from our 84 separate properties in the United Kingdom (**"UK Portfolio"**). In 2019, these properties together delivered a 98.3% pass through of revenue. The UK Portfolio was acquired in 2017 with the specific intention of diversifying Spring REIT's revenue through a stable and simple rent model. To date the performance of the UK Portfolio has amply justified its acquisition, with each of the 84 properties under a long-term lease to leading national vehicle service provider Kwik Fit, featuring a five-yearly upward-only mark-to-market rental review mechanism.

Overall, Spring REIT's distributable income for 2019 improved as compared to 2018, partly as a result of our successful efforts to control administrative expenses in the year. Spring REIT's cash interest expenses rose slightly in terms of RMB for the year, primarily due to higher US dollar and GBP LIBOR rates, further amplified by the continuing depreciation of the RMB.

Strategic Initiatives

At the level of financial reporting, during the year the Manager made the decision to adopt the Renminbi as its reporting currency, replacing the US dollar. This was done to simplify and streamline reporting and to reduce the impact of exchange rate fluctuations in financial statements, given that around 92.9% of Spring REIT's portfolio is located in the PRC. By removing the complexities of exchange rate fluctuations that are outside the Manager's control, the change to the new reporting currency will enable Unitholders and prospective investors to gain a more accurate picture of the underlying performance of Spring REIT's assets.

Given the conditions of 2019 and the lack of any clear-cut resolution to the trade war, in this period we focused our energies on implementing a number of initiatives to strengthen Spring REIT's financial position and enhance our platform for future growth. The conclusion of refinancing exercise did not only reduced our cost of borrowings and improved our future debt capacity, it also introduced an important partner with the potential to become an integral component of Spring REIT's growth strategy.

Spring REIT's primary debt instrument since February 2015 has been a loan facility backed by the CCP Property with a potential total of US$470 million, comprising a secured term loan facility of US$450 million and a revolving facility of US$20 million. The facility, of which a total of US$468 million had been drawn down, needed to be refinanced by April 2020.

In considering refinancing options to manage the maturity profile of the loan, the Manager looked at various options that offered greater flexibility and lower costs than the existing arrangement. The result was that Spring REIT set in motion a two-part refinancing exercise, partly comprised of a new bank term loan facility and partly of the issuance of convertible bonds.

The new bank loan facility continues to be denominated in US dollars, but the overall potential loan amount has risen to US$555 million overall, made up of a committed term loan facility of US$475 million and an uncommitted term loan facility of US$80 million. The loan facility will bear interest at a margin of 1.55% per annum over 3-month US$ LIBOR, representing a valuable reduction in the interest margin from 1.65% previously. Of the amount drawn down, US$393 million has been utilised to partially refinance the previous facilities due April 2020.

In addition, Spring REIT issued a total of HK$585 million (equivalent to approximately US$75 million) of convertible bonds (the "**Bonds**") to refinance the remainder of the previous facilities. The Bonds were issued to a subscriber (the "**Subscriber**"), which is a special purpose vehicle set up by an investment consortium led by Sino-Ocean Group, a major Hong Kong-listed Chinese property developer. Sino-Ocean Group is a leading property developer in the

PRC, developing and investing in residential, office and retail real estate projects located primarily in Beijing and other major cities in the PRC.

By combining the new loan facilities and the Bonds, the Manager has not only significantly reduced the overall interest cost of Spring REIT, but has also successfully diversified Spring REIT's source of funds by introducing an alternative debt instrument. Moreover, the new arrangement has enabled Spring REIT to strengthen its financial position, providing it with a stronger balance sheet as well as additional financial resources in the form of undrawn bank loan facilities available for future draw-down as acquisition opportunities arise. With this new platform, Spring REIT is well placed for future development.

An important event subsequent to the reporting date occurred in February 2020, when the Subscriber exercised the option to convert all of the Bonds into Units, thus becoming an important Unitholder of Spring REIT. The Subscriber delivered a vote of confidence in Spring REIT's operation and future development. Upon conversion of the Bonds, the outstanding borrowings of Spring REIT decreased by the amount of the Bonds converted, leading to a decrease in the gearing ratio to 30.7%. This has given Spring REIT the headroom to take on additional borrowings should suitable investment opportunities arise.

Notwithstanding the short-term dilution effect occurring upon conversion of the Bonds, which in itself provided Spring REIT with valuable debt headroom, the Manager is of the view that in the longer term, Spring REIT will benefit from having Sino-Ocean Group (through the Subscriber) as a strategic partner. In addition to the long-standing support from our Japanese sponsor, the Manager also intends to explore future cooperation opportunities with Sino-Ocean Group to leverage its experience in commercial property space and its strong portfolio of commercial properties in China. This strategic direction is in line with the Manager's declared objective of providing Unitholders with the potential for sustainable long-term growth in the distributions of Spring REIT, and enhancing the value of Spring REIT's real estate assets.

Outlook

As we enter 2020, there has been no sign of improvement of the China-US trade relation nor is there optimism in the real estate market due to the impact of COVID-19. Analysts continue to predict weakened demand for office space in Beijing in the current environment with higher vacancy rates putting downward pressure on rents. The continued influx of new office supply in the CBD market will also exacerbate the existing headwinds. In this context, a great deal hangs on the quality possessed by specific office premises. As evident in its operating performance in 2019, Spring REIT's CCP Property remains one of the best on the market in terms of location, management, and building facilities. These are features that, we believe, will always command a premium to our tenants.

In 2019, a total GFA of 42,492 sqm at the CCP Property was leased out and renewed. Of this, 47.9% was attributable to renewals, and 52.1% to new letting. The average rental reversion was 2.1%. As at 31 December 2019, 5.0% of the total leasable GFA at the CCP Property was expiring in the first half of 2020 and 11.3% in the second half, with an average expiring rental rate of RMB386 per sqm and RMB325 per sqm respectively. At the time of writing, CCP Property has registered a mildly positive average rental reversion since the beginning of the year. However, it is hard to predict the leasing performance for the rest of the year given the macro uncertainties.

It is my strong belief that the steps taken by the Manager in 2019 have laid a solid foundation to further Spring REIT's prospects. Despite a complex macro environment, we have confidence that our quality office premises, enhanced capital structure and new strategic partner will together open new doors for future enhancements to Spring REIT's portfolio and support the Manager's continued efforts in delivering stable distributions to the Unitholders.

Since the onset of COVID-19, we have seen central banks around the world adopting aggressive monetary easing in support of the capital markets and the real economy. In this environment, the Manager will further consider to optimise Spring REIT's current debt structure by taking advantage of the favorable market interest rates to lock in lower cost of borrowings.

Further, in light of recent stock market volatility as COVID-19 outbreak continued, the Manager is exploring to seek Unitholders' approval in the upcoming Annual General Meeting tentatively scheduled in May for a general mandate to repurchase Spring REIT Units as and when appropriate.

In this trying time, I and my fellow directors of the Board, the management team and our staff members remain committed to managing Spring REIT with the interest of the Unitholders firmly at the forefront. To conclude, my special thanks go out to the various parties that have provided expert assistance to Spring REIT over the past year. Their combined efforts have helped made our new financing arrangements a reality, providing a robust base for future prosperity of Spring REIT and its Unitholders.

Toshihiro Toyoshima
Chairman and Non-executive Director

Spring Asset Management Limited
(as Manager of Spring REIT)

27 March 2020

CCP Property Operation Review

The Beijing CBD is home to tenants from a wide range of industries, including many from the finance and insurance, professional services and manufacturing industries. It holds the largest amount of Grade-A office stock in Beijing, amounting to 2.37 million sqm as at the end of 2019, and accounting for approximately a quarter of the city's total Grade-A office space of 9.63 million sqm.

Negative business sentiment continued to spread through the market in the second half of 2019. This, combined with the effect of new supply becoming available, contributed to a decline in rental and occupancy rates in the CBD submarket. The downturn in leasing activity was mostly due to a sharp slowdown in the expansion of riskier industries such as P2P and co-working spaces, which had been expanding aggressively previously. By contrast, we are proud to report that the CCP Property maintained stable rental and occupancy rates over the year, outperforming the market. The quality of our tenant portfolio and of the building itself have proven crucial in delivering this stable performance amid increasing challenges.

Beijing Office Market Vacancy and Rental Rates in 2019

		Occupancy Rate[1]	YoY change	Average Rental Rate[1] (RMB/sqm/month)	YoY change[2]
CBD	Grade A	83.6%	-11.4 ppts	405	(5.4%)
	Premium Grade A	77.3%	-18.5 ppts	483	(2.6%)

1. Data is as at 31 December 2019.
2. YoY change in average rental rate is based on chain-linked figures.

Source: JLL Research

Going into 2020, businesses in China are continuing to face enormous challenges in the face of the COVID-19 outbreak. In an effort to minimize the potential impact, we have worked with the building manager on strategies for providing our tenants with the safest and most hygienic workplace possible, and we will continue to devote our utmost energies to this going forward. The majority of potential tenants have chosen to delay their real estate decisions, and have adopted more conservative leasing strategies. Our leasing team has been working closely with tenants to help them ride out the hardship many of them are currently facing. Encouragingly, the near-term impact has so far remained very limited.

Looking forward, the wider spread of COVID-19 is expected to add to the existing headwinds and inevitably place a further strain on business sentiment if prolonged. Overall demand in the Beijing office market is expected to be weakened. We believe that larger enterprises will continue to be more robust, and among the industries, the healthcare and technology industries are likely to be more resilient. We expect that foreign corporations will remain cost conscious necessitated by the trade war between China and the US, despite favourable policy initiatives by Chinese government to incentivise foreign investment and participation in the domestic economy. In terms of the supply pipeline, Beijing is reaching a peak with a total new office supply of approximately 600,000 sqm expected in 2020 and 2021. This influx, when combined with existing space available, is likely to keep the overall vacancy rate in Beijing and the Beijing CBD high in the near term.

CCP Property Operation Performance

(in RMB millions) For the Year Ended 31 December	2019	2018	Change
Revenues			
– Rental income	**484.10**	499.13	(3.0%)
– Car park income	**3.67**	3.45	6.4%
– Other income (note i)	**17.76**	17.68	0.5%
	505.53	520.26	(2.8%)
Property Operating Expenses			
– Property management fee	**(10.98)**	(11.42)	(3.9%)
– Property tax (note ii)	**(58.58)**	(60.92)	(3.8%)
– Withholding tax (note iii)	**(50.33)**	(53.05)	(5.1%)
– Other taxes (note iv)	**(6.16)**	(6.98)	(11.7%)
– Leasing Commission	**(5.45)**	(3.68)	48.1%
– Other expenses (note v)	**(7.60)**	(1.14)	566.7%
	(139.10)	(137.19)	1.4%
Net Property Income	**366.43**	383.07	(4.3%)

Notes:

i Other income mainly represents compensation paid by tenants for early termination of lease.

ii Property taxes represent real estate tax and land use tax.

iii Withholding tax in the People's Republic of China is calculated based on rental revenues at a rate of 10%.

iv Other taxes represent urban construction and maintenance tax, education surcharge and stamp duty.

v Other expenses mainly represent reinstatement cost.

