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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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020 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 (as manager of Spring REIT) (the "**Manager**") and DB Trustees (Hong Kong) Limited (as trustee of Spring REIT). Units of Spring REIT (the "**Units**") were first listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 5 December 2013.

Spring REIT offers investors direct exposure to two premium office buildings strategically located in Beijing Central Business District ("**Beijing CBD**") through its ownership in China Central Place Office Tower 1 and 2 (and the relevant portion of the car park) (the "**CCP Property**"). Being the first Hong Kong REIT to make an acquisition in the United Kingdom, Spring REIT's core property portfolio is complimented by a portfolio of 84 separate commercial properties in the United Kingdom ("**UK Portfolio**") which are leased out on a triple-net basis.

ABOUT THE MANAGER

Spring REIT is managed by Spring Asset Management Limited, a company incorporated in Hong Kong for the sole purpose of managing Spring REIT. As at 30 June 2020, the Manager was 90.2% owned by Mercuria Investment Co., Limited ("**Mercuria**"), a private equity investment 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, for and on behalf of Spring REIT, has resolved to declare an interim distribution for the period from 1 January 2020 to 30 June 2020 (the "**Reporting Period**", "**1H 2020**" or "**2020 Interim Distribution Period**") of HK9.5 cents per Unit ("**2020 Interim Distribution**") to Unitholders whose names appear on the register of Unitholders on 8 September 2020 (the "**Record Date**"). The 2020 Interim Distribution represents an increase of 6.7% half-on-half ("**HoH**") and a decrease of 5.0% year-on-year ("**YoY**") and a payout ratio of 100% (FY 2019: 100%). The decision to maintain a payout ratio of 100% was arrived at after considering the resilience in the performance of the portfolio and the quality of our balance sheet.

The 2020 Interim Distribution is subject to adjustment in the event of any issuance of new Units between 1 July 2020 and 8 September 2020. Based on the closing price of HK$2.51 per Unit as at 30 June 2020, the distribution implies an annualized distribution yield of 7.6%.

The presentation currency of Spring REIT is Renminbi ("**RMB**") and all distributions will be paid in Hong Kong Dollars ("**HK$**"). The exchange rate adopted for the 2020 Interim Distribution is HK$1 = RMB0.9070, which represents the average of month-end central parity rates in the 2020 Interim Distribution Period (as announced by the People's Bank of China).

The Manager confirms that 2020 Interim Distribution is composed only of consolidated profit after tax, before transactions with Unitholders and non-cash adjustments for the 2020 Interim Distribution Period.

In accordance with the Trust Deed, the Manager's current policy is to distribute to Unitholders of Spring REIT (the "**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 2020 Interim Distribution will be 8 September 2020. The register of Unitholders will be closed for the purpose of determining the identity of Unitholders from 7 September 2020 to 8 September 2020, both days inclusive, during which period no transfer of Units will be registered. The 2020 Interim Distribution is expected to be payable on 18 September 2020 to Unitholders whose names appear on the register of Unitholders on the Record Date.

In order to qualify for the 2020 Interim Distribution, all completed transfer forms in respect of transfer of Units (accompanied by the relevant unit certificates) must be lodged for registration with Computershare Hong Kong Investor Services Limited, Spring REIT's unit registrar in Hong Kong, whose address is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 4 September 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

CCP Property Operation Review

Beijing CBD hosts tenants from a wide range of industries, among which are tenants from the finance and insurance, professional services, internet and other hi-tech sectors. Beijing CBD holds the largest amount of Grade-A office stock in Beijing, amounting to 2.47 million sqm as at 30 June 2020, and accounting for 24.9% of the city's total Grade-A office space of 9.94 million sqm. In 1H 2020, two new Grade-A office projects were completed, adding 310,000 sqm of new supply to the market.

On the demand side, the Beijing office market was significantly affected by the outbreak of COVID-19 in the first half of 2020. With Beijing economic activities grinding to a halt in the first quarter of the year, the office market stagnated, as reflected by weakened occupancy rates and rental rates across the market. Many corporations opted to delay their real estate decision-making, and adopted a more conservative approach in their leasing strategies. As the pandemic gradually eased in the second quarter, some economic activities have resumed and some companies in Beijing have restored to normal office work arrangements, which helped to stimulate the subdued leasing demand.

However, the Beijing office market has also faced immense pressure from the supply side. It is clear that new Grade-A office supply has been piling up for the past few years and the pace at which this new supply has been slowed down. Recently, landlords have become increasingly flexible in their lease negotiations, prioritizing occupancy over rental rate.

In this environment, domestic companies are expected to remain the major demand driver, with government policies being rolled out to provide financial support to businesses during this difficult time. While office demand from foreign companies were dampened by China-US trade tension and tightened budget control, there is hope that the local government will introduce more stimulus policies to encourage foreign investment, which may help to stabilise demand from foreign tenants.

Beijing Office Market Occupancy Rates and Rental Rates in 1H 2020

		Occupancy Rate[1]	HoH Change	YoY Change	Average Rental Rate[1] (RMB/sqm/month)	HoH Change[2]	YoY Change[2]
Beijing CBD	Grade A	**82.6%**	**-1.0 ppts**	**-7.7 ppts**	**379**	**(5.7%)**	**(9.0%)**
	Premium Grade A	**79.1%**	**+1.8 ppts**	**-8.5 ppts**	**428**	**(6.0%)**	**(8.3%)**

1. Data as at 30 June 2020.
2. YoY and HoH changes in average rental rate are on a chain-linked basis, to facilitate like-for-like comparison.

Source: JLL Research

CCP Property Operation Performance

(in RMB' million) For the Six Months Ended	30-Jun-2019	HoH Change	31-Dec-2019	HoH Change	30-Jun-2020
Revenues					
– Rental income	239.27	2.3%	244.83	(0.5%)	**243.53**
– Car park and signage income	4.07	0.7%	4.10	24.1%	**5.09**
– Other income (note i)	7.26	(17.4%)	6.00	(26.3%)	**4.42**
	250.60	1.7%	254.93	(0.7%)	**253.04**
Property Operating Expenses					
– Property management fee	(5.43)	2.2%	(5.55)	(3.8%)	**(5.34)**
– Property taxes (note ii)	(28.82)	3.3%	(29.76)	2.6%	**(30.54)**
– Withholding tax (note iii)	(24.86)	2.5%	(25.47)	(0.1%)	**(25.44)**
– Other taxes (note iv)	(3.21)	(8.1%)	(2.95)	(2.7%)	**(2.87)**
– Leasing commission	(0.49)	912.2%	(4.96)	(82.9%)	**(0.85)**
– Others	(3.94)	(7.1%)	(3.66)	19.4%	**(4.37)**
	(66.75)	8.4%	(72.35)	(4.1%)	**(69.41)**
Net Property Income	183.85	(0.7%)	182.58	0.6%	**183.63**

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.

