

# SpringREIT

Spring Real Estate Investment Trust  
春泉產業信託

Stock Code : 01426



INTERIM REPORT 2020

Managed by  
**Spring Asset Management Limited**

# CONTENTS

2	Performance Highlights
3	Distribution
5	Management Discussion and Analysis
14	Corporate Governance
21	Connected Party Transactions
26	Disclosure of Interests
31	Report on Review of Interim Financial Information
32	Condensed Consolidated Income Statement
33	Condensed Consolidated Statement of Comprehensive Income
34	Statement of Distributions
35	Condensed Consolidated Statement of Financial Position
36	Condensed Consolidated Statement of Changes in Net Assets attributable to Unitholders
37	Condensed Consolidated Statement of Cash Flows
38	Notes to the Condensed Consolidated Interim Financial Information
63	Performance Table
64	Corporate Information

## 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, 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 is 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”, formerly known as AD Capital Co., Ltd., renamed on 1 January 2016), which is a private equity investment firm listed on the Tokyo Stock Exchange (Stock Code: 7190) with notable shareholders such as Development Bank of Japan, Itochu Corporation and Sumitomo Mitsui Trust Bank, Limited.

# Performance Highlights

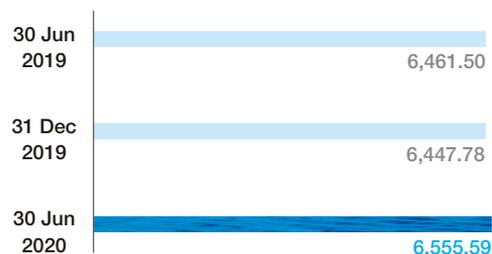
## Appraised Property Value

(RMB million)



## Net Asset Value

(RMB million)



## Total Revenue

(RMB million)



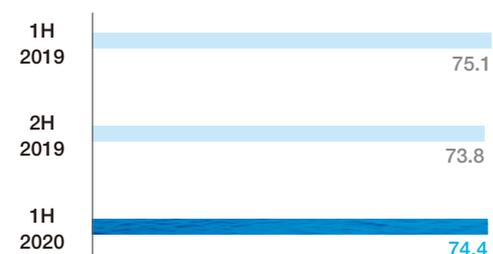
## Net Property Income

(RMB million)



## Net Property Income Margin

(%)



## Gearing Ratio

(%)



## Net Average Monthly Passing Rent

(RMB per sqm per month)



## Average Occupancy

(%)



Note: The UK Portfolio is leased 100% to a single tenant on a long-term basis. The average monthly passing rent and average occupancy charts only represents that of the CCP Property

## 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.

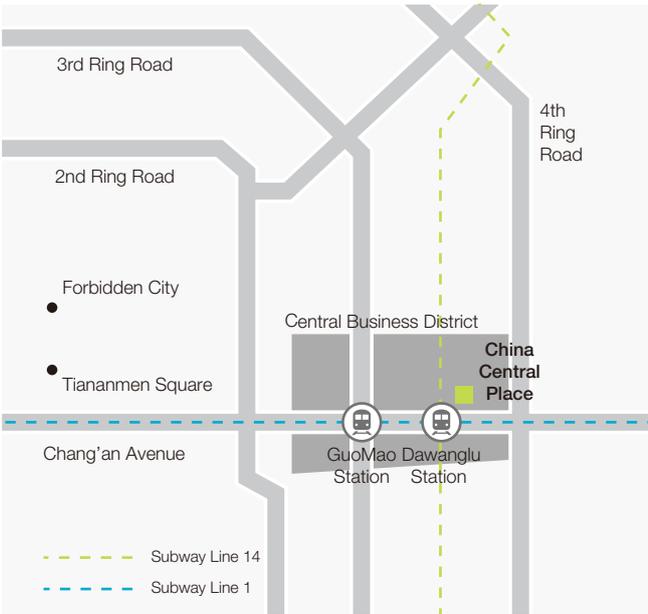
# Overview of Spring REIT's Properties

## CCP Property

Spring REIT currently offers investors exposure to two premium grade office buildings strategically located in Beijing Central Business District ("Beijing CBD"), namely Office Tower 1 and Office Tower 2 in China Central Place and a car park facility located in the underground of the two office buildings. The two office buildings have in aggregate a total gross floor area of 120,245 sqm, and 25,127 sqm of approximately 600 car parking space. CCP is strategically located in the southeast corner of Beijing's traditional CBD, which is in the east of the heart of the city in Chaoyang District.

## UK Portfolio

The UK Portfolio comprises 84 separate commercial properties with diversified locations across the UK. The properties are leased to Kwik-Fit (GB) Limited, a nationwide car servicing service provider in the UK. Founded in 1971, Kwik-Fit has the largest network of fast-fit centres with more than 600 centres in the country.



# 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			Average Rental		
		Rate <sup>1</sup>	HoH Change	YoY Change	Rate <sup>1</sup> (RMB/ sqm/month)	HoH Change <sup>2</sup>	YoY Change <sup>2</sup>
Beijing CBD	Grade A	82.6%	-1.0 pts	-7.7 pts	379	(5.7%)	(9.0%)
	Premium Grade A	79.1%	+1.8 pts	-8.5 pts	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

## Management Discussion and Analysis (Continued)

### 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.

## Management Discussion and Analysis (Continued)

### 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.

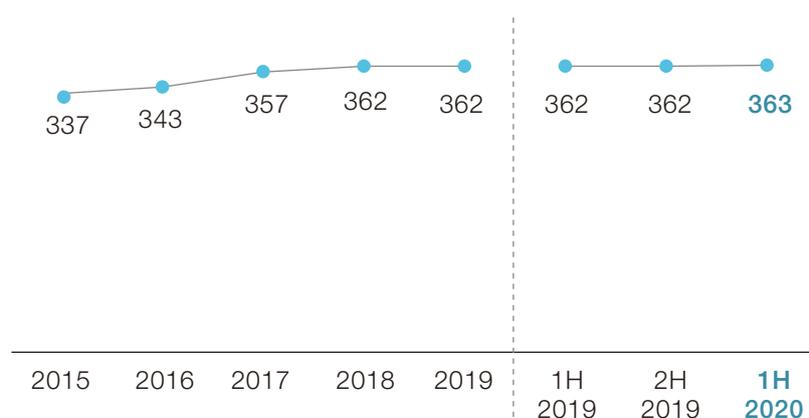
Having said that, we have observed an upward trend in rental arrears and the amount outstanding as of 30 June 2020 amounted to RMB1.72 million, representing 4.3% of our total rental income receivable in June (December 2019: RMB0.16 million). While 62.1% of the rental arrears as of end of June have been 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) <sup>1</sup>	362	–	362	0.3%	363
Average Occupancy (%) <sup>2</sup>	92.2%	+2.0 ppts	94.2%	-0.8 ppts	93.4%

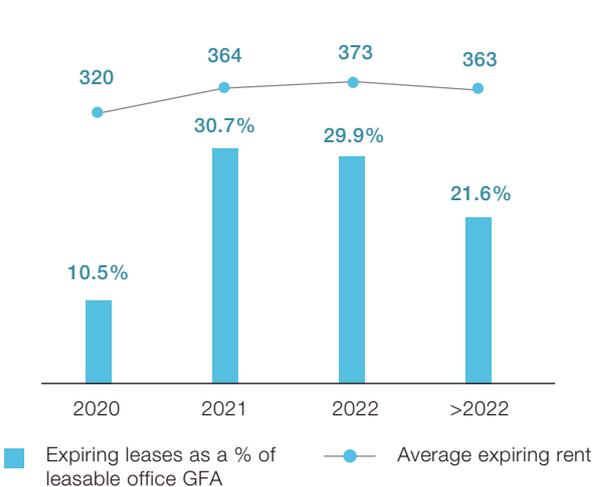
### Passing Rent

(RMB per sqm per month)



# Management Discussion and Analysis (Continued)

## Expiry Profile by GFA



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.