For the full year of FY2019, the CCP Property reported a 2.8% decrease in revenue YoY, with rental income generated from the office space decreasing by 3.0% YoY.

Property operating expenses are mainly comprised of tax expenses, namely property tax, withholding tax and other taxes. Tax expenses in aggregate accounted for 82.7% of the total property operating expenses. The property management fee, payable at 2.0% of total revenue, accounted for 7.9% of the total property operating expenses.

A 1.4% YoY increase in property operating expenses was recorded mainly due to an increase in reinstatement cost. On the other hand, the property management fee and tax expenses both decreased, as a result of the decrease in revenue to which they are linked.

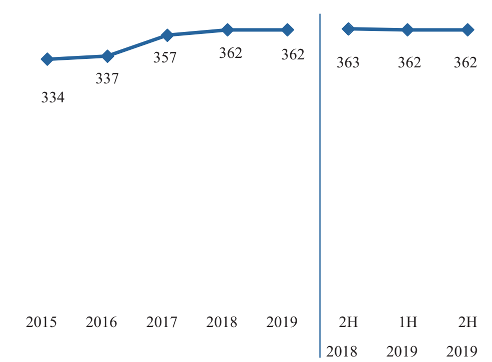
Rental Income

In 2H 2019, while passing rent remained consistent, the occupancy rate at the CCP Property recovered from the downturn in 1H 2019 in a satisfactory manner. Even more encouraging was the fact that the metrics continued to compare favourably with wider Beijing trends. The CCP Property registered an average occupancy of 94.2% in 2H 2019 (1H 2019: 92.2%), and a total area of 42,492 sqm was leased out and renewed during the Reporting Year. Occupancy as of 31 December 2019 stood at 95.1%. Of the newly leased area, 52% was attributable to new lettings, with the remainder being renewals. Average passing rent (net of Value-Added Tax ("**VAT**")) stood at RMB362.3 per sqm for 2H 2019, on the back of respectable average rental reversions of 1.8% in the first half and 2.7% in the second half of 2019, rendering a full year reversion of 2.1%. (FY2018: 4.7%).

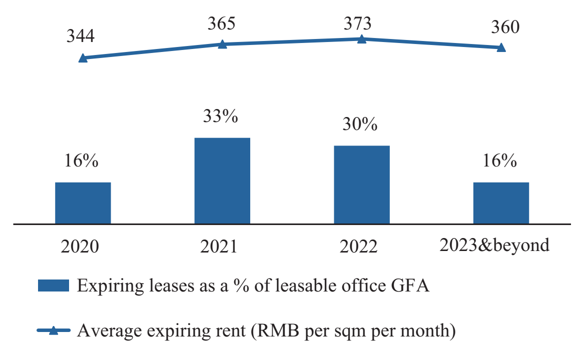
For the Six Months Ended	31-Dec-2018	Change	30-Jun-2019	Change	31-Dec-2019
Average Monthly Passing Rent (RMB/sqm)[1]	363	(0.3%)	362	–	**362**
Average Occupancy[2]	95.4%	-3.2 ppts	92.2%	+2.0ppts	**94.2%**

Passing Rents

(RMB per sqm per month)



Expiry Profile by GFA



1. Average monthly passing rent is presented net of business tax and VAT (where applicable) and is an average of the month-end figures throughout the Reporting Year.

2. Occupancy rate is an average of the month-end figures throughout the Reporting Year.

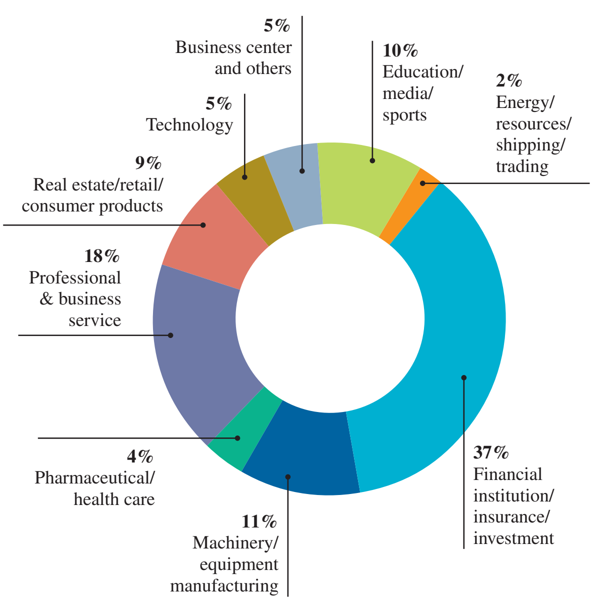
As at 31 December 2019, the weighted average lease expiry in terms of GFA was 740 days for the CCP Property. Leases expiring in the years ending 31 December 2020 and 31 December 2021 accounted for 16.3% and 32.7% of the total leasable office GFA respectively, and the average unit rents for the expiring leases were RMB344 per sqm and RMB365 per sqm respectively.

Tenancy base

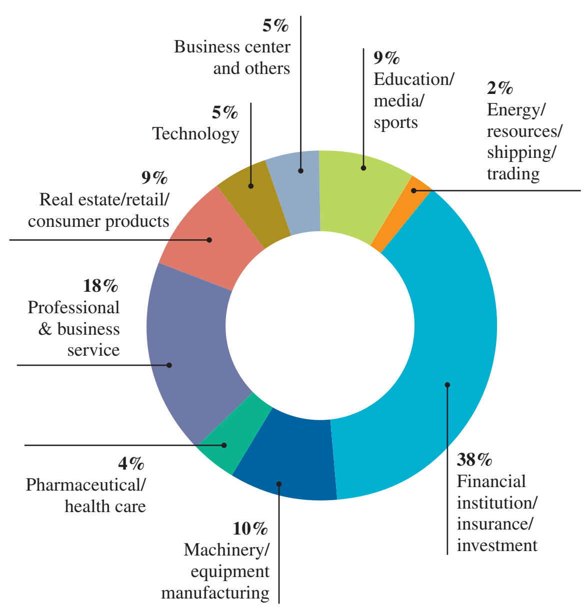
The CCP Property had a total of 191 tenancies as at 31 December 2019. The top five tenants in terms of GFA accounted for 20.8% of the total revenue for the Reporting Year, and occupied 23.2% of total leased GFA as at 31 December 2019. Details of the top five tenants in terms of GFA are set out in the table below.

Tenants	Portion of total leased GFA
Epson	6.4%
Zhong De Securities	4.2%
Deutsche Bank	4.2%
Xinyuan	4.2%
Condé Nast	4.2%
Total	23.2%

Tenants by Industry
As % of leased office GFA
(As of 31 December 2019)



Tenants by Industry
As % of monthly revenue
(For the month of December 2019)



Top 5 Real Estate Agents and Contractors for the Reporting Year

Real estate agents and contractors	Nature of services	Value of contract/ commission paid *RMB*	Relevant percentage
Beijing Hua-re Real Estate Consultancy Co. Ltd.[1]	Property Management	10,975,933	66.8%
北京世邦魏理仕物業管理服務有限公司	Leasing	1,997,638	12.2%
仲量聯行物業管理服務有限公司	Leasing	1,202,549	7.3%
第一太平戴維斯物業顧問(北京)有限公司	Leasing	1,166,739	7.1%
世達志不動產投資顧問(上海)有限公司北京分公司	Leasing	425,032	2.6%
TOTAL		15,767,891	96.0%

1. Beijing Hua-re Real Estate Consultancy Co. Ltd. is 40% owned by Mercuria Investment Co., Limited, which also holds a 90.2% shareholding in the Manager.

UK Portfolio Operation Review

Spring REIT completed its acquisition of the UK Portfolio in July 2017. Each of the Portfolio's 84 properties is under a long-term lease with the tenant Kwik-Fit (GB) Limited, a leading car servicing operator in the United Kingdom, with all but one of the leases expiring in March 2032. Currently, the UK Portfolio has an occupancy rate of 100%, with an annual contract rental income of approximately GBP4.55 million. Spring REIT enjoys substantial pass through of rental income as the leases are "full repairing and insuring" in nature, under which the tenant agrees to pay all real estate taxes, building insurance, and maintenance on the properties in addition to any normal fees that are specified under the agreement (e.g. rent, utilities, etc.).

Financial Results Highlights

For the Year Ended 31 December	2019	2018	Change
(in RMB millions unless otherwise specified)			
Revenue	**546.59**	558.83	(2.2%)
Property operating expenses	**(139.77)**	(138.64)	0.8%
Net property income	**406.82**	420.19	(3.2%)
Net property income margin	**74.4%**	75.2%	-0.8 ppts
G&A expenses	**(67.35)**	(118.37)	(43.1%)
Cash interest expenses	**(151.93)**	(127.89)	18.8%
Profit after taxation	**223.06**	29.99	643.8%
Total distributable income	**232.29**	209.68	10.8%

Units Information	2019	2018	Change
DPU *(HK cents)*	**18.9**[1]	19.2	(1.6%)
Payout ratio	**100%**	98%	+2 ppts
Net asset value per Unit *(HK$)*	**5.61**	5.69	(1.4%)
Number of Units outstanding	**1,285,813,315**	1,272,356,925	1.1%

As at 31 December	2019	2018	Change
Property valuation	**9,873.27**	9,764.06	1.1%
Total assets	**10,429.37**	10,283.93	1.4%
Total borrowings	**3,704.84**	3,654.54	1.4%
Net asset value	**6,447.78**	6,363.44	1.3%
Gearing ratio	**35.5%**	35.5%	–

[1] Subsequent to the year ended 31 December 2019, on 12 February 2020, a total of 160,626,029 new Units were issued upon the conversion of the convertible bonds.

Together with the interim distributions per unit of HK10.0 cents, the final distribution per unit of HK8.9 cents for the year ended 31 December 2019 is calculated based on the final distribution to be paid to Unitholders and 1,446,439,344 units in issue as at 27 March 2020, being the date of declaration of the final distribution.