During the Reporting Period, the performance of the CCP Property remained relatively stable amid considerable adversity in the macro environment. Rental revenue declined slightly by 0.5% HoH, but improved by 1.8% YoY. As a result, revenue fell by 0.7% HoH and increased by 1.0% YoY. After deducting property operating expenses of RMB69.41 million, net property income stood at RMB183.63 million, representing an increase of 0.6% HoH and a decrease of 0.1% YoY respectively.

Property operating expenses are mainly made up of tax expenses, namely property taxes, withholding tax, and other taxes. Tax expenses in aggregate accounted for 84.8% of the total property operating expenses, while the property management fee, payable at 2.0% of total revenue, accounted for 7.7% of these expenses.

A 4.1% HoH decrease in property operating expenses was recorded for the Reporting Period, primarily due to lower leasing commissions, which reflected the subdued market environment. In order to support our tenants during the pandemic, we have designed a program which included the distribution of cash coupons to our tenants amounting to RMB4.00 million and this is reflected in the other property operating expenses.

Rental income

Despite the downturn in the overall market, the performance of the CCP Property continued to compare favourably with the wider market trend in Beijing. Its average occupancy rate for the first half of 2020 stood at 93.4% (2H 2019: 94.2%, 1H 2019: 92.2%).

During the Reporting Period expiries occurred involving a total area of 5,723 sqm, of which 76.9% were renewed. These renewals were achieved with a respectable average rental reversion of 2.1% (FY 2019: 2.1%). Including the renewals, a total area of 9,629 sqm (representing 8.0% of the leasable office area) was leased out, 54.3% of which was attributable to new leases which resulted in a marginal increase of the monthly average passing rent (net of VAT) to RMB363 per sqm. Despite adverse market conditions, we have been encouraged by the performance of the CCP Property, which once again demonstrated its resilience by comparison with many of its peers.

We are grateful that, as of 30 June 2020, there have been no confirmed COVID-19 cases among our tenants and colleagues in the CCP Property. While the pandemic seems to be well contained in Beijing, we continue to have stringent measures in place in order to provide our tenants, colleagues and guests visiting the property the safest and most hygienic workplace possible.

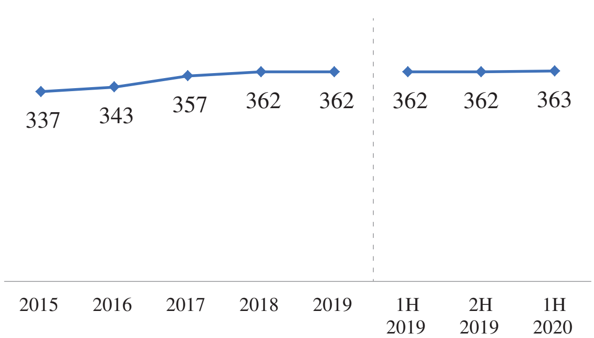
Having said that, we have observed an upward trend in rental arrears and the amount outstanding as of 30 June 2020 amounted to RMB1.72 million, representing 4.3% of our total rental income receivable in June (December 2019: RMB0.16 million). While 62.1% of the rental arrears as of end of June have been recovered within 30 days, we will remain diligent in monitoring the situation going forward.

Summary of Operating Performance

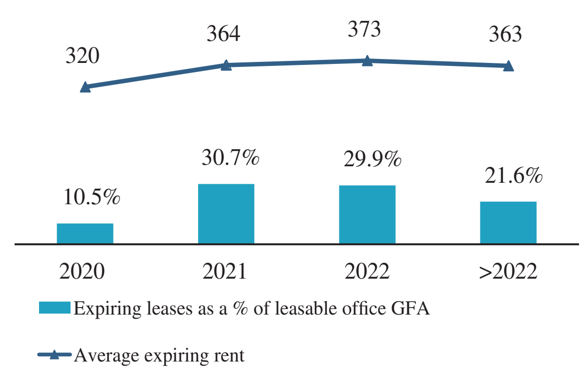
For the Six Months ended	30-Jun-2019	HoH Change	31-Dec-2019	HoH Change	30-Jun-2020
Net monthly average passing rent (RMB/sqm)[1]	362	–	362	0.3%	**363**
Average Occupancy (%)[2]	92.2%	+2.0 ppts	94.2%	-0.8 ppts	**93.4%**

Passing Rent

(RMB per sqm per month)



Expiry Profile by GFA



Notes:

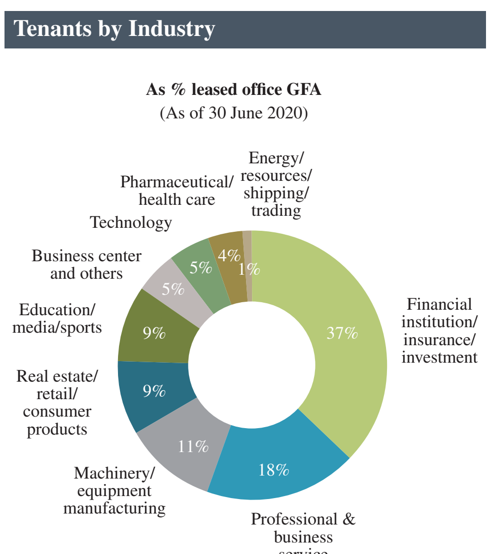
1. Average monthly passing rent is presented net of business tax and VAT (where applicable) and is calculated as an average of the month-end figures within the specified period.
2. Occupancy rate is calculated as an average of the month-end figures within the specified period.