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.

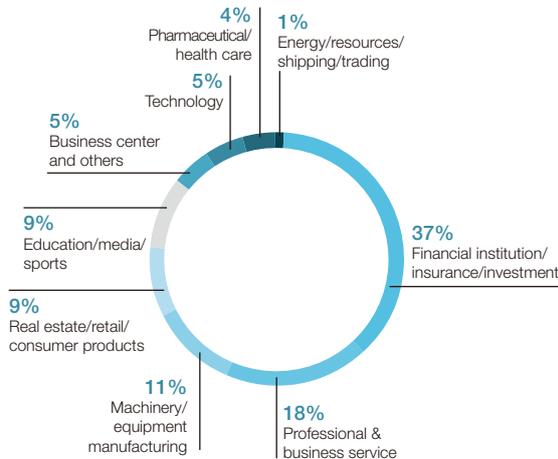
## Tenancy base

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%
<b>Total</b>	<b>23.2%</b>

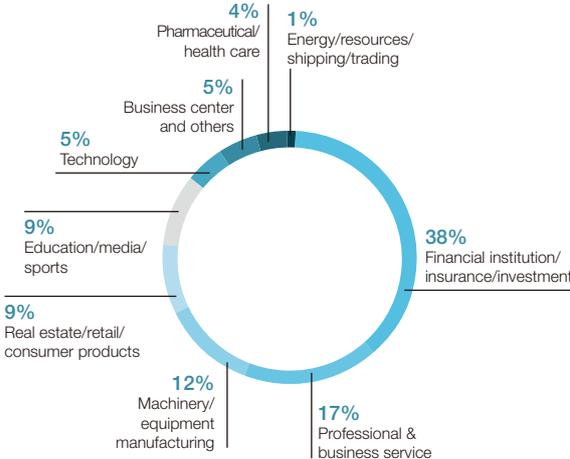
## Tenants by Industry

As % of leased office GFA  
(As of 30 June 2020)



## Tenants by Industry

As % of monthly revenue  
(For the month June 2020)



## Management Discussion and Analysis (Continued)

### 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 <sup>1</sup>	6.7%	9.5
Payout ratio	97%	3.0 ppts	100% <sup>2</sup>	-	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%.

## Management Discussion and Analysis (Continued)

### 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%).

## Management Discussion and Analysis (Continued)

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.

## Management Discussion and Analysis (Continued)

### 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.

## Management Discussion and Analysis (Continued)

### 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.

## 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 report, 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.

## Corporate Governance (Continued)

DB Trustees (Hong Kong) Limited (the “Trustee”) 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.

### Roles of the Trustee and the Manager

The Trustee and the Manager are independent of each other. The Trustee is responsible for the safe custody of the assets of Spring REIT on behalf of the Unitholders and to oversee the activities of the Manager in accordance with and in compliance with the Trust Deed, and the regulatory requirements applicable to Spring REIT.

The Manager is responsible for managing Spring REIT and its assets in accordance with the Trust Deed and ensuring that Spring REIT’s assets are managed in the sole interests of the Unitholders.

The relationship among the Trustee, the Manager and the Unitholders is set out in the Trust Deed, as may be amended and supplemented from time to time.

### The Board

The Board currently comprises seven members, with two Executive Directors and five Non-executive Directors, of which three are Independent Non-executive Directors (“**Independent Non-executive Directors**”). The composition of the Board during the Reporting Period is set out below:

#### Non-executive Directors

Toshihiro Toyoshima (*Chairman*)  
Hideya Ishino

#### Executive Directors

Leung Kwok Hoe, Kevin (*appointed as Chief Executive Officer of the Manager on 1 June 2020*)  
Nobumasa Saeki

#### Independent Non-executive Directors

Simon Murray  
Qiu Liping  
Lam Yiu Kin

### Conflicts of Interest and Business Competitions with Mercuria

Mercuria may exercise influence over the affairs of Spring REIT through its control over the Manager and RCA Fund 01, L.P. (“**RCA Fund**”). As at 30 June 2020, issued shares in the Manager were owned by Mercuria as to 90.2% and some of the Non-executive Directors of the Manager were and still are also directors and/or senior executives of Mercuria. Besides, RCA Fund, which is managed by Mercuria pursuant to a management agreement between Mercuria and RCA Fund (acting through its general partner, RCAC), held 24.99% interest in the Units of Spring REIT as at 30 June 2020. Mercuria can therefore exercise influence on RCA Fund and its exercise of rights as a Unitholder in respect of the affairs of Spring REIT (in particular, in relation to matters that are subject to voting by the Unitholders, on which RCA Fund is not required to abstain from voting), including in relation to the approval of significant corporate transactions, such as acquisitions and disposals. In addition, Mercuria has interest in the Units of Spring REIT directly or through various subsidiaries; including, in particular, the Manager which has received and will continue to receive Units of Spring REIT by virtue of all or part of its entitlement to the fees for asset management services rendered to Spring REIT.

## Corporate Governance (Continued)

Listed on Tokyo Stock Exchange in October 2016, Mercuria is principally engaged in investing in companies and projects in growth sectors in Japan, China and other Asian countries and regions with selective investments in the property market. There may be circumstances where Spring REIT will have to compete directly with Mercuria and/or its subsidiaries or associates for acquisitions or disposals of properties as well as for tenants within the Asian or global markets. There can be no assurance that conflicts of interest will not arise between Spring REIT and Mercuria in the future.

All conflicts of interest are managed by the Board in accordance with the articles of association of the Manager, the Compliance Manual and other relevant policies and guidelines issued for and adopted by Spring REIT. The Manager has also established various procedures to deal with potential conflicts of interest, including but not limited to:

- (i) unless with the approval of the SFC, the Manager will not manage any real estate investment trust other than Spring REIT nor manage other real estate assets other than those in which Spring REIT has an ownership interest or investment;
- (ii) the Manager will ensure that it will be able to function independently from its shareholders, and all executive officers are employed by the Manager on a full time basis and are dedicated to the operations of Spring REIT;
- (iii) the Manager has also appointed Independent Non-executive Directors and set up an Audit Committee to provide independent checks on the performance of the Executive Directors/officers and ensure that the Executive Directors/officers manage and operate Spring REIT independently from Mercuria;
- (iv) the Manager has established procedures in the Compliance Manual to deal with conflicts of interest;
- (v) the Manager has established an internal control system to ensure that connected party transactions between Spring REIT and its connected persons are monitored and undertaken according to procedures and/or on terms in compliance with the REIT Code (or where applicable, in compliance with the waiver conditions imposed by the SFC) and that other potential conflicts of interest that may arise are monitored;
- (vi) all conflicts of interest involving a significant Unitholder or a Director will be required to be managed by a physical Board meeting rather than a written resolution and all Independent Non-executive Directors who, and whose associates, have no material interest in the matter should be present at such Board meeting; and
- (vii) where a Director has material interests, whether direct or indirect, in a matter which is the subject of a resolution proposed at a Board meeting of the Manager, such interested Director is expected to disclose his interest to the Board and shall abstain from voting on the resolution concerned.