Financial Performance

Spring REIT's revenue for the Reporting Year was RMB546.59 million, 2.2% lower than that in FY2018. The decline was mainly due to a temporary setback in the operating performance of the CCP Property in 1H 2019, which was explained earlier under the section "CCP Property Operation Performance". After taking into account property operating expenses, net property income amounted to RMB406.82 million, representing a 3.2% decrease YoY and a property income margin of 74.4% (FY2018: 75.2%).

General and administrative expenses decreased to RMB67.35 million (FY2018: RMB118.37 million). Meanwhile, a total finance cost of RMB192.42 million (FY2018: RMB329.12 million) was registered, which consisted of a non-cash foreign exchange gain/(loss) of RMB(39.68) million (FY2018: RMB(178.03) million) when US dollar bank borrowings were translated to RMB in the financial statement. Cash interest expenses amounted to RMB151.93 million, compared to RMB127.89 million in 2018. This was due to higher US dollar and GBP LIBOR rates, further amplified by the depreciation of the RMB.

Taking into account the increase in the fair value of the CCP Property and the UK Portfolio of RMB70.77 million (FY2018: RMB82.82 million), profit after taxation for the Reporting Year was RMB223.06 million (FY2018: RMB29.99 million).

Spring REIT's total distributable income for the Reporting Year was RMB232.29 million, representing an increase of 10.8% YoY. Among other adjustments, the reported amount excludes the foreign exchange loss and the increase in the fair value of the CCP Property and the UK Portfolio, both of which are non-cash in nature.

Financial Position

Spring REIT's principal valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the "**Principal Valuer**") performed the valuation of the Spring REIT portfolio as at 31 December 2019. The CCP Property was appraised at RMB9,174 million as at 31 December 2019, representing a 0.9% increase compared to its valuation as of 31 December 2018. The valuation of the CCP Property was arrived at using the income capitalisation approach, and cross-checked by the direct comparison approach. The increase in valuation was attributable mainly to a decrease in the capitalisation rate/reversionary yield. The capitalisation rate/reversionary yield was 5.0% (30 June 2019: 5.0%; 31 December 2018: 5.8%).

The UK Portfolio was appraised at GBP75.70 million (equivalent to RMB699.27 million) as at 31 December 2019, representing a 0.6% decrease in GBP terms and a 4.7% increase in RMB term compared to its valuation as of 31 December 2018. The valuation of the UK Portfolio was arrived at using the income capitalisation approach. The reversionary yield ranged from 4.1% to 8.0% (31 December 2018: 4.3% to 9.3%).

As at 31 December 2019, Spring REIT had in place aggregate debt facilities of approximately RMB3,704.84 million, comprising:

1. A secured term loan facility of US$475.00 million (with US$403.00 million drawn down) and an uncommitted undrawn term loan facility of US$80.00 million, totalling US$555.00 million (the "**CCP Facilities**"), which bears an interest rate of 3-month US dollar LIBOR plus 1.55% per annum and will expire in December 2024.

   Pursuant to the deed of amendment in relation to the CCP Facilities entered into by Spring REIT in November 2019, among other things, the facility amount and the expiration of the term loan facility was amended and the interest margin was reduced from 1.65% to 1.55%.

2. HK$585.00 million 1.75% guaranteed convertible bonds ("**Convertible Bonds**")[1] which bear an interest rate of 1.75% per annum and will mature in November 2022.

   On 23 November 2019, as part of the refinancing exercise of the CCP Facilities, Spring REIT entered into a subscription agreement, pursuant to which Spring REIT agreed to issue the Convertible Bonds in the aggregate principal amount of HK$585.00 million. The proceeds of the Convertible Bonds were used to refinance part of the outstanding amount under the CCP Facilities.

3. A facility of GBP50.00 million (equivalent to approximately RMB461.87 million) (the "**UK Facility**") extended by Sumitomo Mitsui Banking Corporation ("**SMBC**") and put in place on 26 January 2018. The UK facility bears an interest rate of 3-month GBP LIBOR plus 2.20% per annum and will expire in January 2022.

[1] Subsequent to 31 December 2019, on 12 February 2020, all of the Convertible Bonds were converted by the Subscriber (the "**Conversion**").

As at 31 December 2019, the gearing ratio[1], i.e. total borrowings to gross asset value, was 35.5%, compared with 35.5% at 31 December 2018.

In 2018, Spring REIT entered into three interest rate swaps ("**IRS**") contracts, each with a weighted average swap rate of 2.68% per annum and maturing in April 2020, in tandem with the loan maturity of the CCP Facilities. The aggregate notional amount of these IRS contracts is US$150.00 million, representing 37.2% of the US$ loans of Spring REIT.

Spring REIT's investment properties, rent receivables, restricted bank balances, ordinary shares of RCA01, and Hawkeye Properties 501 Limited were pledged to secure the loan facilities where applicable. Throughout the Reporting Year, Spring REIT, RCA01, RUK01 Limited, Hawkeye Properties 501 Limited and Spring Treasury Limited have in all material respects complied with the terms and provisions of the finance and security documents.

The unrestricted cash of Spring REIT (together with its special purpose vehicles, the "**Group**") amounted to RMB124.99 million as at 31 December 2019, compared with RMB107.09 million as at 31 December 2018. The Group also had total undrawn bank loan facilities of US$152.00 million. With these financial resources, Spring REIT has sufficient liquid assets to satisfy its working capital and operating requirements. The cash is generally placed as short-term deposits, mostly denominated in US$. The Group's liquidity and financing requirements are reviewed regularly.

As at 31 December 2019, the gross asset value of the Group was RMB10,429.37 million, representing an increase of 1.4% YoY.

Net Assets Attributable to Unitholders

As at 31 December 2019, net assets attributable to Unitholders stood at RMB6,447.78 million.

The net asset value per Unit as at 31 December 2019 was HK$5.61 (30 June 2019: HK$5.74; 31 December 2018: HK$5.69). This represented a 74.2% premium to the closing price of the Units of HK$3.22 as at 31 December 2019, the last trading day in the Reporting Year.

New Units Issued

As at 31 December 2019, the total number of issued Units was 1,285,813,315. A total of 13,456,390 new Units[2] were issued during the Reporting Year.

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1 Gearing ratio is estimated to be 30.7%, if we assume the conversion of the Convertible Bonds took place at the end of the Reporting Year.

2 The conversion, which took place subsequently in February 2020, resulted in an issuance of 160,626,029 new Units.

Date	Particulars	No. of Units
31 December 2018	Beginning balance of the total number of Units in issue.	1,272,356,925
28 March 2019	Issue of new Units to the Manager at the price of HK$3.606 per Unit (being the Market Price as defined in the Trust Deed) as payment of 100% of the Manager's Base Fee for the 3-month period ended 31 December 2018.	3,280,773
30 April 2019	Issue of new Units to the Manager at the price of HK$3.527 per Unit (being the Market Price as defined in the Trust Deed) as payment of 100% of the Manager's Base Fee for the 3-month period ended 31 March 2019.	3,279,165
6 August 2019	Issue of new Units to the Manager at the price of HK$3.451 per Unit (being the Market Price as defined in the Trust Deed) as payment of 100% of the Manager's Base Fee for the 3-month period ended 30 June 2019.	3,380,323
30 October 2019	Issue of new Units to the Manager at the price of HK$3.325 per Unit (being the Market Price as defined in the Trust Deed) as payment of 100% of the Manager's Base Fee for the 3-month period ended 30 September 2019.	3,516,129
31 December 2019	Ending balance of the total number of Units in issue.	1,285,813,315

Capital Commitments

As at 31 December 2019, the Group had no significant capital commitments.

Employees

Spring REIT is managed by the Manager and did not directly employ any staff during the Reporting Year.

CORPORATE GOVERNANCE

With the objective of establishing and maintaining high standards of corporate governance, certain policies and procedures have been put in place to promote the operation of Spring REIT in a transparent manner and with built-in checks and balances. The corporate governance policies of Spring REIT have been adopted with due regard to the requirements under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), with necessary changes, as if those rules were applicable to real estate investment trusts in Hong Kong.

The Manager was established for the sole purpose of managing Spring REIT. The Manager is committed to maintaining good corporate governance practices and procedures. The current corporate governance principles emphasize on accountability to all stakeholders, resolution of conflict of interest issues, transparency in reporting, and compliance with relevant procedures and guidelines. The Manager has adopted a compliance manual (the "**Compliance Manual**") for use in relation to the management and operation of Spring REIT, which sets out the key processes, systems and measures, and certain corporate governance policies and procedures to be applied for compliance with all applicable legislation and regulations. The Board plays a central supportive and supervisory role in the corporate governance duties. It regularly reviews the Compliance Manual and other policies and procedures on corporate governance and on legal and regulatory compliance, approving changes to governance policies in light of the latest statutory regime and international best practices and reviewing corporate governance disclosures.

During the Reporting Year, both the Manager and Spring REIT have in material terms complied with the provisions of the Compliance Manual including the corporate governance policy set out in Schedule 5 of the Compliance Manual, the Trust Deed, the Code on Real Estate Investment Trusts (the "**REIT Code**") and applicable provisions of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") and the Listing Rules.

Authorization Structure

Spring REIT is a collective investment scheme constituted as a unit trust and authorized by the Securities and Futures Commission (the "**SFC**") under section 104 of the SFO and regulated by the SFC pursuant to the applicable provisions of the SFO, the REIT Code and the Listing Rules. The Manager has been authorized by the SFC under section 116 of the SFO to conduct the regulated activities of asset management. As at the date of this announcement, Mr. Leung Kwok Hoe, Kevin (Executive Director of the Manager), Mr. Nobumasa Saeki (Executive Director of the Manager), Mr. Chung Wai Fai (Director of the Manager) and Ms. Alice Yu (Chief Compliance Officer of the Manager) are the responsible officers of the Manager (the "**RO**") pursuant to the requirements under section 125 of the SFO and Paragraph 5.4 of the REIT Code. The ROs have completed the Continuous Professional Training as required by the SFO for the Reporting Year. Mr. Leung Kwok Hoe, Kevin, Executive Director of the Manager, was approved by the SFC as an approved person of the Manager pursuant to sections 104(2) and 105(2) of the SFO.

DB Trustees (Hong Kong) Limited is registered as a trust company under section 77 of the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong). The Trustee is qualified to act as a trustee for collective investment schemes authorized under the SFO pursuant to the REIT Code.

Purchase, Sale or Redemption of Units

During the Reporting Year, there was no purchase, sale or redemption of the Units by the Manager on behalf of Spring REIT or any of the special purpose vehicles that are owned and controlled by Spring REIT. Please also refer to the section headed "Management Discussion and Analysis – New Units Issued" above for details relating to new Units issued by Spring REIT during the Reporting Year.