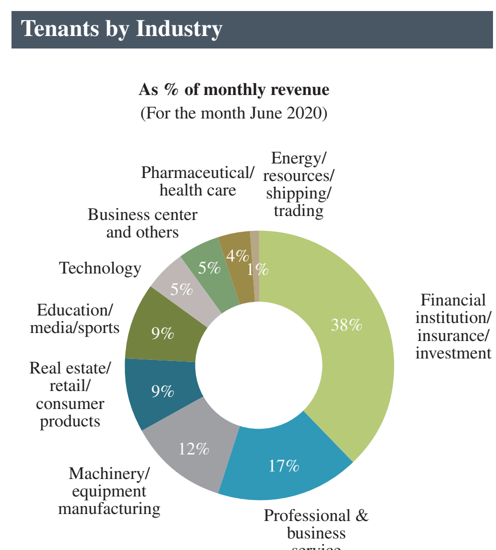
As at 30 June 2020, the weighted average lease expiry in terms of GFA was 631 days. Leases expiring in the second half of 2020 and in the year ending 31 December 2021 accounted for 10.5% and 30.7% of the total leasable office GFA respectively, and the average unit rents for the expiring leases were RMB320 per sqm and RMB364 per sqm respectively.

Tenancy base

The CCP Property had a total of 183 tenancies as at 30 June 2020. The top five tenants accounted for 20.8% of total rental revenue for the Reporting Period, and occupied 23.2% of the total leasable GFA as at 30 June 2020. Details of the top five tenants in terms of GFA are set out in the table below.

Tenants	% of total leased GFA
Epson	**6.0%**
Condé Nast	**4.3%**
Zhong De Securities	**4.3%**
Deutsche Bank	**4.3%**
Xinyuan	**4.3%**
Total	**23.2%**





UK Portfolio Operation Review

Each of the 84 properties in the UK Portfolio 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. This means that the tenant agrees to pay all real estate taxes, building insurance, and maintenance (the triple "nets") on the properties, in addition to any normal fees that are specified under the agreement (e.g. rent, utilities, etc.).

The operation of our UK Portfolio has remained largely uninterrupted in comparison with other sectors of the property market, thanks to the fact that car servicing shops are categorised by the British Government as an essential service and have been allowed to continue to operate throughout the pandemic. This is also helped by that fact that our tenant has implemented a wide range of measures to ensure a safe and hygienic environment for their customers.

Financial Results Highlights

(in RMB million unless otherwise specified) For the Six Months Ended	30-Jun-2019	HoH Change	31-Dec-2019	HoH Change	30-Jun-2020
Revenue	268.92	3.3%	277.67	(1.8%)	**272.73**
Property operating expenses	(67.02)	8.5%	(72.75)	(4.2%)	**(69.72)**
Net property income	201.90	1.5%	204.92	(0.9%)	**203.01**
Net property income margin	75.1%	-1.3 ppts	73.8%	0.6 ppts	**74.4%**
G&A expenses	(33.68)	(0.0%)	(33.67)	2.2%	**(34.40)**
Cash interest expense	(75.09)	2.3%	(76.84)	(28.9%)	**(54.60)**
Profit after taxation	152.84	(54.1%)	70.22	(478.4%)	**(265.68)**
Total distributable income	113.32	5.0%	118.97	5.2%	**125.19**

Unit information	1H 2019	HoH Change	2H 2019	HoH Change	1H 2020
DPU (HK cents)	10.0	(11.0%)	8.9[1]	6.7%	**9.5**
Payout ratio	97%	3.0 ppts	100%[2]	–	**100%**
Net asset value per Unit (HK$)	5.74	(2.3%)	5.61	(11.9%)	**4.94**
Number of Units outstanding	1,278,916,863	0.5%	1,285,813,315	13.2%	**1,454,929,390**

As at	30-Jun-2019	HoH Change	31-Dec-2019	HoH Change	30-Jun-2020
Portfolio valuation	9,824.78	0.5%	9,873.27	(3.8%)	**9,500.72**
Total assets	10,379.42	0.5%	10,429.37	(3.7%)	**10,040.17**
Total borrowings	3,646.28	1.6%	3,704.84	(13.1%)	**3,218.11**
Net asset value	6,461.50	(0.2%)	6,447.78	1.7%	**6,555.59**
Gearing ratio	35.1%	0.4 ppts	35.5%	-3.4 ppts	**32.1%**

1. 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 and 1,446,439,344 Units in issue as at 27 March 2020, being the date of declaration of the final distribution.
2. Represents the full year payout ratio of 100%.

Financial Performance

Spring REIT's revenue for the Reporting Period was RMB272.73 million, representing a 1.8% decrease HoH and a 1.4% increase YoY. After deducting property operating expenses of RMB69.72 million, net property income amounted to RMB203.01 million, representing a 0.9% decrease HoH and a 0.5% increase YoY. The net property income margin stood at 74.4% for the Reporting Period (2H 2019: 73.8%; 1H 2019: 75.1%).

General and administrative expenses remained stable at RMB34.40 million (2H 2019: RMB33.67 million). A total finance cost for interest-bearing borrowings of RMB106.22 million was registered, which included a non-cash foreign exchange loss. A foreign exchange loss of RMB40.24 million (2H 2019: a loss of RMB45.17 million; 1H 2019: a gain of RMB5.49 million) was recognized when US dollar bank borrowings were translated into RMB. Cash interest expenses amounted to RMB54.60 million, decreasing by 28.9% HoH and 27.3% YoY, due to a low interest rate environment, and also thanks to a decrease in total borrowing as a result of the conversion of the convertible bonds during the Reporting Period.

Taking into account the decreases in fair value of the CCP Property of RMB312.00 million and the UK Portfolio of RMB24.85 million, profit after taxation for the Reporting Period translated into a loss of RMB265.68 million (2H 2019: a profit of RMB70.22 million; 1H 2019: a profit of RMB152.84 million).

Total distributable income of Spring REIT for the Reporting Period was RMB125.19 million, representing increases of 5.2% HoH and 10.5% YoY respectively. Among other adjustments, the total distributable income excludes the foreign exchange loss and fair value loss of our investment properties, 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 a valuation of the Spring REIT portfolio as at 30 June 2020. The CCP Property was appraised at RMB8,862.00 million, representing a 3.4% decrease compared to its valuation as at 31 December 2019. The valuation was arrived at using the income approach, and cross-checked by the direct comparison approach. The decrease in valuation was mainly attributable to a decrease in market rents. The capitalisation rate/ reversionary yield stayed stable at 5.0% (31 December 2019: 5.0%; 30 June 2019: 5.0%).