## Corporate Governance (Continued)

### Conflicts of Interest and Business Competitions with the Property Manager

Under the Property Management Agreement entered into between RCA01 (a special purpose vehicle of Spring REIT) and Beijing Hua-re Real Estate Consultancy Co., Ltd., (the “**Property Manager**”), the Property Manager provides lease management services, building management services and cash management services for the Beijing CCP Property on an exclusive basis subject to the overall management and supervision of the Manager. The Property Manager is currently 40% owned by Mercuria and 60% owned by third parties. If the Property Manager were to manage also any other property which competes with the Beijing CCP Property, there may be potential conflicts of interest between Spring REIT and the Property Manager in respect of the performance of property management services in relation to the Beijing CCP Property and such other property.

To eliminate the likelihood of any potential future conflicts of interest, the Property Manager has a team of operational staff dedicated exclusively to providing property management services including lease management services to the Beijing CCP Property. Besides, the Property Manager has delegated to Beijing CCP & Savills Property Services Management Co. Ltd., (the “**Building Manager**”) responsibility for the maintenance, repair and upkeep of common areas, common facilities and public structures, operation of the building services systems and maintenance of building security. With respect to property management services, the Manager does not anticipate any significant likelihood of conflicts of interest arising between Spring REIT and the Property Manager.

### Compliance with the Dealings Code

To monitor and supervise any dealings of Units, the Manager has adopted a code containing rules on dealings in the securities of Spring REIT by the Directors and the Manager (the “**Dealings Code**”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Pursuant to the Dealings Code, all Directors, the Manager and the senior executives, officers and employees of the Manager and subsidiaries of the Manager or the special purpose vehicles of Spring REIT (collectively “**Management Persons**”) who wish to deal in the Units and, because of their office or employment with the Manager, the relevant subsidiaries of the Manager or the relevant special purpose vehicles of Spring REIT, are likely to be in possession of unpublished inside information in relation to the securities of Spring REIT, must first have regard to the provisions analogous to those set out in Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct, as if those provisions apply to the securities of Spring REIT. In addition, the Management Persons must not make any unauthorized disclosure of confidential information obtained in the course of their service to any other person or make any use of such information for the benefits of themselves or others.

Specific enquiry has been made with the Management Persons who have confirmed that they complied with the required standard set out in the Dealings Code throughout the Reporting Period.

## Corporate Governance (Continued)

### Disclosure of Independent Non-executive Director Remuneration Arrangement

Pursuant to the announcement of the Manager dated 24 October 2014, the Manager has adopted an arrangement for the remuneration of Independent Non-executive Directors (the “**Independent Non-executive Director Remuneration Announcement**”). As stated in the Independent Non-executive Director Remuneration Announcement, the Manager is required to disclose the following matters in the interim report and annual report of Spring REIT:

Name of Independent Non-executive Director of the Manager	Remuneration for the Reporting Period <sup>(i)</sup> (HK\$)	Election for percentage of remuneration to be paid in form of Units during the Reporting Period	Number of Units paid as remuneration during the Reporting Period <sup>(ii)</sup>
Mr. Simon Murray	207,000	100%	87,000
Mr. Qiu Liping	207,000	100%	87,000
Mr. Lam Yiu Kin	225,000	100%	95,000

Notes:

- (i) The remunerations were determined after arm's length negotiation between each Independent Non-executive Director and the Manager, with reference to market conditions as well as experience and qualifications of each Independent Non-executive Director.
- (ii) For each Independent Non-executive Director's current beneficial interests in Units of Spring REIT and the change (if any) in their respective beneficial interests in Units of Spring REIT during the Reporting Period, please see the section headed “Disclosure of Interests” below.

### Review of Interim Report

The consolidated interim results of Spring REIT for the Reporting Period and this report 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.

## Corporate Governance (Continued)

### Changes in Information of Directors of the Manager

During the Reporting Period and up to the date of this interim report, the Manager received notification regarding the following changes in Directors' information:

Director	Changes in Information
Mr. Lam Yiu Kin	<ul style="list-style-type: none"><li>– appointed as Chairman of audit committee of Global Digital Creations Holdings Limited (Stock Code: 8271), with effect from 22 May 2020.</li><li>– acted as an Independent Non-executive Director of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (Stock Code: 1349 – H share) which has been successfully listed on STAR MARKET of Shanghai Stock Exchange on 19 June 2020 (Stock Code: 688505 – A share).</li></ul>
Mr. Simon Murray	<ul style="list-style-type: none"><li>– resigned as an Independent Non-executive Director of IRC Limited (Stock Code: 1029), with effect from 20 March 2020.</li></ul>

Save as disclosed above, as at the date of this interim report, the Manager has not been notified of any changes in Directors' Information which is required to be included in this report.

### 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.

### 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.

### 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).

### Foreign Account Tax Compliance Act ("FATCA")

Spring REIT met the criteria of "regularly traded on a recognized securities market" for the calendar year of 2019 and should therefore be excluded from maintaining "financial accounts" under FATCA for the calendar year 2020, except for those Unitholders who are registered on the book of Spring REIT (i.e. holding physical scripts of Spring REIT directly). Hence, Spring REIT was not required to perform account due diligence, reporting or withholding on most of its account holders (that are excluded from financial account holder definition) under FATCA for the calendar year 2020.

### Common Reporting Standard/Automatic Exchange of Financial Account Information (“CRS/AEOI”)

The Inland Revenue (Amendment) (No. 3) Ordinance 2016 (the “**Ordinance**”), which came into force on 30 June 2016, establishes the legislative framework for the implementation of the Standard for Automatic Exchange of Financial Account Information (“**AEOI**”) or also referred to as the Common Reporting Standard (“**CRS**”) in Hong Kong. AEOI requires reporting financial institutions in Hong Kong to collect and review relevant information relating to their account holders in an effort to identify the jurisdiction(s) in which an account holder is tax resident. Reporting financial institutions must furnish specified account holder information required under the Ordinance to the Hong Kong Inland Revenue Department (“**IRD**”) to the extent the account holder is tax resident in a jurisdiction that has entered into an AEOI agreement with Hong Kong (“**AEOI Partner Jurisdiction**”). The IRD will further exchange such information with the AEOI Partner Jurisdiction.

Spring REIT, being a listed collective investment scheme authorized under the SFO, is regarded as a reporting financial institution holding financial accounts as defined in the AEOI, and hence, is required to comply with AEOI requirements as stipulated in the Ordinance. As a result, Spring REIT is required to collect the relevant information relating to Unitholders who are holding physical scripts of Spring REIT directly (i.e. not via certain clearing houses in Hong Kong), and is required to provide certain relevant information of reportable Unitholders (which includes, but not limited to name, address, jurisdiction of residence, taxpayer identification number, the date of birth, etc.) and their account information to the IRD, which will further exchange such information with AEOI Partner Jurisdiction(s) in which any Unitholder is a tax resident. Spring REIT has engaged a professional tax advisory firm in advising the collection of the relevant account information from its Unitholders. The relevant self-certification forms had been sent out to Unitholders.

Each Unitholder should consult his/her/its own professional advisor(s) about the administrative and substantive implications of both AEOI and FATCA on its current or contemplated investment in Spring REIT.