Public Float of the Units

Based on information that is publicly available and within the knowledge of the Directors, Spring REIT maintained a public float of not less than 25% of the issued and outstanding Units as of 31 December 2019.

Review of Annual Results

The consolidated annual results of Spring REIT for the Reporting Year have been reviewed by the Audit Committee and the Disclosures Committee of the Manager in accordance with their respective terms of reference. The consolidated annual results of Spring REIT for the Reporting Year have also been audited by the external auditor of Spring REIT in accordance with International Standards of Auditing.

Scope of work of the auditor

The figures set out in this announcement in respect of our Group's results for the year ended 31 December 2019 have been agreed by our Group's auditor, PricewaterhouseCoopers, to the amounts set out in our Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong/International Standards on Auditing, Hong Kong/International Standards on Review Engagements or Hong Kong/International Standards on Assurance Engagements, and consequently, no assurance has been expressed by PricewaterhouseCoopers on this announcement.

Issuance of the Annual Report

The annual report of Spring REIT for the year ended 31 December 2019 will be published on the websites of the Hong Kong Exchanges and Clearing Limited, at www.hkexnews.hk, and Spring REIT, at www.springreit.com, and will be sent to Unitholders on or before 30 April 2020.

Annual General Meeting

The 2020 annual general meeting of Spring REIT will be held on or around 21 May 2020, notice of which will be published and given to Unitholders in due course.

By order of the Board
Spring Asset Management Limited
(as manager of Spring Real Estate Investment Trust)
Mr. Toshihiro Toyoshima
Chairman of the Manager

Hong Kong, 27 March 2020

As at the date of this announcement, the directors of the Manager are Toshihiro Toyoshima (Chairman and non-executive director); Nobumasa Saeki, and Leung Kwok Hoe, Kevin (executive directors); Hideya Ishino (non-executive director); and Simon Murray, Lam Yiu Kin and Liping Qiu (independent non-executive directors).

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 31 December **2019** *RMB'000*	2018 (Restated) *RMB'000*
Revenues	*5*	**546,592**	558,831
Property operating expenses	*6*	**(139,772)**	(138,637)
Net property income		**406,820**	420,194
General and administrative expenses	*7*	**(67,349)**	(118,368)
Fair value gain of investment properties	*13*	**70,767**	82,822
Fair value gain of right-of-use assets	*14*	**138**	–
Other gains/(losses), net	*8*	**3,657**	(29,091)
Operating profit		**414,033**	355,557
Finance income		**3,582**	3,886
Finance costs on interest-bearing borrowings	*9*	**(192,417)**	(329,117)
Profit before taxation and transactions with Unitholders		**225,198**	30,326
Income tax expense	*10*	**(2,136)**	(337)
Profit for the year, before transactions with Unitholders *(note i)*		**223,062**	29,989
Distributions paid to Unitholders:			
– 2017 final distribution		**–**	(117,425)
– 2018 interim distribution		**–**	(133,191)
– 2018 final distribution *(note ii)*		**(78,635)**	–
– 2019 interim distribution *(note ii)*		**(116,757)**	–
		27,670	(220,627)

	Notes	Year ended 31 December **2019** ***RMB'000***	2018 (Restated) *RMB'000*
Represented by:			
Change in net assets attributable to Unitholders, excluding issuance of new units		**39,606**	(187,452)
Amount arising from exchange reserve movements regarding translations of financial statements		**(11,936)**	(33,175)
		27,670	(220,627)

Notes:

(i) Earnings per unit, based upon profit for the year, before transactions with Unitholders and the weighted average number of units in issue, is set out in note 12.

(ii) 2019 interim distribution and 2018 final distribution of RMB116,757,000 and RMB78,635,000 respectively were paid during the year ended 31 December 2019. Total distribution for the year ended 31 December 2019 is presented in the statement of distributions.

The notes on pages 31 to 65 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	**Before transactions with Unitholders** *RMB'000*	**Transactions with Unitholders** *(note i)* *RMB'000*	**After transactions with Unitholders** *RMB'000*
For the year ended 31 December 2019				
Profit for the year		**223,062**	**(234,998)**	**(11,936)**
Other comprehensive income:				
Items that may be reclassified to consolidated income statement				
Exchange gains on translation of financial statements		**1,421**	**–**	**1,421**
Items that may not be reclassified to consolidated income statement				
Exchange gains on translation of financial statements of Spring REIT		**10,515**	**–**	**10,515**
Total comprehensive income for the year	*ii*	**234,998**	**(234,998)**	**–**
For the year ended 31 December 2018 (Restated)				
Profit for the year		29,989	(63,164)	(33,175)
Other comprehensive income:				
Items that may not be reclassified to consolidated income statement				
Exchange gains on translation of financial statements of Spring REIT		33,175	–	33,175
Total comprehensive income for the year	*ii*	63,164	(63,164)	–

Notes:

(i) Transactions with Unitholders comprise the distributions paid to Unitholders of RMB195,392,000 (2018: RMB250,616,000), and change in net assets attributable to Unitholders excluding issuance of new units, which is an increase of RMB39,606,000 (2018: a decrease of RMB187,452,000).

(ii) In accordance with the Trust Deed, Spring REIT is required to distribute not less than 90% of total distributable income to Unitholders for each financial year. Accordingly, the units contain contractual obligations of Spring REIT to pay cash distributions. The Unitholders' funds are therefore classified as a financial liability rather than equity in accordance with International Accounting Standard 32: Financial Instruments: Presentation. Consistent with Unitholders' funds being classified as a financial liability, the distributions to Unitholders and change in net assets attributable to Unitholders, excluding issuance of new units, are part of finance costs which are recognised in the consolidated income statement. Accordingly, the total comprehensive income, after transactions with Unitholders is zero.

The notes on pages 31 to 65 are an integral part of these consolidated financial statements.

STATEMENT OF DISTRIBUTIONS

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
		(Restated)
	RMB'000	*RMB'000*
Profit for the year, before transactions with Unitholders	**223,062**	29,989
Adjustments:		
– Fair value gain of investment properties	**(70,767)**	(82,822)
– Fair value gain of right-of-use assets	**(138)**	–
– Change in fair values of derivative components of convertible bonds	**(5,500)**	–
– Net fair value losses of derivative financial instruments	**3,737**	332
– Manager's fee expenses in units in lieu of cash	**41,455**	42,127
– Amortisation of transaction costs for the bank borrowings	**(36)**	13,554
– Amortisation of transaction costs for host liability components of convertible bonds	**2,856**	–
– Unrealised foreign exchange losses	**37,622**	206,504
Distributable income for the year *(note i)*	**232,291**	209,684
Total distributions of the year *(note ii)*	**232,291**	205,490
Represented by:		
Interim distribution, paid *(note iii)*	**116,757**	133,191
Final distribution, to be paid *(note iv)*	**115,534**	72,299
Total distributions of the year *(note ii)*	**232,291**	205,490
Percentage of total distribution over distributable income for the year	**100%**	98%
Distributions per unit to Unitholders		
– Interim distribution per unit, paid *(note iii)*	**HK10.0 cents**	HK12.0 cents
– Final distribution per unit, to be paid *(note iv)*	**HK8.9 cents**	HK7.2 cents
Distribution per unit for the year *(note v)*	**HK18.9 cents**	HK19.2 cents

The notes on pages 31 to 65 are an integral part of these consolidated financial statements.

Notes:

(i) Under the terms of the Trust Deed, the distributable income represents the profit for the year before transactions with Unitholders, adjusted to eliminate the effects of certain non-cash transactions which have been recorded in the consolidated income statement for the year.

(ii) In accordance with the terms of the Trust Deed, Spring REIT is required to distribute to Unitholders not less than 90% of its total distributable income for each financial year. The Manager also has the discretion to make distributions over and above the minimum 90% of Spring REIT's total distributable income if and to the extent Spring REIT has funds surplus to meet its business requirements.

(iii) The interim distribution per unit for the six months ended 30 June 2019 was calculated based on the interim distribution of RMB116,757,000 for the period and 1,278,916,863 units in issue. The interim distribution was paid to Unitholders on 20 September 2019.

(iv) Subsequent to the year ended 31 December 2019, on 12 February 2020, a total of 160,626,029 new units (representing approximately 11.1% of the 1,446,439,344 units in issue immediately after such issue) were issued upon the conversion of the convertible bonds.

Accordingly, the final distribution per unit of HK8.9 cents for the year ended 31 December 2019 is calculated based on the final distribution to be paid to Unitholders of RMB115,534,000 for the second half of the financial year and 1,446,439,344 units in issue as at 27 March 2020, being the date of declaration of the final distribution, rounded to the nearest HK0.1 cents.

The final distribution for the year ended 31 December 2019 is expected to be paid to Unitholders on 29 April 2020. Such final distributions per unit, however, may be subject to adjustment upon the issuance of new units between 27 March 2020 (being the date of the declaration of the final distribution) and 17 April 2020 (the "**Record Date**"), if any.

The final distribution per unit of HK7.2 cents for the year ended 31 December 2018 was calculated based on the final distribution paid to the Unitholders of RMB72,299,000 for the second half of the financial year and 1,272,356,925 units in issue as at 31 December 2018, rounded to the nearest HK0.1 cent. The final distribution for the year ended 31 December 2018 was paid to Unitholders on 30 April 2019.

(v) All distributions to Unitholders are determined and paid in Hong Kong dollar.