The UK Portfolio was appraised at GBP72.90 million (equivalent to RMB638.72 million) as at 30 June 2020, representing a decrease of GBP2.80 million or approximately 3.7% in GBP terms (a decrease of 8.7% in RMB terms) over the valuation as at 31 December 2019. The valuation of the UK Portfolio was arrived at using an income approach. The reversionary yield ranged from 4.6% to 8.5% (31 December 2019: 4.1% to 8.0%).

As at 30 June 2020, Spring REIT had in place aggregate secured loan facilities of approximately RMB3,218.11 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, together totalling US$555.00 million (the "**CCP Facilities**"), which bear an interest rate of 3-month US$ LIBOR plus 1.55% per annum and will expire in December 2024.

2. A facility of GBP50.00 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.

During the Reporting Period, on 12 February 2020, the HK$585.00 million 1.75% convertible bonds due November 2022 ("**Convertible Bonds**") were fully converted by the bondholder, resulting in a reduction in total borrowing of approximately RMB511.77 million and the issuance of 160,626,029 new Units at a conversion price of HK$3.642 per Unit.

As at 30 June 2020, the gearing ratio, i.e. total borrowings to gross asset value, was 32.1%, compared with 35.5% as at 31 December 2019.

During the Reporting Period, Spring REIT entered into six float-to-fixed interest rate swap ("**IRS**") contracts, with a weighted average swap rate of 0.52% per annum and the same maturity as the CCP Facilities in December 2024. The aggregate notional amount of the IRS contracts is US$300.00 million, representing 74.4% of the US$-denominated loan facilities already drawn down by Spring REIT.

As at 30 June 2020, Spring REIT's investment properties, rent receivables, restricted bank balances, ordinary shares of RCA01, Hawkeye Properties 501 Limited, were pledged to secure term loan facilities where applicable. Throughout the Reporting Period, Spring REIT, RCA01, RUK01 Limited and Hawkeye Properties 501 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 RMB144.01 million as at 30 June 2020, compared with RMB124.99 million as at 31 December 2019. The Group also had total undrawn uncommitted 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 30 June 2020, the gross asset value of the Group was RMB10,040.17 million, representing a decrease of 3.7% HoH and 3.3% YoY.

New Units Issued

As at 30 June 2020, the total number of Units in issue was 1,454,929,390. A total of 169,116,075 new Units were issued during the Reporting Period.

Date	Particulars	No. of Units
31 December 2019	Beginning balance of the total number of Units in issue.	1,285,813,315
12 February 2020	Issue and allotment of new Units at the price of HK$3.642 pursuant to conversion of HK$585.00 million 1.75% convertible bonds due November 2022.	160,626,029
17 April 2020	Issue of new Units to the Manager at the price of HK$2.431 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 2019.	4,817,259
29 April 2020	Issue of new Units to the Manager at the price of HK$2.512 per Unit (being the Market Price as defined in the Trust Deed) as payment of 80% of the Manager's Base Fee for the 3-month period ended 31 March 2020.	3,672,787
30 June 2020	Ending balance of the total number of Units in issue.	1,454,929,390

Net Assets Attributable to Unitholders

As at 30 June 2020, net assets attributable to Unitholders stood at RMB6,555.59 million.

The net asset value per Unit as at 30 June 2020 was HK$4.94 (31 December 2019: HK$5.61; 30 June 2019: HK$5.74). This represented a 96.8% premium to the closing price of the Units of HK$2.51 as at 30 June 2020, the last trading day in the Reporting Period.

Capital Commitments

As at 30 June 2020, 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 Period.

Outlook

Spring REIT primarily operates in Beijing and its performance is sensitive to the economic environment and market dynamics there. The excess supply and subdued demand witnessed over the past two years have resulted in a relatively lacklustre office market. New supply, the majority of which is concentrated in the Beijing CBD, combined with subdued demand resulting from macro factors like the trade tensions between China and the US and the outbreak of COVID-19, have adversely affected both occupancy rates and average rental rates across all submarkets. In particular, the Beijing CBD's average occupancy rate declined to 82.6% as of 30 June 2020, from 90.3% a year earlier. We believe the market currently stands at an important juncture, attempting to strike an equilibrium between market forces as supply glut slowly comes to an end and leasing activities slowly recover. There are reasons to be optimistic on the long-term fundamentals of Beijing office market as new office supply will subside beyond year 2021, in light of limited land bank and stringent land use restrictions. In the meantime, performance of the UK Portfolio has remained immune to the battered UK economy and has enhanced Spring REIT's cash flow by delivering a 98.4% pass through of its revenue.

We are pleased with the performance of our CCP Property in the first half of 2020. Due to its strategic location and premium quality, the CCP Property has remained resilient, outperforming the market by registering a respectable rental reversion of 2.1% while maintaining an average occupancy of 93.4%. However, corporations have become more cost-conscious in their leasing strategies and we do not expect any quick improvement in the market in the second half. With a view to strike an optimal long-term balance between occupancy and rental rate, we will remain flexible in our leasing policies to retain loyal existing tenants as well as to pursue high-quality new tenants. We will also be vigilant in monitoring and controlling rental arrears to ensure cash flow remains healthy.

On the capital management front, Spring REIT entered into interest rate swap contracts during the Reporting Period with a view to stabilising and containing its long-term cost of funds while interest rates are low. As of 30 June 2020, the interest costs of about 74.4% of the US$-denominated loan facilities drawn down had been fixed. We will continue to monitor the capital market closely, and do not rule out entering into additional interest rate swap contracts as and when opportunities arise.

In late 2019, the Manager successfully refinanced the loan facility due in April 2020 using a combination of syndicated loan and convertible bonds. The timing of these initiatives could not have been more apt, for that the rapidly deteriorated economic and market conditions would have made these exercises more onerous or expensive. More recently in May 2020, at the annual general meeting, our Unitholders approved our proposal to include Unit repurchase as an additional tool for capital management. We are thankful that these measures have provided Spring REIT with a stronger balance sheet to weather short term headwind and an enhanced platform for long-term development.

As mentioned previously, the Manager will remain active in pursuing potential acquisition opportunities but at the same time diligent in its evaluation of such opportunities. Our priority will continue to be properties that deliver a solid and stable cash flow, and China will remain the geographical focus of Spring REIT's core investment activities. However, little progress has been made on this front during the Reporting Period due to COVID-19 related travel restrictions, which have made sourcing and due diligence work rather difficult. We look forward to resuming our acquisition initiatives when these restrictions are eased.