## Connected Party Transactions

The connected party transaction rules of the REIT Code govern transactions between Spring REIT or other parts of the Group and connected persons (as defined in Paragraph 8.1 of the REIT Code) of Spring REIT. Such transactions will constitute connected party transactions for the purposes of the REIT Code.

Connected persons (as defined in Paragraph 8.1 of the REIT Code) of Spring REIT include, among others:

- (a) the Manager of Spring REIT;
- (b) the Principal Valuer of Spring REIT;
- (c) the Trustee of Spring REIT;
- (d) a significant holder;

Notes:

- (1) A holder is a significant holder if he/she/it holds 10% or more of the outstanding Units.
- (2) The following holdings will be deemed holdings of a holder:
  - (i) holdings of the associate of the holder who is an individual; or
  - (ii) holdings of the director, senior executive, officer, controlling entity, holding company, subsidiary or associated company of the holder if the holder is an entity.
- (e) a director, senior executive or an officer of any of the entities in (a), (b), (c) or (d) above;
- (f) an associate of the persons in (d) or (e); and
- (g) a controlling entity, holding company, subsidiary or associated company of any of the entities in (a) to (d).

Under the REIT Code, a company shall be deemed to be an associated company of another company if one of them owns or controls 20% or more of the voting rights of the other or if both are associated companies of another company.

The terms “controlling entity”, “holder”, and “associate” shall have the same meanings as defined under the REIT Code.

Based on the best knowledge of the Manager, set out below is the information in respect of connected party transactions during the Reporting Period involving Spring REIT and/or its subsidiaries (on the one side) and connected persons (as defined in Paragraph 8.1 of the REIT Code) of Spring REIT (on the other side), which are governed by Chapter 8 of the REIT Code.

## Connected Party Transactions (Continued)

### Connected Party Transactions – Income

The following table sets forth the information on connected party transactions (other than those transactions disclosed under the section headed “Connected Party Transactions with Trustee Connected Persons” below) from which the Group derived its income during the Reporting Period:

Name of Connected Person	Relationship with Spring REIT	Nature of the Connected Party Transaction	Income for the Reporting Period RMB	Rental Deposit received as at 30 Jun 2020 RMB
MIBJ Consulting (Beijing) Co., Ltd.	Associated company of the Manager and associate of a director of the Manager <sup>1</sup>	Leasing	559,568	289,426
PAG Investment Consulting (Beijing) Co., Limited (太盟投資管理諮詢(北京)有限公司)	Subsidiary of a Significant Unitholder of Spring REIT <sup>2</sup>	Leasing	1,266,991	742,757

Notes:

- 1 MIBJ Consulting (Beijing) Co., Ltd. is wholly-owned by Mercuria, which in turn holds 90.2% shareholding in the Manager as at 30 June 2020. Both Mr. Toshihiro Toyoshima, the Chairman and Non-executive Director of the Manager, and Mr. Hideya Ishino, a Non-executive Director of the Manager, are also directors of MIBJ Consulting (Beijing) Co., Ltd.
- 2 PAG Investment Consulting (Beijing) Co., Limited (太盟投資管理諮詢(北京)有限公司) is a non-wholly owned subsidiary of PAG Holdings Limited, a significant holder of Spring REIT, and therefore a connected person of Spring REIT pursuant to paragraph 8.1(g) of the REIT Code. Please refer to further information in the section “PAG Lease” below.

### PAG Lease

PAG Investment Consulting (Beijing) Co., Limited (太盟投資管理諮詢(北京)有限公司) (“**PAG Investment**”) entered into a lease with fixed terms and for a fixed term of 3 years that commenced on 1 November 2016 (the “**PAG Lease**”) as a tenant in relation to certain office premises owned by the Group at China Central Place located at Nos. 79 and 81 Jianguo Road, Chaoyang District, Beijing, People’s Republic of China. Based on disclosure of interests notification made by PAG Holdings Limited (“**PAG Holdings**”) (the holding company of PAG Investment), PAG Holdings increased its interest in Units to 10.02% on 9 March 2017. As a result, PAG Investment became a connected person of Spring REIT, and the leasing transaction under the PAG Lease became a continuing connected party transaction of Spring REIT on 9 March 2017. Further details in relation to the PAG Lease were disclosed in the announcement of Spring REIT dated 29 March 2017. The PAG Lease is scheduled to expire on 31 October 2019 and on 6 September 2019, Spring REIT and the PAG Investment entered into an agreement to renew the PAG Lease for a further term of three years with effect from 1 November 2019. Based on the disclosure of interests notification made by PAG Holdings on 12 February 2020, PAG Holdings held or is deemed to have held 16.15% of the outstanding Units of Spring REIT as of such date, and is therefore a significant holder of Spring REIT. Further details in relation to the PAG Lease were disclosed in the announcement of Spring REIT dated 9 September 2019.

## Connected Party Transactions (Continued)

### Connected Party Transactions – Expenses

The following table sets forth the information on connected party transactions (other than those disclosed under the section headed “Connected Party Transactions with Trustee Connected Persons” below) from which the Group incurred its expenses during the Reporting Period:

Name of Connected Person	Relationship with Spring REIT	Nature of the Connected Party Transaction	Expenses for the Reporting Period RMB
Beijing Hua-re Real Estate Consultancy Co., Ltd.	Associated company of the Manager and associate of a director of the Manager <sup>1</sup>	Property management	5,342,377

Note:

1. Beijing Hua-re Real Estate Consultancy Co., Ltd. is 40% owned by Mercuria, which in turn holds 90.2% shareholding in the Manager as at 30 June 2020. Mr. Toshihiro Toyoshima, the chairman and Non-executive Director of the Manager is also director of Beijing Hua-re Real Estate Consultancy Co., Ltd.

### Connected Party Transactions with Trustee Connected Persons

The following tables set forth the information on connected party transactions entered into between the Group and Trustee Connected Persons (which include (a) a director, a senior executive or an officer of the Trustee, (b) an associate of the person in (a), and (c) a controlling entity, holding company, subsidiary or associated company of the Trustee) during the Reporting Period:

Name of Connected Person	Relationship with Spring REIT	Nature of the Connected Party Transaction	Income/(Expense) for the Reporting Period RMB
<b>Leasing Transactions</b>			
Deutsche Bank AG and its associated companies	Trustee Connected Persons	Leasing	22,609,305 <sup>1</sup>
<b>Ordinary Banking and Financial Services</b>			
Deutsche Bank AG	Trustee Connected Person	Interest income received/receivable on bank deposits	1,718,359
Deutsche Bank AG	Trustee Connected Person	Bank charges	28,303

Note:

1. As at 30 Jun 2020, a rental deposit of RMB6,839,825 was held by the Group from Trustee Connected Persons. A rental deposit by way of bank guarantee provided by Deutsche Bank (China) Co., Ltd. was held by RCA01 (a special purpose vehicle wholly owned and controlled by Spring REIT) as at 30 Jun 2020.

## Connected Party Transactions (Continued)

### Connected Party Transactions with Trustee Connected Persons – Leasing Under Which the Annual Rent (per lease) Exceeds HK\$1 million

The following table sets forth the information on leasing transactions with Trustee Connected Persons with annual rent (per lease) that exceeds HK\$1 million during the Reporting Period.