The notes on pages 31 to 65 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		As at 31 December		As at 1 January
		2019	2018 (Restated)	2018 (Restated)
	Notes	***RMB'000***	*RMB'000*	*RMB'000*
Assets				
Investment properties	*13*	**9,873,265**	9,764,060	9,682,514
Right-of-use assets	*14*	**16,304**	–	–
Derivative financial instrument	*15*	**–**	438	–
Restricted bank balances	*17*	**382,115**	383,811	473,053
Trade and other receivables	*16*	**32,693**	28,527	29,447
Cash and cash equivalents	*17*	**124,992**	107,094	138,660
Total assets		**10,429,369**	10,283,930	10,323,674
Liabilities, excluding net assets attributable to Unitholders				
Interest-bearing borrowings	*19*	**3,199,602**	3,654,535	3,562,336
Convertible bonds	*20*	**505,239**	–	–
Lease liabilities	*14*	**12,072**	–	–
Derivative financial instruments	*15*	**4,102**	702	–
Rental deposits	*18*	**155,410**	154,533	158,504
Trade and other payables	*18*	**102,998**	110,127	90,308
Income tax payable		**2,171**	598	3,097
Total liabilities, excluding net assets attributable to Unitholders		**3,981,594**	3,920,495	3,814,245
Net assets attributable to Unitholders		**6,447,775**	6,363,435	6,509,429
Units in issue *('000)*	*21*	**1,285,813**	1,272,357	1,275,706
Net asset value per unit attributable to Unitholders				
In RMB		**5.01**	5.00	5.10
In HK$		**5.61**	5.69	6.22

For and on behalf of the Board of Directors of
Spring Asset Management Limited, as the Manager

Leung Kwok Hoe, Kevin	**Nobumasa Saeki**
Executive Director	*Executive Director*

The notes on pages 31 to 65 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Reserves *(note)* *RMB'000*	Net assets attributable to Unitholders *RMB'000*
As at 31 December 2018, restated	**–**	**6,363,435**
Adjustment on adoption of IFRS 16	**–**	**3,543**
As at 1 January 2019	**–**	**6,366,978**
Profit after taxation and before transactions with Unitholders	**–**	**223,062**
Exchange gains on translation of financial statements	**11,936**	**–**
Amount arising from exchange reserve movements	**(11,936)**	**11,936**
Distributions paid to Unitholders:		
– 2018 final distribution	**–**	**(78,635)**
– 2019 interim distribution	**–**	**(116,757)**
Change in net assets attributable to Unitholders for the year ended 31 December 2019, excluding issuance of new units	**–**	**39,606**
Issuance of units *(note 21)*	**–**	**41,191**
As at 31 December 2019	**–**	**6,447,775**

Note: Reserves include exchange reserve, arising from translation of financial statements and retained earnings, representing amount set aside to offset exchange reserve movements.

The notes on pages 31 to 65 are an integral part of these consolidated financial statements.

	Reserves *(note)* (Restated) *RMB'000*	Net assets attributable to Unitholders (Restated) *RMB'000*
As at 1 January 2018	–	6,509,429
Profit after taxation and before transactions with Unitholders	–	29,989
Exchange gains on translation of financial statements	33,175	–
Amount arising from exchange reserve movements	(33,175)	33,175
Distributions paid to Unitholders:		
– 2017 final distribution	–	(117,425)
– 2018 interim distribution	–	(133,191)
Change in net assets attributable to Unitholders for the year ended 31 December 2018, excluding issuance of new units	–	(187,452)
Issuance of units	–	41,458
As at 31 December 2018	–	6,363,435

Note: Reserves include exchange reserve, arising from translation of financial statements and retained earnings, representing amount set aside to offset exchange reserve movements.

The notes on pages 31 to 65 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Spring Real Estate Investment Trust ("Spring REIT") is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Spring REIT was established on 25 November 2013 and its units are listed on the main board of The Stock Exchange of Hong Kong Limited (the "HKSE") on 5 December 2013. Spring REIT is governed by the Trust Deed entered into between Spring Asset Management Limited (the "Manager") and DB Trustees (Hong Kong) Limited (the "Trustee") on 14 November 2013 as amended by First Supplemental Deed dated 22 May 2015 (together the "Trust Deed"), and the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong (the "REIT Code"). The addresses of the registered offices of the Manager and the Trustee are Room 2801, 28/F, Man Yee Building, 68 Des Voeux Road Central, Hong Kong and 52/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, respectively.

The principal activity of Spring REIT and its subsidiaries (together, the "Group") is to own and invest in income-producing real estate assets.

The consolidated financial statements are presented in Renminbi ("RMB"). The functional currency of Spring REIT is Hong Kong dollars ("HK$"), the distribution of Spring REIT is determined and paid in HK$.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and Interpretations ("Int") issued by the International Accounting Standards Board ("IASB"), the requirements of the Trust Deed and the relevant disclosure requirements as set out in Appendix C of the REIT Code issued by the Securities and Futures Commission of Hong Kong.

During the year, the Group has changed its presentation currency from US dollars ("US$") to RMB for the presentation of its financial statements. Having considered the principal activities of the Group are mainly conducted in the People's Republic of China ("PRC") and the functional currency of the subsidiary in the PRC is denominated in RMB, the directors of the Manager considered that the change would result in a more appropriate presentation of the Group's transactions in the financial statements.

The change in presentation currency has been applied retrospectively. Thus, the comparative figures in these consolidated financial statements were translated from US$ to RMB using applicable average rates that approximated to actual rates for items in the consolidated statement of profit or loss and consolidated statement of comprehensive income and applicable closing rates for assets and liabilities in the consolidated statement of financial position. In addition, the Group has changed the presentation of the consolidated statement of financial position by adopting the liquidity basis as it is considered to be more relevant and meaningful to readers based on the timing of their realisation or settlement of assets and liabilities as justified by the market situation. The change in the presentation has been applied retrospectively and comparative figures have been reclassified accordingly.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, derivative financial instruments and derivative components of convertible bonds, which are carried at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

New standards, amendments, improvements and interpretation to existing standards adopted by the Group

The Group has adopted all of the new standards, amendments, improvements and interpretation to existing standards issued by the International Accounting Standards Board that are relevant to the Group's operations and mandatory for annual accounting periods beginning 1 January 2019.

New standards, amendments, improvements and interpretation to existing standards effective in 2019:

IAS 19 Amendments	Employee Benefit	1 January 2019
IAS 28 Amendments	Long-term Interests in Associates and Joint Ventures	1 January 2019
IFRS 9 Amendments	Prepayment Features with Negative Compensation	1 January 2019
IFRS 16	Leases	1 January 2019
Annual Improvements Project IFRS 3, IFRS 11, IAS 12 and IAS 23	Annual Improvements to IFRS 2015 – 2017 Cycles	1 January 2019
IFRIC – Int 23	Uncertainty over Income Tax Treatments	1 January 2019

The adoption of these new standards, amendments, improvements and interpretation to existing standards does not have a material impact on the accounting policies or results and the financial position of the Group and/or the disclosure set out in these consolidated financial statements, except IFRS 16.

IFRS 16 "Leases" – Impact of adoption

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 8.29%.

	2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018 (Restated)	**53,542**
Discounted using the incremental borrowing rates	**(42,027)**
Lease liabilities recognised as at 1 January 2019	**11,515**
Of which are expected to be settled:	
Within 1 year	**115**
After 1 year	**11,400**
	11,515

The associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. There were no onerous contracts that would have required adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to UK lands are GBP1,800,000 (approximately RMB15,275,000) as at 1 January 2019. The right-of-use assets that related to investment properties are measured at fair value.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

- right-of-use assets – increase by RMB15,275,000
- lease liabilities – increase by RMB11,515,000
- prepayment – decrease by RMB217,000

The net fair value change impact on retained earnings on 1 January 2019 was an increase of RMB3,543,000.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

The Group is a lessee of UK lands. Rental contracts are typically made for fixed periods of 5 to 999 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the financial year ended 31 December 2018, leases of land were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

New standards, amendments, improvements and interpretation to existing standards not yet adopted

The following new standards, amendments, improvements and interpretation to existing standards are in issue but not yet effective, and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
IAS 1 and IAS 8 Amendments	Definition of Material	1 January 2020
IAS 39, IFRS 7 and IFRS 9 Amendments	Interest Rate Benchmark Reform	1 January 2020
IFRS 3 Amendments	Definition of A Business	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
IAS 1 Amendments	Classification of Liabilities as Current or Non-current	1 January 2022
IFRS 17	Insurance Contracts	1 January 2023
IFRS 10 and IAS 28 (2011) Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group will apply the above new standards, amendments and interpretations to existing standards as and when they become effective. The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations to existing standards, and anticipated that the adoption of new standards, amendments and interpretations to existing standards will not have a material effect on the Group's operating result or financial position.

(b) Consolidation

The consolidated financial statements incorporate the assets and liabilities of Spring REIT and its subsidiaries as at 31 December 2019 and their results for the year then ended.

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when it 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 over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, for rental income in the ordinary course of the Group's activities. Amounts disclosed as revenue are net of returns and amounts collected on behalf of third parties. Revenue is recognised when or as the control of the good or service is transferred to the customer.

(i) Rental and car park income

Operating lease rental income from investment properties is recognised in the consolidated income statement on a straight-line basis over the terms of lease agreements. Lease incentives provided, such as rent-free periods, are amortised on a straight-line basis and are recognised as a reduction of rental income over the respective term of the lease.

(ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(d) Property operating expenses

Property operating expenses include property related outgoings and other expenses, are recognised on an accrual basis.

(e) Investment properties

Investment properties, principally comprising freehold land, leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. 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 valuer. 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 recorded in the consolidated income statement as part of a valuation gain or loss.

(f) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at its fair value at the end of each reporting year. The change in the fair value is recognised in the consolidated income statement.

(g) Trade and other receivables

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 to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. The amount of the provision is recognised in the consolidated income statement.

In the event that lease incentives, including rent free periods, are given to enter into operating leases, such incentives are recognised as deferred rent receivables. The aggregate benefit of incentives is recognised as a reduction of rental income on a straight-line basis.

(h) Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks with original maturities of three months or less.

(i) Convertible bonds

The fair value of derivative components of the convertible bonds must be determined first at inception of the contract. The host liability components is measured as the residual amount that results from deducting the fair value of the derivative components from the initial fair value of the convertible bonds as a whole. This is recognised and included in liability and subsequently measured at amortised cost.

Transaction costs relating to the debt component are included in the carrying amount of the host debt portion and amortised over the period of the convertible bond using the effective interest method.

(j) Interest-bearing 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 prepayment for liquidity services and amortised over the period of the facility to which it relates.

(k) Borrowing costs

Borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

(l) Payables and provisions

(i) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(ii) Provisions

Provisions are recognised when there is 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 a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation that reflects current market assessments of the time value of money and the risks specific to the obligation.

(iii) Rental deposit

Rental deposits arise when the Group enters into lease agreement directly with a tenant.

(m) Taxation

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.

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 Group's subsidiaries 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(n) 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"). Spring REIT's functional currency is HK$ and the consolidated financial statements are presented in RMB.

The Group's functional currency is different from the presentation currency and the results and financial position are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;

(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 dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within "finance costs". All other foreign exchange gains and losses are presented in the consolidated income statement within other gains or losses.

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 consolidated income statement as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(o) Unitholders' funds as a financial liability

In accordance with the Trust Deed, Spring REIT is required to distribute to Unitholders not less than 90% of the Group's total distributable income for each financial year. Accordingly, the units contain a contractual obligation of the trust to pay to its Unitholders cash distributions. The Unitholders' funds are therefore classified as a financial liability rather than equity in accordance with IAS 32: Financial Instruments: Presentation. It is shown on the consolidated statement of financial position as the net assets attributable to Unitholders.