In conclusion, the first half of 2020 has been challenging for Spring REIT and other property owners. However, at Spring REIT we firmly believe in the value of owning premium properties, and that we will be able to continue delivering sustainable returns for our Unitholders through proactive leasing strategies complemented by prudent capital management strategies.

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 Period, 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.

During the Reporting Period, an annual general meeting of Spring REIT was held on 21 May 2020 to note the audited financial statements of Spring REIT together with the independent auditor's report for the year ended 31 December 2019, and the re-appointment of the independent auditor of Spring REIT; to approve the buy-back mandate; and for meeting with Unitholders and answering their questions, if any.

Key components of the governance framework and corporate governance for the six months ended 30 June 2020 will be set out in the forthcoming interim report.

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 and Chief Executive Officer of the Manager), Mr. Nobumasa Saeki (Executive Director of the Manager) and Mr. Chung Wai Fai, Michael (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. Mr. Leung Kwok Hoe, Kevin, Executive Director and Chief Executive Officer 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). DB Trustees (Hong Kong) Limited 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 Period, 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 Reporting Period.

Investments in Property Development and Relevant Investments

During the Reporting Period, Spring REIT did not enter into any (i) Investments in Property Development and Related Activities (as defined in Paragraph 2.16A of the REIT Code); or (ii) Relevant Investments (as defined in Paragraph 7.2B of the REIT Code).

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 30 June 2020.

Review of Interim Results

The consolidated interim results of Spring REIT for the Reporting Period have been reviewed by the Audit Committee and the Disclosures Committee of the Manager in accordance with their respective terms of reference.

The consolidated interim results of Spring REIT for the Reporting Period have also been reviewed by the external auditor of Spring REIT in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board.

Issuance of the Interim Report

The interim report of Spring REIT for the period ended 30 June 2020 will be published on the websites of the Stock Exchange, at www.hkexnews.hk, and Spring REIT, at www.springreit.com, and will be sent to Unitholders on or before 31 August 2020.

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, 19 August 2020

As at the date of this announcement, the directors of the Manager are Toshihiro Toyoshima (Chairman and non-executive director); Nobumasa Saeki (Chung Wai Fai, Michael as his alternate), 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).

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	Note	***RMB'000***	*RMB'000*
Revenues	*6*	**272,726**	268,917
Property operating expenses	*7*	**(69,721)**	(67,023)
Net property income		**203,005**	201,894
General and administrative expenses	*8*	**(34,400)**	(33,682)
Fair value (loss)/gain of investment properties	*14*	**(336,845)**	61,934
Fair value loss of right-of-use assets	*15*	**(754)**	–
Other gains/(losses), net	*9*	**8,907**	(8,010)
Operating (loss)/profit		**(160,087)**	222,136
Finance income		**1,724**	1,767
Finance costs	*10*	**(106,218)**	(70,282)
(Loss)/profit before taxation and transactions with Unitholders		**(264,581)**	153,621
Income tax expense	*11*	**(1,097)**	(777)
(Loss)/profit for the period, before transactions with Unitholders		**(265,678)**	152,844
Distributions paid to Unitholders:			
– 2018 final distribution		**–**	(78,635)
– 2019 final distribution *(note i)*		**(117,685)**	–
		(383,363)	74,209

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Represented by:		
Change in net assets attributable to Unitholders, excluding issuance of new units	**(365,201)**	74,478
Amount arising from exchange reserve movements regarding translation of financial statements	**(18,162)**	(269)
	(383,363)	74,209

Notes:

(i) 2019 final distribution of RMB117,685,000 for the year ended 31 December 2019 was paid during the six months ended 30 June 2020. Total distribution for the six months ended 30 June 2020 is presented in the statement of distributions.

(ii) (Loss)/earnings per unit, based upon (loss)/profit for the period, before transactions with Unitholders and the weighted average number of units in issue, is set out in note 13.

The notes on pages 26 to 45 are an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Note	**Before transactions with Unitholders** (Unaudited) *RMB'000*	**Transactions with Unitholders** *(note i)* (Unaudited) *RMB'000*	**After transactions with Unitholders** (Unaudited) *RMB'000*
For the six months ended 30 June 2020				
Loss for the period		**(265,678)**	**247,516**	**(18,162)**
Other comprehensive income:				
Items that may be reclassified to condensed consolidated income statement				
Exchange loss on translation of financial statements of subsidiaries		**(2,396)**	**–**	**(2,396)**
Items that may not be reclassified to condensed consolidated income statement				
Exchange gain on translation of financial statements of Spring REIT		**20,558**	**–**	**20,558**
Total comprehensive loss for the period	*ii*	**(247,516)**	**247,516**	**–**
For the six months ended 30 June 2019				
Profit for the period		152,844	(153,113)	(269)
Other comprehensive income:				
Items that may not be reclassified to condensed consolidated income statement				
Exchange gain on translation of financial statements of Spring REIT		269	–	269
Total comprehensive income for the period	*ii*	153,113	(153,113)	–

Notes:

(i) Transactions with Unitholders comprise the distributions paid to Unitholders of RMB117,685,000 (2019: RMB78,635,000), and change in net assets attributable to Unitholders excluding issuance of new units, which is a decrease of RMB365,201,000 (2019: an increase of RMB74,478,000).

(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 condensed consolidated income statement. Accordingly, the total comprehensive income, after transactions with Unitholders is zero.

The notes on pages 26 to 45 are an integral part of these condensed consolidated interim financial information.

STATEMENT OF DISTRIBUTIONS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
(Loss)/profit for the period, before transactions with Unitholders	**(265,678)**	152,844
Adjustments:		
– Fair value loss/(gain) of investment properties	**336,845**	(61,934)
– Fair value loss of right-of-use assets	**754**	–
– Gain on conversion of convertible bonds	**(56,699)**	–
– Net fair value loss of derivative financial instruments	**16,770**	5,373
– Manager's fee expenses in units in lieu of cash	**16,749**	20,132
– Amortisation of transaction costs for host liability components of convertible bonds and bank borrowings	**5,187**	(236)
– Unrealised foreign exchange loss/(gain)	**71,259**	(2,855)
Distributable income for the period *(note i)*	**125,187**	113,324
Total distributions of the period *(note ii)*	**125,187**	110,441
Percentage of total distribution over distributable income for the period	**100%**	97%
Distributions per unit to Unitholders for the period		
– Interim distribution per unit, to be paid *(note iii and iv)*	**HK9.5 cents**	HK10.0 cents

Notes:

(i) Under the terms of the Trust Deed, the distributable income represents the (loss)/profit for the period 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 period.