Name of Connected Person	Relationship with Spring REIT	Nature of the Connected Party Transaction	Rental income for the Reporting Period RMB
Deutsche Bank AG and its subsidiaries (excluding the Trustee)	Trustee Connected Person	Lease for the whole of 27th and 28th floors of Tower 1, China Central Place and signage income	11,891,916
Zhong De Securities	Trustee Connected Person	Lease for the whole of 22nd and 23rd floors of Tower 1, China Central Place and signage income	10,717,389

### Confirmation by the Independent Non-executive Directors

The Independent Non-executive Directors have confirmed that they have reviewed the terms of all relevant connected party transactions above and are satisfied that the transactions have been entered into:

- (a) in the ordinary and usual course of business of Spring REIT;
- (b) on normal commercial terms (to the extent that there are comparable transactions) or, where there are insufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to Spring REIT than terms available to or from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreements and the Manager's internal procedures governing them, if any, on terms that are fair and reasonable and in the interest of the Unitholders as a whole.

### Terms and Remuneration of Services Provided by the Manager, the Trustee and the Principal Valuer

Pursuant to note (2) to Paragraph 8.10 of the REIT Code, services provided by the Manager, the Trustee and the Principal Valuer to Spring REIT as contemplated under the constitutive documents shall not be deemed connected party transactions, but particulars of such services (except where any service transaction with a value of not more than HK\$1 million), such as terms and remuneration, shall be disclosed in the next published semi-annual report or annual report.

During the Reporting Period, the aggregate amount of fees payable by Spring REIT and/or its subsidiaries to the Manager was RMB26.89 million. The Manager's fee paid in the form of Units amounted to HK\$20.94 million and the Manager's fee paid in the form of cash amounted to HK\$9.99 million. On 10 December 2019, the Manager had elected for the base fee to be paid in the form of cash as to 20% and in the form of Units as to 80% for the Reporting Period.

## Connected Party Transactions (Continued)

During the Reporting Period, the fee payable to the Trustee under the Trust Deed was RMB0.91 million.

During the Reporting Period, approximately RMB0.55 million in aggregate was paid for services rendered to Spring REIT by JLL (the Principal Valuer). This included approximately RMB0.46 million which was the valuation fee incurred for services rendered by JLL in its capacity as the principal valuer of Spring REIT, the rest relate to a fee of RMB0.09 million paid for other services including market research services.

Particulars of services provided by the Trustee, the Manager and the Principal Valuer are set out in notes 8, 12 and 8 to the condensed consolidated interim financial information of Spring REIT for the Reporting Period, respectively.

## Disclosure of Interests

The REIT Code requires that connected persons (as defined in Paragraph 8.1 of the REIT Code) of Spring REIT shall disclose their interests in the Units. In addition, under the provisions of the Trust Deed, Part XV of the SFO is also deemed to be applicable to, among others, the Directors and chief executives of the Manager and also indirectly to certain persons interested in or having a short position in the Units.

### Interests Held by the Manager, the Directors, Senior Executives and Officers of the Manager

As at 30 June 2020, each of the following was the Manager, a director, senior executive or officer of the Manager and thus each of them was a connected person of Spring REIT under the REIT Code and, so far as the Manager is aware, held or was interested in the Units in Spring REIT as follows:

Name	Capacity/ Nature of Interest	As at 30 June 2020		As at 31 December 2019		Change in % of interest
		Number of Units interested in (Long Position)	Approximate % of interest <sup>1</sup>	Number of Units interested in (Long Position)	Approximate % of interest <sup>1</sup>	
<b>The Manager</b>						
Spring Asset Management Limited <sup>2</sup>	Beneficial owner/ Beneficial interest	16,824,884	1.16%	20,603,838	1.60%	-0.44%
<b>Directors</b>						
Toshihiro Toyoshima	Beneficial owner/ Personal interest	1,100,000	0.08%	900,000	0.07%	+0.01%
Nobumasa Saeki	Beneficial owner/ Personal interest	400,000	0.03%	400,000	0.03%	0.00%
Hideya Ishino	Beneficial owner/ Personal interest	115,000	0.01%	49,000	0.00%	+0.01%
Leung Kwok Hoe, Kevin	Beneficial owner/ Personal interest	759,000	0.05%	0	0.00%	+0.05%
Simon Murray <sup>3</sup>	Beneficial owner/ Personal interest	656,000	0.05%	569,000	0.04%	+0.01%
Qiu Liping <sup>3</sup>	Beneficial owner/ Personal interest	656,000	0.05%	569,000	0.04%	+0.01%
Lam Yiu Kin <sup>3</sup>	Beneficial owner/ Personal interest	648,000	0.04%	553,000	0.04%	0.00%
<b>Senior Executive</b>						
Alice Yu	Beneficial owner/ Personal interest	170,000	0.01%	170,000	0.01%	0.00%

## Disclosure of Interests (Continued)

### Notes:

1. The percentages expressed herein are based on the total number of issued Units of 1,454,929,390 as at 30 June 2020 and 1,285,813,315 as at 31 December 2019 respectively.
2. During the Reporting Period, an aggregate of 8,490,046 new Units were issued to the Manager as payment of part of the Manager's fee. The Manager beneficially owned 16,824,884 Units as at 30 June 2020 (31 December 2019: 20,603,838 Units). Save as disclosed above, Mercuria beneficially owned 55,571,086 Units as at 30 June 2020 (31 December 2019: 35,597,477 Units).
3. Each of Mr. Simon Murray, Mr. Qiu Liping and Mr. Lam Yiu Kin received these Units in lieu of cash pursuant to the arrangement for remuneration of Independent Non-executive Director paid out of the Manager's own assets, under which each of the Independent Non-executive Directors of the Manager may elect the percentage of his remuneration to be made in the form of Units to be transferred from the Manager (the "**Independent Non-Executive Director Remuneration Arrangement**"), as detailed in the Independent Non-executive Director Remuneration Announcement. Please refer to the sub-section headed "Disclosure on the Independent Non-executive Director Remuneration Arrangement" in the section headed "Corporate Governance" on page 18 of this interim report for details. As at 30 June 2020, there had been no change to the annual election made by each Independent Non-executive Director.

Save as disclosed above, none of the Manager, the Directors, senior executives or officers of the Manager had beneficial interests (or were deemed to be interested) in any Units and underlying Units or held any short position in the Units as at 30 June 2020 which were required to be notified to the Manager and the Stock Exchange pursuant to Divisions 7, 8 and 9 of Part XV of the SFO or to the Manager only pursuant to the dealing policy set out in the Compliance Manual (as the case may be).