3 FINANCIAL RISK AND CAPITAL 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 interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the senior management. The management manages and monitors these risk exposures to ensure appropriate measures are implemented on timely and effective manners.

(a) Market risk

(i) Foreign exchange risk

The subsidiaries of the Group operate in the People's Republic of China (the "PRC") and the United Kingdom (the "UK") with functional currency in Renminbi ("RMB") and British Pound Sterling ("GBP") respectively. It is therefore exposed to foreign exchange risk arising from commercial transactions, and from recognised assets and liabilities that are denominated in a currency that is not the functional currency. This is primarily with respect to the US$.

As at 31 December 2019, if US$ had strengthened/weakened by 5% against the RMB with all other variables held constant, profit for the year would have been decreased/increased by RMB172,448,000 (2018: decreased/increased by RMB164,727,000) respectively, mainly as a result of foreign exchange differences on translation of monetary assets and liabilities being denominated in USD that is not the functional currency items in the PRC such as cash and bank balance, other payables and borrowings.

As at 31 December 2019, if GBP had strengthened/weakened by 5% against the USD with all other variables held constant, profit for the year would have been decreased/increased by RMB10,324,000 (2018: decreased/increased by RMB11,339,000) respectively, mainly as a result of foreign exchange differences on translation of monetary assets being denominated in USD that is not the functional currency items in the UK such as cash and bank balance.

(ii) Interest rate risk

The Group's interest rate risk mainly arises from its long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk which is partially offset by bank deposits at variable rate. Under the Group's interest rate management policy, the Group generally raises borrowings at floating rates and may use plain vanilla interest rate swaps to manage the risk where the Group forecasts a significant rise in interest rate in the foreseeable future.

During the year ended 2019 and 2018, the Group has three plain vanilla interest rate swaps with notional amount of US$50 million each to hedge the interest rate risk arising from the variable rate bank borrowings. The Group pays interest at fixed rates from 2.58% to 2.74% per annum and receives interest at the rate of 3-month USD LIBOR until 29 April 2020.

As at 31 December 2019, if interest rates had been 50 basis points higher/lower with all other variables held constant, profit for the year would have been RMB11,196,000 (2018: RMB10,676,000) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings and after taking into consideration of interest rate swaps.

(b) Credit risk

Credit risk arises from the potential failure of the Group's counterparties to meet their obligations under financial contracts. The Group is exposed to credit risk on its deposits with financial institutions, derivative financial instruments as well as trade and other receivables.

For deposits with financial institutions, the Group has limited its credit exposure by restricting their selection of financial institutions to reputable banks with sound credit ratings.

In respect of credit exposures to tenants, credit risk exposure is minimised by undertaking transactions with a large number of counterparties and conducting credit evaluations on prospective tenants before lease agreements are entered into with tenants. Monthly rentals are payable in advance by tenants in accordance with the leases. The Group also has policies in place to ensure that rental security deposits are required from tenants prior to commencement of leases. It also has other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group regularly reviews the recoverable amount of each individual trade receivable to ensure that adequate provision for impairment losses is made for irrecoverable amounts.

(c) *Liquidity risk*

Cash flow forecasting is performed by the Group's finance function ("Group Finance"). Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its borrowing facilities (note 19) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal financial position ratio targets and, if applicable, external regulatory or legal requirements.

Liquidity risk management includes maintaining sufficient cash, the availability of funding from operating cash flow and seeking stable financing activities. The Group will continue to monitor market conditions to assess the possibility of arranging longer term refinancing at favorable rates and extending the maturity profile of its debts.

The table below analyses the Group's financial assets into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity dates.

	Within 1 year *RMB'000*	**Between 1 and 2 years** *RMB'000*	**Between 2 and 5 years** *RMB'000*	**Over 5 years** *RMB'000*
At 31 December 2019				
Restricted bank balances	**–**	**–**	**382,115**	**–**
Trade and other receivables	**32,693**	**–**	**–**	**–**
Cash and cash equivalents	**124,992**	**–**	**–**	**–**
At 31 December 2018 (Restated)				
Restricted bank balances	–	380,827	2,984	–
Derivative financial instrument	–	438	–	–
Trade and other receivables	28,527	–	–	–
Cash and cash equivalents	107,094	–	–	–

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows which comprise both interest and principal cash flows.

	Within 1 year *RMB'000*	**Between 1 and 2 years** *RMB'000*	**Between 2 and 5 years** *RMB'000*	**Over 5 years** *RMB'000*
At 31 December 2019				
Trade and other payables	**33,042**	**–**	**–**	**–**
Rental deposit	**31,037**	**51,631**	**69,822**	**2,920**
Interest payable on borrowings and convertible bonds	**126,356**	**102,600**	**274,206**	**–**
Convertible bonds	**522,816**	**–**	**–**	**–**
Derivative financial instruments (net settled)	**9,308**	**5,786**	**–**	**–**
Interest-bearing borrowings	**–**	**–**	**3,268,035**	**–**
Lease liabilities	**1,043**	**2,085**	**2,085**	**66,313**
At 31 December 2018 (Restated)				
Trade and other payables	31,850	–	–	–
Rental deposit	51,263	27,316	75,864	90
Interest payable on borrowings	179,638	59,090	14,130	–
Derivative financial instruments (net settled)	655	227	–	–
Interest-bearing borrowings	–	3,219,138	438,734	–

The convertible bonds have been fully converted to new units on 12 February 2020, details was set out in note 20.

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.

The Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as total borrowings and convertible bonds divided by total assets.

	As at 31 December	
	2019	2018 (Restated)
	RMB'000	*RMB'000*
Total borrowings and convertible bonds *(note 19 and 20)*	**3,704,841**	3,654,535
Total assets	**10,429,369**	10,283,930
Gearing ratio	**35.5%**	35.5%

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2019 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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents financial instruments that are measured at fair values.

At 31 December 2019	**Level 1** ***RMB'000***	**Level 2** ***RMB'000***	**Level 3** ***RMB'000***	**Total** ***RMB'000***
Liabilities				
Derivative financial instruments	**–**	**4,102**	**–**	**4,102**
Convertible bonds – derivative components	**–**	**83,226**	**–**	**83,226**

At 31 December 2018 (Restated)	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Asset				
Derivative financial instrument	–	438	–	438
Liability				
Derivative financial instruments	–	702	–	702

There were no transfers between levels 1, 2 and 3 during the year.

Valuation techniques used to derive the fair values of the derivatives are as follows:

As at 31 December 2019 and 2018, the level 2 derivative financial instruments represented three plain vanilla interest rate swaps which are not traded in an active market. The fair values of these derivative financial instruments are based on prices quoted by financial institutions at the end of the reporting period.

As at 31 December 2019, the level 2 convertible bonds are not traded in an active market. The fair values of convertible bonds are determined using valuation techniques.

There were no changes in valuation techniques during the year.

The disclosures of the investment properties, that is measured at fair value, are set out in note 13.

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 effect on carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimates of fair values of investment properties

The fair value of each investment property is individually determined at each reporting date by independent valuer using valuation techniques. Details of the judgement and assumptions have been disclosed in note 13.

(b) Estimates of fair values of derivative financial instruments/convertible bonds

Fair values have been arrived at using valuations provided by the counterparty banks/valuer for each reporting period with reference to market data. Actual results may differ when assumptions and selections of valuation technique changes.

(c) Taxation

The Group is a foreign enterprise established outside the PRC and the UK. The Group is subject to various taxes in the PRC and the UK. Significant judgement is required in determining the provision for taxation including deferred taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises or writes back liabilities for anticipated tax issues based on estimates of whether additional taxes will be due or reversal to be made. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the taxation and deferred tax.

5 REVENUE AND SEGMENT INFORMATION

The Group holds investment properties in the PRC and the UK, and is principally engaged in property investment. Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. Given that management review the operating results of the Group on an aggregate basis, no segment information is therefore presented.

For the year ended 31 December 2019, revenue of RMB505,530,000 (2018: RMB520,269,000) is attributable to tenants from the PRC investment properties and RMB41,062,000 (2018: RMB38,562,000) is attributable to tenants from the UK investment properties. As at 31 December 2019, investment properties of RMB9,174 million (2018: RMB9,096 million) is located in the PRC and RMB699 million (2018: RMB668 million) is located in the UK.

An analysis of revenues of the Group is as follows:

	Year ended 31 December	
	2019	2018
		(Restated)
	RMB'000	*RMB'000*
Revenues		
Rental income	**529,625**	542,193
Car park income	**3,670**	3,454
Other income *(note i)*	**13,297**	13,184
	546,592	558,831

Note:

(i) Other income mainly represents compensation paid by tenants for early termination of lease.

6 PROPERTY OPERATING EXPENSES

	Year ended 31 December	
	2019	2018
		(Restated)
	RMB'000	*RMB'000*
Property management fee	**11,523**	11,968
Property taxes *(note i)*	**58,583**	60,923
Other taxes *(note ii)*	**6,156**	6,976
Withholding tax *(note iii)*	**50,328**	53,046
Leasing commission	**5,445**	3,676
Reinstatement costs	**6,573**	–
Others	**1,164**	2,048
	139,772	138,637

Notes:

(i) Property taxes represent real estate tax and land use tax in the PRC. Real estate tax applicable to the Group's Beijing properties is calculated: (a) for leased area, at 12% of rental income; and (b) for vacant area, at 1.2% of the residual value of the relevant area.

(ii) Other taxes represent urban construction and maintenance tax, education surcharge and stamp duty in the PRC.

(iii) Withholding tax is calculated based on 10% of the revenues received from rental operation in the PRC.

7 GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2019	2018
		(Restated)
	RMB'000	*RMB'000*
Manager's fee *(note i)*	**54,120**	54,726
Trustee fee	**1,724**	1,962
Valuation fee *(note ii)*	**903**	786
Auditor's remuneration		
– Audit services	**1,851**	1,454
– Non-audit services:		
– Acquisition related professional fees *(note ii)*	**–**	3,597
– Others	**629**	607
Legal and other professional fee *(note ii)*	**6,789**	51,890
Others	**1,333**	3,346
	67,349	118,368

Notes:

(i) The breakdown of the Manager's fee was set out in note 11.

(ii) For the year ended 31 December 2018, the amounts include:

- valuation fee, auditor's fee, legal and other professional fee of approximately RMB22.1 million in relation to a proposed acquisition of a commercial property in Huizhou, the PRC; and

- professional fees to legal advisors and financial advisors for additional work scopes mainly in relation to the voluntary general takeover offer on the Spring REIT of approximately RMB21.4 million.