(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) Interim distribution per unit of HK9.5 cents for the six months ended 30 June 2020 is calculated based on the interim distribution to be paid to Unitholders of RMB125,187,000 for the first half of 2020 and 1,454,929,390 units in issue as at 30 June 2020, without taking into account any consideration or subdivision of units which may have occurred between the dates of declaration of the distribution and 8 September 2020 (the "**Record Date**"). Distributions to Unitholders for the six months ended 30 June 2020 represent a payout ratio of 100% (2019: 97%) of Spring REIT's total distributable income for the period. The interim distribution for the six months ended 30 June 2020 is expected to be paid on 18 September 2020. Such interim distribution per unit, however, is subject to adjustment upon the issuance of new units between 1 July 2020 and Record Date, if any.

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

The notes on pages 26 to 45 are an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	**As at 30 June 2020 (Unaudited) *RMB'000***	As at 31 December 2019 (Audited) *RMB'000*
Assets			
Investment properties	*14*	**9,500,722**	9,873,265
Right-of-use assets	*15*	**14,720**	16,304
Restricted bank balances	*18*	**332,368**	382,115
Trade and other receivables	*17*	**48,353**	32,693
Cash and cash equivalents	*18*	**144,007**	124,992
Total assets		**10,040,170**	10,429,369
Liabilities, excluding net assets attributable to Unitholders			
Interest-bearing borrowings	*20*	**3,218,113**	3,199,602
Convertible bonds	*21*	**–**	505,239
Derivative financial instruments	*16*	**20,884**	4,102
Lease liabilities	*15*	**11,344**	12,072
Rental deposits	*19*	**148,290**	155,410
Trade and other payables	*19*	**84,878**	102,998
Income tax payable		**1,074**	2,171
Total liabilities, excluding net assets attributable to Unitholders		**3,484,583**	3,981,594

	Note	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
Net assets attributable to Unitholders		**6,555,587**	6,447,775
Units in issue *('000)*	*22*	**1,454,929**	1,285,813
Net asset value per unit attributable to Unitholders			
In RMB		**4.51**	5.01
In HK$		**4.94**	5.61

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

Leung Kwok Hoe, Kevin
Executive Director

Nobumasa Saeki
Executive Director

The notes on pages 26 to 45 are an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Reserves *(note)* *RMB'000*	**Net assets attributable to Unitholders** *RMB'000*
As at 1 January 2020	**–**	**6,447,775**
Loss for the period, before transactions with Unitholders	**–**	**(265,678)**
Exchange gain on translation of financial statements	**18,162**	**–**
Amount arising from exchange reserve movements	**(18,162)**	**18,162**
Distributions paid to Unitholders:		
– 2019 final distribution	**–**	**(117,685)**
Change in net assets attributable to Unitholders for the six months ended 30 June 2020, excluding issues of new units	**–**	**(365,201)**
Issuance of units	**–**	**473,013**
As at 30 June 2020	**–**	**6,555,587**
As at 1 January 2019	–	6,366,978
Profit for the period, before transactions with Unitholders	–	152,844
Exchange gain on translation of financial statements	269	–
Amount arising from exchange reserve movements	(269)	269
Distributions paid to Unitholders:		
– 2018 final distribution	–	(78,635)
Change in net assets attributable to Unitholders for the six months ended 30 June 2019, excluding issues of new units	–	74,478
Issuance of units	–	20,045
As at 30 June 2019	–	6,461,501

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 26 to 45 are an integral part of these condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 condensed consolidated interim financial information 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 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standards ("**IAS**") 34 "Interim financial reporting" issued by the International Accounting Standards Board. The condensed consolidated interim financial information should be read in conjunction with the Group's annual financial statements as at 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019 as described in those annual financial statements.

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

The Group has adopted all of the new standards issued by the International Accounting Standards Board that are mandatory for annual accounting periods beginning 1 January 2020.

New standards, amendments, interpretations and improvements to existing standards effective in 2020:

IAS 1 and IAS 8 Amendments	Definition of Material
IAS 39, IFRS 7 and IFRS 9 Amendments	Interest Rate Benchmark Reform
IFRS 3 Amendments	Definition of a Business
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of these amendments to existing standards does not have a material impact on the accounting policies or results and the financial position of the Group.

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
IFRS 16 Amendments	COVID-19 Related Rent Concessions	1 June 2020
IFRS 3 Amendments	Business Combinations	1 January 2022
IAS 16 Amendments	Property, Plant and Equipment	1 January 2022
IAS 37 Amendments	Provision, Contingent Liabilities and Contingent Assets	1 January 2022
Annual Improvements to IFRS 1, IFRS 9, IAS 41 and IFRS 16	Annual Improvements to IFRS 2018-2020 Cycle	1 January 2022
IAS 1 Amendments	Classification of Liabilities as Current or Non-current	1 January 2023
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.

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 value 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 14.

(b) Estimates of fair values of derivative financial instruments

Fair values of derivative financial instruments have been arrived at using valuations provided by the counterparty banks 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 FINANCIAL RISK

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange and interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2019.

There have been no changes in the risk management policies since the year end.

6 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 reviews the operating results of the Group on an aggregate basis, no segment information is therefore presented.

For the six months period ended 30 June 2020, revenue of RMB253.0 million (30 June 2019: RMB250.6 million) is attributable to tenants from the PRC investment properties and RMB19.7 million (30 June 2019: RMB18.3 million) is attributable to tenants from the UK investment properties. As at 30 June 2020, investment properties of RMB8,862.0 million (31 December 2019: RMB9,174.0 million) is located in the PRC and RMB638.7 million (31 December 2019: RMB699.3 million) is located in the UK. Right-of-use assets of RMB14.7 million (31 December 2019: RMB16.3 million) is located in the UK.

An analysis of revenues of the Group is as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenues		
Rental income	**265,463**	259,844
Car park income	**2,844**	1,818
Other income *(note i)*	**4,419**	7,255
	272,726	268,917

Note:

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

7 PROPERTY OPERATING EXPENSES

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Property management fee	**5,622**	5,703
Property taxes *(note i)*	**30,545**	28,822
Other taxes *(note ii)*	**2,870**	3,208
Withholding tax *(note iii)*	**25,438**	24,855
Leasing commission	**853**	492
Others	**4,393**	3,943
	69,721	67,023

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.