## Disclosure of Interests (Continued)

### Interests Held by Significant Unitholders

As at 30 June 2020, based on the information available to the Manager, each of the following persons was considered as a “significant holder” and hence a “connected person” of Spring REIT within the meaning and for the purpose of the REIT Code. Their interests or short positions in the Units which were required to be disclosed to the Manager and the Stock Exchange pursuant to the provisions of Part XV of the SFO are set out below:

Name	Capacity/ Nature of interest	As at 30 June 2020			As at 31 December 2019			Change in % of interest
		Number of Units interested in (Long Position)	Number of Underlying Units interested in (Long Position)	Approximate % of issued Units <sup>1</sup>	Number of Units interested in (Long Position)	Number of Underlying Units interested in (Long Position)	Approximate % of issued Units <sup>1</sup>	
RCAC <sup>2</sup>	Interest of controlled corporation/ corporate interests	363,654,000	N/A	24.99%	353,304,000	N/A	27.48%	-2.49%
Sumitomo Mitsui Banking Corporation <sup>2</sup>	Person having a security interest in shares/ other interests	N/A	415,243,109	28.54%	N/A	415,243,109	32.29%	-3.75%
PAG Holdings Limited <sup>3 &amp; 4</sup>	Interest of controlled corporation/ corporate interests	233,562,089	N/A	16.05%	230,830,089	N/A	17.95%	-1.9%
Spirit Cayman Limited <sup>5</sup>	Beneficial owner/ Beneficial interest	169,552,089	N/A	11.65%	166,820,089	N/A	12.97%	-1.32%
Shining Path Limited <sup>6</sup>	Interest of controlled corporation/ corporate interests	160,626,029	N/A	11.04%	N/A	160,626,029	12.49%	-1.45%
Skyland Union Holdings Limited <sup>7</sup>	Interest of controlled corporation/ corporate interests	160,626,029	N/A	11.04%	N/A	160,626,029	12.49%	-1.45%
Sino-Ocean Group Holding Limited <sup>8</sup>	Interest of controlled corporation/ corporate interests	176,933,029	N/A	12.16%	N/A	160,626,029	12.49%	-0.33%

## Disclosure of Interests (Continued)

### Notes:

1. The percentages expressed herein are based on the total number of issued Units of 1,454,929,390 as at 30 June 2020 and 1,285,813,315 as at 31 December 2019 respectively.
2. Based on disclosure of interests notifications filed on 13 February 2020, these 363,654,000 Units (including 361,654,000 Units in short position) are beneficially owned by RCA Fund. Based on the information available to the Manager, RCAC is a general partner of RCA Fund. RCAC has exclusive rights to the management, control and operation of RCA Fund and is thus deemed to be interested in the Units held by RCA Fund. The interest of 361,654,000 Units in short position represents a pledge by RCA Fund to Sumitomo Mitsui Banking Corporation using the said Units of Spring REIT as collateral to secure the borrowing of a loan.

The Manager was notified that RCA Fund beneficially owned a total of 371,304,000 Units as at 30 June 2020.

3. Based on disclosure of interest notifications filed on 17 February 2020, these 233,562,089 Units comprise the interests of (i) 64,010,000 Units directly held by BT Cayman Limited; and (ii) 169,552,089 Units directly held by Spirit Cayman Limited. Based on disclosure of interests notification made by PAG Holdings Limited filed on 17 February 2020, each of PAG Real Estate Limited, PARE (Cayman) Limited and PAG Investment Advisors Pte. Ltd. was interested in the same parcel of 233,562,089 Units in which PAG Holdings Limited was interested.

4. Based on disclosure of interests notifications filed on 17 February 2020:

- (a) each of PARE (Cayman) Limited (as controlling person of SCREP V Management (Cayman), LLC as to 100%), PAG Investment Advisors Pte. Ltd. (as manager of SCREP V Management (Cayman), LLC), SCREP V Management (Cayman), LLC (being general partner of Secured Capital Real Estate Partners V, L.P. and SCREP V Feeder B, L.P.), SCREP V Feeder B, L.P. (being limited partner and controlling 70.87% of Secured Capital Real Estate Partners V, L.P.) and Secured Capital Real Estate Partners V, L.P. (as controlling person of BT Cayman Limited as to 100%) was deemed to be interested in 64,010,000 Units, being the same parcel of Units directly held by BT Cayman Limited as referred to in Note 3(i) above;
- (b) each of PARE (Cayman) Limited (being controlling person of SCREP VI Management, LLC as to 100%), PAG Investment Advisors Pte. Ltd. (as manager of SCREP VI Management, LLC), SCREP VI Management, LLC (being general partner of SCREP VI, L.P. and SCREP VI Feeder A, L.P.), SCREP VI Feeder A, L.P. (being limited partner and controlling 75.33% of SCREP VI, L.P.), SCREP VI, L.P. (being controlling person of SCREP VI Holdings L.P. as to 100%) and SCREP VI Holdings L.P. (being controlling person of Spirit Cayman Limited as to 100%) was deemed to be interested in 169,552,089 Units, being the same parcel of Units directly held by Spirit Cayman Limited as referred to in Note 3(ii) above;
- (c) PAG Investment Advisors Pte. Ltd. was interested in 233,562,089 Units, comprising 64,010,000 Units which it was deemed to be interested in as manager of SCREP V Management (Cayman), LLC and 169,552,089 Units which it was deemed to be interested in as manager of SCREP VI Management, LLC;
- (d) PARE (Cayman) Limited was interested in 233,562,089 Units, comprising 64,010,000 Units which it was deemed to be interested in through its controlled corporation SCREP V Management (Cayman), LLC and 169,552,089 Units which it was deemed to be interested in through its controlled corporation SCREP VI Management, LLC;
- (e) PAG Real Estate Limited was interested in 233,562,089 Units through its 100% controlled corporations PARE (Cayman) Limited and PAG Investment Advisors Pte. Ltd; and
- (f) PAG Holdings Limited was interested in 233,562,089 Units through its 100% controlled corporation PAG Real Estate Limited.

The interests of each of the above were also disclosed in the disclosure of interests notification made by PAG Holdings Limited filed on 17 February 2020.

5. Based on disclosure of interests notification filed on 17 February 2020, these 169,552,089 Units were beneficially owned by Spirit Cayman Limited. Please refer to Note 4(b) above.
6. These 160,626,029 Units were issued upon the conversion of convertible bonds on 12 February 2020. Based on disclosure of interests notification filed on 13 February 2020, Shining Path Limited, through a 100% controlled corporation (Alpha Great Global Limited), indirectly holds these 160,626,029 Units.
7. Based on disclosure of interests notification filed on 17 February 2020, Skyland Union Holdings Limited holds 50% controlling interests in Shining Path Limited which in turn holds 100% controlling interests in Alpha Great Global Limited as referred to note 6 above. Accordingly, Skyland Union Holdings Limited is deemed to be interested in these 160,626,029 Units.
8. Based on disclosure of interests notification filed on 20 April 2020, Sino-Ocean Group Holdings Limited ("**Sino-Ocean**") was deemed to be interested in these 176,933,029 Units, comprising the interests of (i) 160,626,029 Units indirectly held by Shining Path Limited which in turn was indirectly held 50% controlling interests by Sino-Ocean through its 100% controlled corporations as referred to note 6 above; and (ii) 16,307,000 Units directly held by Glory Class Ventures Limited which in turn was indirectly held 34.3% effective interests by Sino-Ocean through a number of 100% controlled corporations and a 49% controlled corporation, Fortune Joy Ventures Limited as well as a 70% controlled corporation, Oceanland Global Investment Limited.

The Manager was notified that Sino-Ocean was deemed to be interested in a total of 177,994,029 Units as at 30 June 2020.

## Disclosure of Interests (Continued)

Save as disclosed above and based on the information available to the Manager, no other significant Unitholders had beneficial interests (or were deemed to be interested) in any Units or underlying Units or held any short position in the Units as at 30 June 2020 which were required to be notified to the Manager and the Stock Exchange pursuant to Divisions 2, 3 and 4 of Part XV of the SFO.