8 OTHER GAINS/(LOSSES), NET

	Year ended 31 December	
	2019	2018
		(Restated)
	RMB'000	*RMB'000*
Net fair value losses on derivative financial instruments at fair value through profit or loss	**(3,737)**	(332)
Change in fair values of derivative components of convertible bonds *(note 20)*	**5,500**	–
Foreign exchange gains/(losses)	**2,060**	(28,474)
Other miscellaneous losses	**(166)**	(285)
	3,657	(29,091)

9 FINANCE COSTS

	Year ended 31 December	
	2019	2018
		(Restated)
	RMB'000	*RMB'000*
Interest expenses on bank borrowings *(note i)*	**146,230**	146,149
Interest expenses on convertible bonds	**3,724**	–
Interest expenses on lease liabilities	**983**	–
Foreign exchange losses on bank borrowings *(note ii)*	**39,682**	178,030
Other borrowing costs	**1,798**	4,938
	192,417	329,117

Notes:

(i) Interest expenses on bank borrowings comprised contractual loan interest and amortised loan arrangement fee, which were recognised using the effective interest rate method.

(ii) Foreign exchange losses on bank borrowings arise upon translating the bank borrowings denominated in foreign currencies.

10 INCOME TAX EXPENSE

For the subsidiary with operation in the PRC, it is not subjected to the corporate income tax. It is subjected to withholding tax as disclosed in note 6(iii).

For the subsidiary with operation in the UK, it is subject to non-resident landlord income tax at a rate of 20%.

No Hong Kong profits tax has been provided as the Group has no assessable profit in Hong Kong.

The amount of income tax expense charged to the consolidated income statement represents:

	Year ended 31 December	
	2019	2018
		(Restated)
	RMB'000	*RMB'000*
Current income tax	**2,136**	337

The differences between the Group's expected tax charge, calculated at the domestic rates applicable to the country concerned, and the Group's tax charge for the years were as follows:

	Year ended 31 December	
	2019	2018
		(Restated)
	RMB'000	*RMB'000*
Profit before income tax and transactions with Unitholders	**225,198**	30,326
Exclude profit from the PRC operation which is not subjected to income tax *(note 6(iii))*	**(263,974)**	(131,725)
	(38,776)	(101,399)
Tax calculated at the Hong Kong profit tax rate at 16.5% (2018: 16.5%)	**(6,398)**	(16,731)
Effect on different taxation rate on overseas operations	**888**	229
Income not subject to tax	**(4,104)**	(4,944)
Expenses not deductible for tax purposes	**11,750**	21,783
	2,136	337

11 MANAGER'S FEE

	Year ended 31 December	
	2019	2018
		(Restated)
	RMB'000	*RMB'000*
Base fee	**41,804**	42,120
Variable fee	**12,316**	12,606
	54,120	54,726

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

(i) Base fee at 0.4% per annum of the value of the Deposited Property ("Base Fee", as defined in the Trust Deed).

(ii) Variable fee at 3.0% per annum of the Net Property Income ("Variable Fee", as defined in the Trust Deed) (before deduction therefrom of the Base Fee and Variable Fee).

Based on the election made by the Manager dated 19 December 2018 and 4 December 2017 in relation to the Manager's elections for the Base Fee to be paid to the Manager in the form of units as entirely, and Variable Fee to be paid to the Manager in the form of cash entirely, arising from any real estate of Spring REIT for the year ended 31 December 2019 in accordance with the Trust Deed.

12 EARNINGS PER UNIT

	2019	2018 (Restated)
	RMB'000	*RMB'000*
Profit for the year, before transactions with Unitholders	**223,062**	29,989
Adjustment for dilutive convertible bonds	**(1,776)**	–
Profit for the year, before transactions with Unitholders for calculating diluted earnings per unit	**221,286**	29,989
Weighted average number of units for the year for calculating basic earnings per unit	**1,279,052,306**	1,264,874,858
Adjustment for dilutive contingently units issuable in respect of the Manager's fee and dilutive convertible bonds	**164,222,791**	3,456,904
Weighted average number of units for the year for calculating diluted earnings per unit	**1,443,275,097**	1,268,331,762
Basic earnings per unit based upon profit before transactions with Unitholders	**RMB17.44 cents**	RMB2.37 cents
Diluted earnings per unit based upon profit before transactions with Unitholders	**RMB15.33 cents**	RMB2.36 cents

Convertible bonds issued during the year are considered to be potential units and have been included in the determination of diluted earnings per unit from their date of issue. The convertible bonds have not been included in the determination of basic earnings per unit. Details relating to the convertible bonds are set out in note 20.

13 INVESTMENT PROPERTIES

	Year ended 31 December	
	2019	2018
		(Restated)
	RMB'000	*RMB'000*
At beginning of the year	**9,764,060**	9,682,514
Additions	**3,237**	483
Exchange differences recognised in other comprehensive income	**35,201**	(1,759)
Changes in fair value recognised in consolidated income statement	**70,767**	82,822
At end of the year	**9,873,265**	9,764,060

Notes:

(i) The investment properties of the Group include those located in the PRC and the UK.

In the PRC, the investment properties comprise office towers 1 & 2 and approximately 600 car parking spaces located at No. 79 and 81 Jianguo Road, Beijing, the PRC. The land use rights of the properties have been granted to RCA01 for a 50-year term expiring on 28 October 2053.

In the UK, the investment properties comprise 84 individual properties with diversified locations across the UK. The investment properties are held under either freehold or leasehold interests.

As at 31 December 2019 and 31 December 2018, the Group had no unprovided contractual obligations for future repairs and maintenance of the investment properties.

As at 31 December 2019 and 31 December 2018, the investment properties were pledged to secure the Group's bank borrowings (note 19).

Valuation process

The Group's investment properties were valued by an independent qualified valuer not connected to the Group who holds a recognised relevant professional qualification and has recent experiences in the locations and segments of the investment properties valued.

The Manager reviewed the valuation performed by the independent valuer for financial reporting purpose. Discussions of valuation processes and results are held between the Manager and the independent valuer at least once every six months, in line with the Group's interim and annual reporting dates. As at 31 December 2019, the fair values of the investment properties have been determined by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (2018: Knight Frank Petty Limited). The independent valuer adopted the income capitalisation approach and cross-checked by the direct comparison approach for the valuation where applicable.

Valuation techniques

(i) *PRC investment properties*

The income capitalisation approach estimates the values of the properties on an open market basis by capitalising the estimated rental income on a fully leased basis having regard to the current passing rental income from the existing tenancies and potential future reversionary income at the market level. In this valuation method, the total rental income comprises the current passing rental income over the existing remaining lease terms (the "term income") and a potential market rental income upon reversion (the "reversionary income"). The term value involves the capitalisation of the current passing rental income over the existing remaining lease terms. The reversionary value is estimated by capitalising the current market rental income on a fully leased basis. It is then discounted back to the valuation date. In this method, the independent qualified valuer has considered the term and reversionary yields to capitalise the current passing rental income and the market rental income, respectively.

The direct comparison approach is based on comparing the subject property with other comparable sales evidences of similar properties in the local market.

(ii) *UK investment properties*

The income capitalisation approach estimates the values of the properties on an open market basis by capitalising the estimated rental income on a fully leased basis having regard to the current passing rental income from the existing tenancies and potential future reversionary income at the market level. In this valuation method, the total rental income comprises the term income and the reversionary income. Both the term income and the reversionary income are capitalised using the same capitalisation rate either on perpetual basis (for freehold properties) or on the basis of the properties' remaining land tenure (for leasehold properties).

Fair value hierarchy

	Fair value measurements using		
	Level 1	**Level 2**	**Level 3**
	RMB'000	***RMB'000***	***RMB'000***
Recurring fair value measurements			
As at 31 December 2019	**–**	**–**	**9,873,265**
As at 31 December 2018 (Restated)	–	–	9,764,060

There were no transfers between levels 1, 2 and 3 during the year.

(i) PRC investment properties

(a) Capitalisation rate

This is estimated based on the market lease over market value on comparable. The higher the capitalisation rates used, the lower the fair values of the investment properties. In the 31 December 2019 valuation, a capitalisation rate of 5.0% (2018: 5.8%) is used in the income capitalisation approach.

(b) Base rent

Base rent is the standard rent payable under the lease exclusive of any other charges and reimbursements. This was estimated based on the market lease comparable. The higher the base rent used, the higher the fair values of the investment properties. The average gross monthly office unit base rent of RMB404 (2018: RMB418) per square meter exclusive of VAT is used in the valuation.

(ii) UK investment properties

(a) Capitalisation rate

This is estimated based on the market lease over market value on comparable. The higher the capitalisation rate used, the lower the fair values of the investment properties. In the 31 December 2019 valuations, the capitalisation rate used in the income capitalisation approach of 84 investment properties range from 4.1% to 8.0% (2018: 4.3% to 9.3%).

(b) Base rent

Base rent is the standard rent payable under the lease exclusive of taxes, other relevant charges and reimbursements. This was estimated based on the market lease comparable. The higher the base rent used, the higher the fair values of the investment properties. The gross annual unit base rents of 84 investment properties range from GBP4.50 to GBP22.47 (2018: GBP4.52 to GBP22.42) per square foot.

As at 31 December 2019, if the market value of investment properties had been 5% higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been RMB494 million (2018: RMB488 million) higher/lower.

14 LEASES

This note provides information for leases where the Group is a lessee that is not occupied by the Group.

	Year ended 31 December	
	2019	2018
		(Restated)
	RMB'000	*RMB'000*
Right-of-use assets		
At beginning of the year	**–**	–
Adjustment on adoption of IFRS 16	**15,275**	–
Exchange differences recognised in other comprehensive income	**891**	–
Changes in fair value recognised in consolidated income statement	**138**	–
At end of the year	**16,304**	–

	Year ended 31 December	
	2019	2018
		(Restated)
	RMB'000	*RMB'000*
Lease liabilities, expected to be settled:		
Within 1 year	**136**	–
After 1 year	**11,936**	–
	12,072	–

For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 2(a).

15 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December	
	2019	2018
		(Restated)
	RMB'000	*RMB'000*
Asset		
Fair value of the interest rate swaps	**–**	438
Liability		
Fair value of the interest rate swaps	**4,102**	702

Notes:

The Group has entered into three interest rate swaps as part of its financial risk management but did not account for these as accounting hedges under IFRS 9. Plain vanilla interest rate swap was used to hedge the floating interest payments of the debt instruments.