8 GENERAL AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Manager's fee *(note i)*	**26,889**	26,408
Trustee fee	**913**	846
Valuation fee	**461**	643
Auditor's remuneration	**898**	624
Legal and other professional fee *(note ii)*	**4,731**	4,534
Others	**508**	627
	34,400	33,682

Notes:

(i) The breakdown of the Manager's fee was set out in note 12.

(ii) Legal and other professional fee mainly comprises advisory fees and other professional fees.

9 OTHER GAINS/(LOSSES), NET

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Net fair value loss on derivative financial instruments at fair value through profit or loss	**(16,770)**	(5,373)
Foreign exchange loss	**(31,022)**	(2,637)
Gain on conversion of convertible bonds (note 21)	**56,699**	–
	8,907	(8,010)

10 FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest expenses on bank borrowings *(note i)*	**55,854**	75,773
Interest expenses on convertible bonds	**4,299**	–
Interest expenses/(income) on derivative financial instruments	**4,327**	(468)
Interest expenses on lease liabilities	**469**	469
Foreign exchange loss/(gain) on bank borrowings *(note ii)*	**40,237**	(5,492)
Others	**1,032**	–
	106,218	70,282

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 loss/(gain) on bank borrowings arise upon translating the bank borrowings denominated in foreign currencies.

11 INCOME TAX EXPENSE

For the subsidiary with operation in the PRC, it is not subject to the corporate income tax. It is subject to withholding tax as disclosed in note 7(iii).

For the subsidiary with operation in the UK, it is subject to non-resident landlord income tax at a rate of 19.5% (2019: 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 condensed consolidated income statement represents:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current income tax	**1,097**	777

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 period was as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
(Loss)/profit before income tax and transactions with Unitholders	**(264,581)**	153,621
Exclude (loss)/profit from the PRC operation which is not subject to income tax *(note 7(iii))*	**249,566**	(176,243)
	(15,015)	(22,622)
Tax calculated at the Hong Kong profit tax rate at 16.5% (2019: 16.5%)	**(2,477)**	(3,733)
Effect on different taxation rate on overseas operations	**(875)**	350
Income not subject to tax	**(12,448)**	(1,039)
Expenses not deductible for tax purposes	**16,897**	5,199
	1,097	777

12 MANAGER'S FEE

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Base fee	**20,799**	20,239
Variable fee	**6,090**	6,169
	26,889	26,408

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 10 December 2019 in relation to the Manager's elections for the Base Fee payable in the form of cash as to 20% and in the form of units as to 80%, and for Variable Fee payable in the form of cash entirely, arising from any real estate of Spring REIT for the year ending 31 December 2020 in accordance with the Trust Deed.

Such election for the year ended 31 December 2019 was for 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.

13 (LOSS)/EARNINGS PER UNIT

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
(Loss)/profit for the period, before transactions with Unitholders	**(265,678)**	152,844
Adjustment for dilutive convertible bonds	**(52,372)**	–
(Loss)/profit for the period, before transactions with Unitholders for calculating diluted (loss)/earnings per unit	**(318,050)**	152,844
Weighted average number of units for the period for calculating basic (loss)/earnings per unit	**1,412,628,282**	1,275,202,128
Adjustment for dilutive units issuable in respect of the Manager's fee	**–**	3,380,323
Adjustment for dilutive convertible bonds	**37,067,545**	–
Weighted average number of units for the period for calculating diluted (loss)/earnings per unit	**1,449,695,827**	1,278,582,451
Basic (loss)/earnings per unit based upon (loss)/profit before transactions with Unitholders	**(RMB 18.8 cents)**	RMB12.0 cents
Diluted (loss)/earnings per unit based upon (loss)/profit before transactions with Unitholders	**(RMB 21.9 cents)**	RMB12.0 cents

Convertible bonds issued on 27 November 2019 are considered to be potential units and have been included on the determination of diluted (loss)/earnings per unit.

The units issuable in respect of the Manager's fee are considered to have an anti-dilutive effect on the basic loss per unit for the six months period ended 30 June 2020, thus it is not included in the calculation of diluted loss per unit.

14 INVESTMENT PROPERTIES

	For the period ended 30 June 2020 (Unaudited) *RMB'000*	For the year ended 31 December 2019 (Audited) *RMB'000*
At beginning of the period/year	**9,873,265**	9,764,060
Additions	**–**	3,237
Exchange differences recognised in other comprehensive income	**(35,698)**	35,201
Changes in fair value recognised in consolidated income statement	**(336,845)**	70,767
At end of the period/year	**9,500,722**	9,873,265

Note:

(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 property 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 30 June 2020 and 31 December 2019, the Group had no unprovided contractual obligations for future repairs and maintenance of the investment properties.

As at 30 June 2020 and 31 December 2019, the investment properties were pledged to secure the Group's bank borrowings (note 20).

Valuation process

The Group's investment properties were valued by an independent professionally qualified valuer not connected to the Group who holds a recognised relevant professional qualification and has recent experience 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 30 June 2020 and 31 December 2019, the fair values of the investment properties have been determined by Jones Lang LaSalle Corporate Appraisal and Advisory 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 value of the property 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 30 June 2020	**–**	**–**	**9,500,722**
As at 31 December 2019	–	–	9,873,265

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

Key unobservable inputs used to determine fair values

(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 property. In the 30 June 2020 valuation, a capitalisation rate of 5.0% (31 December 2019: 5.0%) 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 RMB399 (31 December 2019: RMB404) 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 rates used, the lower the fair values of the investment properties. In the 30 June 2020 valuations, the capitalisation rate used in the income capitalisation approach of 84 investment properties range from 4.6% to 8.5% (31 December 2019: from 4.1% to 8.0%).

(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 (31 December 2019: from GBP4.50 to GBP22.47) per square foot.

As at 30 June 2020, 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 RMB475 million (31 December 2019: RMB494 million) higher/lower.