### Interests Held by Substantial Unitholders under the SFO

As at 30 June 2020, the interests and short position in the Units held by persons, other than the Manager, Directors or senior executives and officers of the Manager or significant Unitholders of Spring REIT, who were interested in 5% or more but below 10% of the Units which were required to be disclosed to the Manager and the Stock Exchange pursuant to the provisions of Part XV of the SFO are set out below:

Name	Capacity/ Nature of Interest	As at 30 June 2020		As at 31 December 2019		Change in % of interest
		Number of Units interested in (Long Position)	Approximate % of issued Units <sup>1</sup>	Number of Units interested in (Long Position)	Approximate % of issued Units <sup>1</sup>	
Zeng Yuyu <sup>2</sup>	Interest of controlled corporation/ corporate interests	125,609,000	8.63%	114,884,000	8.93%	-0.30%

Notes:

1. The percentages expressed herein are based on the total number of issued Units of 1,454,929,390 as at 30 June 2020 and 1,285,813,315 as at 31 December 2019 respectively.
2. These 125,609,000 Units are beneficially owned by China Orient Stable Value Fund Limited, which is wholly owned by Long Hills Capital Ltd. The latter is wholly owned by Long Hills Holdings International Ltd., which in turn is wholly owned by Zeng Yuyu. Accordingly, each of Long Hills Capital Ltd., Long Hills Holdings International Ltd. and Zeng Yuyu was deemed to be interested in those 125,609,000 Units.

Save as disclosed above and based on the information available to the Manager, the Manager is not aware of any other substantial Unitholders under the SFO who had beneficial interests (or were deemed to be interested) in 5% or more but below 10% of the Units or underlying Units or held any short position in the Units as at 30 June 2020 which were required to be notified to the Manager and the Stock Exchange pursuant to Divisions 2, 3 and 4 of Part XV of the SFO.

### Interests Held by Other Connected Persons of Spring REIT

As at 30 June 2020, save as disclosed above and based on the information available to the Manager, the Manager is not aware of any other connected persons of Spring REIT, including the Trustee and the Principal Valuer, who have interests (or deemed interests) in the Units or underlying Units or “hold any short position in Units” were required to be notified to the Manager and the Stock Exchange pursuant to the REIT Code or pursuant to the Trust Deed.

# Report on Review of Interim Financial Information

As at 30 June 2020

## TO THE BOARD OF DIRECTORS OF SPRING ASSET MANAGEMENT LIMITED (as “Manager” of SPRING REAL ESTATE INVESTMENT TRUST)

### Introduction

We have reviewed the interim financial information set out on pages 32 to 62, which comprises the condensed consolidated statement of financial position of Spring Real Estate Investment Trust (the “Spring REIT”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, statement of distributions, condensed consolidated statement of changes in net assets attributable to Unitholders, condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board. The directors of the Manager are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of review

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 19 August 2020

# Condensed Consolidated Income Statement

For the six months ended 30 June 2020

		Six months ended 30 June	
	Note	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
<b>Revenues</b>	6	272,726	268,917
Property operating expenses	7	(69,721)	(67,023)
<b>Net property income</b>		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)
<b>Operating (loss)/profit</b>		(160,087)	222,136
Finance income		1,724	1,767
Finance costs	10	(106,218)	(70,282)
<b>(Loss)/profit before taxation and transactions with Unitholders</b>		(264,581)	153,621
Income tax expense	11	(1,097)	(777)
<b>(Loss)/profit for the period, before transactions with Unitholders</b>		(265,678)	152,844
Distributions paid to Unitholders:			
– 2018 final distribution		–	(78,635)
– 2019 final distribution (note i)		(117,685)	–
		(383,363)	74,209
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 38 to 62 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
<b>For the six months ended 30 June 2020</b>				
Loss for the period		(265,678)	247,516	(18,162)
Other comprehensive income:				
<i>Items that may be reclassified to condensed consolidated income statement</i>				
Exchange loss on translation of financial statements of subsidiaries		(2,396)	–	(2,396)
<i>Items that may not be reclassified to condensed consolidated income statement</i>				
Exchange gain on translation of financial statements of Spring REIT		20,558	–	20,558
<b>Total comprehensive loss for the period</b>	ii	<b>(247,516)</b>	<b>247,516</b>	<b>–</b>
<b>For the six months ended 30 June 2019</b>				
Profit for the period		152,844	(153,113)	(269)
Other comprehensive income:				
<i>Items that may not be reclassified to condensed consolidated income statement</i>				
Exchange gain on translation of financial statements of Spring REIT		269	–	269
<b>Total comprehensive income for the period</b>	ii	<b>153,113</b>	<b>(153,113)</b>	<b>–</b>

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 38 to 62 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
<b>(Loss)/profit for the period, before transactions with Unitholders</b>	<b>(265,678)</b>	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)
<b>Distributable income for the period (note i)</b>	<b>125,187</b>	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 38 to 62 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
<b>Assets</b>			
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
<b>Total assets</b>		<b>10,040,170</b>	10,429,369
<b>Liabilities, excluding net assets attributable to Unitholders</b>			
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
<b>Total liabilities, excluding net assets attributable to Unitholders</b>		<b>3,484,583</b>	3,981,594
<b>Net assets attributable to Unitholders</b>		<b>6,555,587</b>	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 38 to 62 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
<b>As at 1 January 2020</b>	–	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
<b>As at 30 June 2020</b>	–	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 38 to 62 are an integral part of these condensed consolidated interim financial information.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	Note	(Unaudited) RMB'000	(Unaudited) RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	23	141,869	176,954
Interest received		1,724	1,767
Income tax paid		(2,094)	(33)
<b>Net cash generated from operating activities</b>		<b>141,499</b>	<b>178,688</b>
<b>Cash flow from investing activity</b>			
Additions to investment properties		–	(2,684)
<b>Cash used in investing activity</b>		<b>–</b>	<b>(2,684)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(55,596)	(75,093)
Payment of lease liabilities		(576)	(501)
Decrease in restricted bank balances		48,617	705
Distributions to Unitholders		(117,685)	(78,635)
<b>Net cash used in financing activities</b>		<b>(125,240)</b>	<b>(153,524)</b>
<b>Net increase in cash and cash equivalents</b>		<b>16,259</b>	<b>22,480</b>
Cash and cash equivalents at the beginning of the period		124,992	107,094
Exchange gains on cash and cash equivalents		2,756	607
<b>Cash and cash equivalents at end of period</b>		<b>144,007</b>	<b>130,181</b>

The notes on pages 38 to 62 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.

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 3 Accounting policies (Continued)

### New standards, amendments, interpretations and improvements to existing standards adopted by the Group (Continued)

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.

		<b>Effective for accounting periods beginning on or after</b>
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.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 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.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 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 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Revenues		
Rental income	265,463	259,844
Car park income	2,844	1,818
Other income (note i)	4,419	7,255
	<b>272,726</b>	268,917

Note:

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

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 7 Property operating expenses

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) 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
	<b>69,721</b>	<b>67,023</b>

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 (Unaudited) RMB'000	2019 (Unaudited) 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
	<b>34,400</b>	<b>33,682</b>

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.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 9 Other gains/(losses), net

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) 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 (Unaudited) RMB'000	2019 (Unaudited) 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.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 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 (Unaudited) RMB'000	2019 (Unaudited) 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 (Unaudited) RMB'000	2019 (Unaudited) 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

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 12 Manager's fee

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) 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.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 13 (Loss)/earnings per unit

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) 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	(RMB18.8 cents)	RMB12.0 cents
Diluted (loss)/earnings per unit based upon (loss)/profit before transactions with Unitholders	(RMB21.9 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.

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 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.

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 14 Investment properties (Continued)

### 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 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements			
<b>As at 30 June 2020</b>	–	–	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.