The aggregated notional principal amount of the interest rate swaps as at 31 December 2019 was RMB1,032 million (31 December 2018: RMB1,032 million) which will be settled on 29 April 2020.

The Group recorded net fair value losses on interest rate swap for the year ended 31 December 2019 amounting to RMB3,737,000 (2018: RMB332,000) (note 8) which were charged to the consolidated income statement. The maximum exposure to credit risk at the reporting date is the carrying values of the derivative financial instruments.

The carrying amounts of interest rate swaps are expected to be settled as below:

	As at 31 December	
	2019	2018
		(Restated)
	RMB'000	*RMB'000*
Within 1 year	**4,102**	–
After 1 year	**–**	264
	4,102	264

16 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2019	2018
		(Restated)
	RMB'000	*RMB'000*
Rent receivables	**156**	424
Deferred rent receivables *(note iv)*	**28,187**	24,104
Prepayment	**4,323**	3,598
Other receivable	**27**	401
	32,693	28,527

Notes:

(i) Trade and other receivables are mainly denominated in RMB and GBP, and the carrying amounts of these receivables approximate their fair values.

There are no specific credit terms given to the tenants.

Monthly rentals are payable in advance by tenants in accordance with the leases while daily gross receipts from car parks are received from the car park operators in arrears.

(ii) The Group's exposure from outstanding rent receivables in the PRC is generally fully covered by the rental deposits from the corresponding tenants (note 18).

(iii) As at 31 December 2019 and 2018, the rent receivables and all future rent receivables in the PRC were pledged to secure the Group's bank borrowings in the PRC (note 19).

(iv) Deferred rent receivables represent the accumulated difference between effective rental revenue and actual rental receipts.

(v) The carrying amounts of trade and other receivables are expected to be recovered within the next twelve months.

17 RESTRICTED BANK BALANCES AND CASH AND CASH EQUIVALENTS

	As at 31 December	
	2019	2018
		(Restated)
	RMB'000	*RMB'000*
Restricted bank balances	**382,115**	383,811
Cash and cash equivalents	**124,992**	107,094
	507,107	490,905

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

	As at 31 December	
	2019	2018
		(Restated)
	RMB'000	*RMB'000*
US$	**239,980**	210,863
RMB	**228,543**	225,548
HK$	**17,756**	37,825
GBP	**20,828**	16,669
	507,107	490,905

Restricted bank balances are related to bank accounts restricted under the bank borrowing facility agreements of the Group's bank borrowings (note 19).

The carrying amounts of restricted bank balances and cash and cash equivalents are expected to be recovered after 1 year and within the next twelve months, respectively.

18 RENTAL DEPOSITS AND TRADE AND OTHER PAYABLES

	As at 31 December	
	2019	2018
		(Restated)
	RMB'000	*RMB'000*
Rental deposits *(note i)*	**155,410**	154,533
Trade and other payables:		
Rental receipts in advance	**46,850**	45,363
Provision for other taxes *(note ii)*	**50**	20
VAT payable	**2,176**	1,678
Accrued expenses and other payables	**53,922**	63,066
	102,998	110,127

(i) The ageing analysis based on the terms of agreement is as follows and the carrying amount is expected to settle as below:

	As at 31 December	
	2019	2018
		(Restated)
	RMB'000	*RMB'000*
Within 1 year	**31,037**	51,263
After 1 year	**124,373**	103,270
	155,410	154,533

(ii) Provision for other taxes represents provision for business tax, urban construction and maintenance tax, education surcharge and stamp duty.

The carrying amounts of trade and other payables approximate its fair values and is expected to be settled within twelve months.

19 INTEREST-BEARING BORROWINGS

The carrying amounts of bank borrowing is expected to be settled as below:

	As at 31 December	
	2019	2018
		(Restated)
	RMB'000	*RMB'000*
Bank borrowings		
Within 1 year	**–**	–
After 1 year	**3,199,602**	3,654,535
	3,199,602	3,654,535

Bank borrowings are denominated in the following currencies:

	As at 31 December	
	2019	2018
		(Restated)
	RMB'000	*RMB'000*
US$	**2,741,416**	3,220,982
GBP	**458,186**	433,553
	3,199,602	3,654,535

The exposure of the Group's borrowings to interest rate changes and the contractual re-pricing dates at the end of the reporting year are as follows:

	As at 31 December	
	2019	2018
		(Restated)
	RMB'000	*RMB'000*
6 months or less	**3,199,602**	3,654,535

The carrying amounts of bank borrowings approximate their fair value, as the borrowings were at floating interest rate.

In January 2018, the Group, refinanced its facilities:

(i) entered into a GBP50.0 million (approximately RMB446.3 million) secured term loan facility. The borrowing is repayable in full on 26 January 2022 and bears an interest rate of 3-month GBP LIBOR plus 2.20% per annum; and

(ii) utilised a US$18.0 million (approximately RMB123.8 million) revolving loan under the existing US dollar secured loan facility. Together with the previously drawn down of US$450.0 million (approximately RMB3,095.3 million) term loan from the same secured loan facility, the entire US dollar borrowing of US$468.0 million (approximately RMB3,214.4 million) is repayable in full on 29 April 2020. The term loan facility bears an interest rate of 3-month US dollar LIBOR plus 1.65% per annum.

In December 2019, the Group early repaid part of the US dollar borrowing of an amount of US$75.0 million, reducing the outstanding principal amount to US$393.0 million in total. On 23 December 2019, the Group amended and extended the existing US dollar secured loan facility. The new secured loan facilities are denominated in US$ for an amount up to US$555.0 million, comprising a committed term loan facility of US$475.0 million and an uncommitted term loan facility of US$80.0 million. The borrowings bears interest of 1.55% per annum above 3-month US$ LIBOR. The Group drawn down a US$10.0 million term loan under the new facility and the entire US dollar borrowing of US$403.0 million will be repayable in full on 24 December 2024.

As at 31 December 2019 and 31 December 2018, the Group's investment properties (note 13) derivative financial instruments (note 15), rent receivables and all future rent receivables (note 16), restricted bank balances (note 17), interests in certain subsidiaries of the Group and certain assets of a subsidiary of the Group were pledged to secure the Group's loan borrowings. In addition, the Trustee (in its capacity as trustee of Spring REIT) has provided guarantee for all the loan facilities.

20 CONVERTIBLE BONDS

On 27 November 2019, the Group issued HK$585 million convertible bonds at 1.75% per annum due on 27 November 2022. These bonds are convertible into new units at an initial conversion price of HK$3.642 per unit at the option of the bond holder.

	Carrying value *RMB'000*
Host liability components	
At 1 January 2019	–
Issuance of convertible bonds	**421,320**
Finance costs	**2,856**
Exchange difference recognised in other comprehensive income	**(2,163)**
At 31 December 2019	**422,013**
Derivative components	
At 1 January 2019	–
Issuance of convertible bonds	**89,153**
Change in fair value *(note 8)*	**(5,500)**
Exchange difference recognised in other comprehensive income	**(427)**
At 31 December 2019	**83,226**
At 31 December 2019	**505,239**

The effective interest rate of the convertible bonds, excluding derivative components, at the reporting date was 3.36%.

On 12 February 2020, the holder of the convertible bonds has converted all of the bonds based on the initial conversion price of HK$3.642 per unit, and 160,626,029 new units has been issued and allotted to the bond holder.

21 UNITS IN ISSUE

	Number of units As at 31 December	
	2019	2018
Balance as at beginning of the year	**1,272,356,925**	1,257,705,732
New units issued for Manager's fee	**13,456,390**	14,651,193
Balance as at end of the year	**1,285,813,315**	1,272,356,925

(i) Traded market value of the units as of 31 December 2019 was HK$3.22 (2018: HK$3.46) per unit. Based on 1,285,813,315 (2018: 1,272,356,925) units, the market capitalisation was HK$4,140 million (2018: HK$4,402 million) (approximately RMB3,700 million (2018: approximately RMB3,866 million)).

22 FUTURE MINIMUM RENTAL RECEIVABLES

As at 31 December 2019, the analysis of the Group's aggregate future minimum rental receivable under non-cancellable leases is as follows:

	As at 31 December	
	2019	2018
		(Restated)
	RMB'000	*RMB'000*
Within 1 year	**527,001**	480,960
After 1 year, but within 5 years	**814,280**	797,986
After 5 years	**300,980**	321,638
	1,642,261	1,600,584

Note: Most of the operating leases are on fixed terms and of terms of 3 years (2018: 3 years).

23 SUBSIDIARIES

Name	**Place of establishment and kind of legal entity/ place of operations**	**Principal activities**	**Particulars of issued share capital**	**Interest held**
Directly held:				
RCA01	Cayman Islands, limited liability	Property investment	1,000 of US$1 each	100%
RUK01 Limited	Jersey, limited liability	Investment holding	1 of GBP1 each	100%
Spring Treasury Limited	British Virgin Islands, limited liability	Financing	1 of US$1 each	100%
Indirectly held:				
Hawkeye Properties 501 Limited	Jersey, limited liability	Property investment	2 of GBP1 each	100%

24 FINANCIAL INSTRUMENTS BY CATEGORY

		Year ended 31 December	
		2019	2018 (Restated)
	Notes	***RMB'000***	*RMB'000*
Financial assets			
Financial assets at amortised cost:			
Trade and other receivables	*16*	**156**	424
Restricted bank balances	*17*	**382,115**	383,811
Cash and cash equivalents	*17*	**124,992**	107,094
Financial asset at fair value through profit and loss:			
Derivative financial instrument	*15*	**–**	438
		507,263	491,767
Financial liabilities			
Financial liabilities at amortised cost:			
Trade and other payables	*18*	**53,922**	63,066
Rental deposits	*18*	**155,410**	154,533
Borrowings	*19*	**3,199,602**	3,654,535
Convertible bonds – host liability components	*20*	**422,013**	–
Financial liabilities at fair value through profit and loss:			
Derivative financial instruments	*15*	**4,102**	702
Convertible bonds – derivative components	*20*	**83,226**	–
		3,918,275	3,872,836

The Group's exposure to various risks associated with the financial instruments is discussed in note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

25 SUBSEQUENT EVENTS

On 12 February 2020, the holder of the convertible bonds has converted all of the bonds based on the initial conversion price of HK$3.642 per unit, and 160,626,029 new units has been issued and allotted to the bond holder.

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group will pay close attention to the epidemic development of the COVID-19 outbreak and perform further assessment of its financial impacts.

26 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were authorised for issue by the Manager on 27 March 2020.