15 LEASES

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

	For the period ended 30 June 2020 (Unaudited) *RMB'000*	For the year ended 31 December 2019 (Audited) *RMB'000*
Right-of-use assets		
At beginning of the period/year	**16,304**	–
Adjustment on adoption of IFRS 16	**–**	15,275
Exchange differences recognised in other comprehensive income	**(830)**	891
Changes in fair value recognised in consolidated income statement	**(754)**	138
At end of the period/year	**14,720**	16,304

	As at 30 June 2020 (Unaudited) *RMB'000*	As at 31 December 2019 (Audited) *RMB'000*
Lease liabilities, expected to be settled:		
Within 1 year	**207**	136
After 1 year	**11,137**	11,936
	11,344	12,072

Fair value hierarchy

	Fair value measurements using		
	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*
Recurring fair value measurements			
As at 30 June 2020			
Asset			
Right-of-use assets	**–**	**–**	**14,720**
As at 31 December 2019			
Asset			
Right-of-use assets	–	–	16,304

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

16 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2020 (Unaudited) *RMB'000*	As at 31 December 2019 (Audited) *RMB'000*
Liability		
Fair value of the interest rate swaps	**20,884**	4,102

The Group has entered into six (31 December 2019: 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 Group recorded net fair value loss on interest rate swaps for the six months ended 30 June 2020 amounting to RMB16,770,000 (30 June 2019: RMB5,373,000) (note 9) which were charged to the condensed 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 30 June 2020 (Unaudited) *RMB'000*	As at 31 December 2019 (Audited) *RMB'000*
Within 1 year	**–**	4,102
After 1 year	**20,884**	–
	20,884	4,102

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 30 June 2020			
Liability			
Fair value of the interest rate swaps	**–**	**20,884**	**–**
As at 31 December 2019			
Liability			
Fair value of the interest rate swaps	–	4,102	–

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

17 TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
	RMB'000	*RMB'000*
Rent receivables	**1,582**	156
Deferred rent receivables *(note iv)*	**23,976**	28,187
Prepayments	**10,558**	4,323
Other receivable	**12,237**	27
	48,353	32,693

Notes:

(i) Trade and other receivables are 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 19).

(iii) As at 30 June 2020 and 31 December 2019, the Group's rent receivables and all future rent receivables were pledged to secure the Group's bank borrowings in the PRC (note 20).

(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.

18 RESTRICTED BANK BALANCES AND CASH AND CASH EQUIVALENTS

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
	RMB'000	*RMB'000*
Restricted bank balances	**332,368**	382,115
Cash and cash equivalents	**144,007**	124,992
	476,375	507,107

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

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
	RMB'000	*RMB'000*
US$	**243,410**	239,980
RMB	**210,175**	228,543
HK$	**5,241**	17,756
GBP	**17,549**	20,828
	476,375	507,107

Restricted bank balances are related to bank accounts restricted under the bank borrowing facility agreements of the bank borrowings (note 20).

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.

19 RENTAL DEPOSITS AND TRADE AND OTHER PAYABLES

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
	RMB'000	*RMB'000*
Rental deposits *(note i)*	**148,290**	155,410
Trade and other payables:		
Rental receipts in advance	**39,498**	46,850
Provision for other taxes *(note ii)*	**76**	50
VAT payable	**1,948**	2,176
Accrued expenses and other payables	**43,356**	53,922
	84,878	102,998

Notes:

(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 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
	RMB'000	*RMB'000*
Within 1 year	**47,469**	31,037
Over 1 year	**100,821**	124,373
	148,290	155,410

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

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

20 INTEREST-BEARING BORROWINGS

The carrying amounts of bank borrowings are expected to be settled as below:

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
	RMB'000	*RMB'000*
Bank borrowings		
Within one year	**–**	–
After one year	**3,218,113**	3,199,602
	3,218,113	3,199,602

Bank borrowings are denominated in the following currencies:

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
	RMB'000	*RMB'000*
US$ *(note i)*	**2,782,683**	2,741,416
GBP *(note ii)*	**435,430**	458,186
	3,218,113	3,199,602

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

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
	RMB'000	*RMB'000*
6 months or less	**3,218,113**	3,199,602

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

Notes:

(i) The borrowing bears interest of 1.55% per annum above 3-month US$ LIBOR and repayable in full on 24 December 2024; and

(ii) 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.

As at 30 June 2020 and 31 December 2019, the Group's investment properties (note 14), derivative financial instruments (note 16), rent receivables and all future rent receivables (note 23), restricted bank balances (note 18), 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.

21 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.

	For the period ended 30 June 2020 (Unaudited) ***RMB'000***	For the year ended 31 December 2019 (Audited) *RMB'000*
Host liability components		
At the beginning of the period/year	**422,013**	–
Issuance of convertible bonds	**–**	421,320
Conversion of convertible bonds	**(428,014)**	–
Finance costs	**3,307**	2,856
Exchange difference recognised in other comprehensive income	**2,694**	(2,163)
At the end of the period/year	**–**	422,013
Derivative components		
At the beginning of the period/year	**83,226**	–
Issuance of convertible bonds	**–**	89,153
Conversion of convertible bonds	**(83,756)**	–
Change in fair value	**–**	(5,500)
Exchange difference recognised in other comprehensive income	**530**	(427)
At the end of the period/year	**–**	83,226
At the end of the period/year	**–**	505,239

As at 31 December 2019, the effective interest rate of the convertible bonds, excluding derivative components 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. The conversion represented a settlement of the Group's financial liabilities and resulted in a gain of approximately RMB56.7 million.

22 UNITS IN ISSUE

	Number of units	
	For the period ended 30 June 2020	For the year ended 31 December 2019
Balance at the beginning of the period/year	**1,285,813,315**	1,272,356,925
New units issued for Manager's fee	**8,490,046**	13,456,390
New units issued for conversion of convertible bonds *(note 21)*	**160,626,029**	–
Balance at the end of the period/year *(note i)*	**1,454,929,390**	1,285,813,315

Note:

(i) Traded market value of the units as of 30 June 2020 was HK$2.51 (31 December 2019: HK$3.22) per unit. Based on 1,454,929,390 (31 December 2019: 1,285,813,315) units, the market capitalisation was HK$3,652 million (approximately RMB3,329 million) (31 December 2019: HK$4,140 million (approximately RMB3,700 million)).

23 FUTURE MINIMUM RENTAL RECEIVABLES

As at 30 June 2020, the analysis of the Group's aggregate future minimum rental receivable under non-cancellable leases is as follows:

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
	RMB'000	*RMB'000*
Within 1 year	**466,881**	527,001
After 1 year, but within 5 years	**669,715**	814,280
After 5 years	**265,487**	300,980
	1,402,083	1,642,261

Note: Most of the operating leases are on fixed terms and of terms of 3 years (2019: 3 years).

24 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%

25 APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The condensed consolidated interim financial information were authorised for issue by the Manager on 19 August 2020.