## 14 Investment properties (Continued)

### 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.

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 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
<b>Right-of-use assets</b>		
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
<b>Lease liabilities, expected to be settled:</b>		
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			
<b>As at 30 June 2020</b>			
<b>Asset</b>			
Right-of-use assets	–	–	14,720
As at 31 December 2019			
<b>Asset</b>			
Right-of-use assets	–	–	16,304

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

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 16 Derivative financial instruments

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
<b>Liability</b>		
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

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 16 Derivative financial instruments (Continued) Fair value hierarchy

	Fair value measurements using		
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements			
<b>As at 30 June 2020</b>			
<b>Liability</b>			
Fair value of the interest rate swaps	–	20,884	–
<b>As at 31 December 2019</b>			
<b>Liability</b>			
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) RMB'000	As at 31 December 2019 (Audited) 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
	<b>48,353</b>	<b>32,693</b>

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.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 18 Restricted bank balances and cash and cash equivalents

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

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

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

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 19 Rental deposits and trade and other payables

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
<b>Rental deposits (note i)</b>	<b>148,290</b>	155,410
<b>Trade and other payables:</b>		
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
	<b>84,878</b>	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) RMB'000	As at 31 December 2019 (Audited) RMB'000
Within 1 year	47,469	31,037
Over 1 year	100,821	124,373
	<b>148,290</b>	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.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 20 Interest-bearing borrowings

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

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

Bank borrowings are denominated in the following currencies:

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

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

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 20 Interest-bearing borrowings (Continued)

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 24), 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.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 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
<b>Host liability components</b>		
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 end of the period/year	–	422,013
<b>Derivative components</b>		
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 end of the period/year	–	83,226
At 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.

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 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 Notes to condensed consolidated statement of cash flows

### Cash generated from operating activities

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
(Loss)/profit before taxation, before transactions with Unitholders	(264,581)	153,621
Fair value loss/(gain) of investment properties	336,845	(61,934)
Fair value loss of right-of-use assets	754	–
Net fair value loss on derivative financial instruments	16,770	5,373
Gain on conversion of convertible bonds	(56,699)	–
Manager's fee expenses in units in lieu of cash	16,749	20,132
Interest income	(1,724)	(1,767)
Finance costs on interest-bearing borrowings	106,218	70,282
Foreign exchange losses	31,022	2,637
Decrease/(increase) in trade and other receivables	23,817	(1,850)
(Decrease)/increase in rental deposits	(7,120)	4,098
Decrease in trade and other payables	(60,182)	(13,638)
	141,869	176,954

Material non-cash movements:

- (i) The Manager's fee amounting RMB16,749,000 (2019: RMB20,132,000) was settled by issuance of new units.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 24 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) RMB'000	As at 31 December 2019 (Audited) 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
	<b>1,402,083</b>	1,642,261

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

### 25 Connected party transactions and related party transactions and balances

For the period ended 30 June 2020, the Group entered into the following transactions with related parties at mutually agreed terms in the normal course of its business.

#### (a) Nature of relationship with connected/related parties

The table set forth below summarises the names of the connected/related parties, as defined in the REIT Code/IAS 24 (Revised) "Related Party Disclosures", and nature of their relationship with the Group as at 30 June 2020:

Connected/related party	Relationship with the Group
DB Trustees (HK) Ltd.*	The Trustee of Spring REIT
Spring Asset Management Limited*	The Manager of Spring REIT
RCA Fund 01 L.P. (" <b>RCA Fund</b> ")*	Significant Unitholder of Spring REIT
PAG Investment Consulting (Beijing) Co., Limited*# (" <b>PAG Beijing</b> ")	Subsidiary of a Significant Unitholder of Spring REIT
Mercuria Investment Co., Limited (" <b>Mercuria</b> ")*	Ultimate holding company of the Manager
MIBJ Consulting (Beijing) Co., Ltd. (" <b>MIBJ</b> ")*	An associated company of the Manager and associate of a director of the Manager
Beijing Hua-re Real Estate Consultancy Co., Ltd. (" <b>HuaRe</b> ")*	An associated company of the Manager and associate of a director of the Manager

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 25 Connected party transactions and related party transactions and balances

(Continued)

### (a) Nature of relationship with connected/related parties (Continued)

Connected/related party	Relationship with the Group
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	The Principal Valuer
Deutsche Bank AG and its subsidiaries (excluding the Trustee) (“DBAG”)*	Trustee Connected Persons
Zhong De Securities (“ZDS”)*	Trustee Connected Persons

\* These connected parties are also considered as related parties of the Group.

# The company has no official English name. The above unofficial English translation is for identification purpose only.

### (b) Income from connected/related parties

	Note	Six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Rental revenue from MIBJ	(i)	560	483
Rental revenue from DBAG and ZDS	(i)	22,609	22,614
Rental revenue from PAG Beijing	(i)	1,267	1,198
Interest income from DBAG	(ii)	1,718	1,764

### (c) Expenses to connected/related parties

	Note	Six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Property management fee to HuaRe	(iii)	5,342	5,428
Trustee's fee paid and payable to the Trustee	(iv)	913	846
Manager's fee to Spring Asset Management Limited	(v)	26,889	26,408
Valuation fee to the Principal Valuer	(vi)	461	643
Other professional fee to the Principal Valuer	(vi)	92	–
Bank charges to DBAG	(ii)	28	112

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 25 Connected party transactions and related party transactions and balances

(Continued)

#### (d) Balances with connected/related parties

	Note	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
Lease deposit from MIBJ	(vii)	289	289
Lease deposit from DBAG and ZDS	(vii)	6,840	6,840
Lease deposit from PAG Beijing	(vii)	743	717

Notes:

- (i) Rental revenue was charged in accordance with the terms of the relevant agreements with the connected/related parties.
- (ii) Interest income received on bank deposits and bank charges were charged in accordance with the terms of the relevant agreements with DBAG.
- (iii) Property management services fees were charged based on mutually agreed terms between the parties.
- (iv) The Trustee is entitled to in each financial period, an ongoing fee of not more than 0.025% of the value of the deposited property payable semi-annually or quarterly in arrears, subject to a minimum of RMB672,000 per annum.
- (v) Fee to the Manager was charged in accordance with the Trust Deed.
- (vi) Valuation fee were charged based on mutually agreed terms between the parties.
- (vii) Lease deposits were received in accordance with the terms of the relevant lease agreements.

No transaction was entered with the directors of the Manager (being the key management personnel) for the period ended 30 June 2020 (2019: Nil).

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 26 Subsidiaries

Name	Place of establishment and kind of legal entity/ place of operations	Principal activities	Particulars of issued share capital	Interest held
<b>Directly held:</b>				
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%
<b>Indirectly held:</b>				
Hawkeye Properties 501 Limited	Jersey, limited liability	Property investment	2 of GBP1 each	100%

## 27 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.

## Performance Table

As at 30 June	2020	2019
Net assets attributable to Unitholders	<b>RMB6,555.59 million</b>	RMB6,461.50 million
Net assets per unit attributable to Unitholders	<b>HK\$4.94</b>	HK\$5.74
Total borrowings as a percentage of gross assets	<b>32.1%</b>	35.1%
Market capitalisation <sup>1</sup>	<b>RMB3,329.07 million</b>	RMB3,776.34 million
Units issued	<b>1,454,929,390</b>	1,278,916,863
For the six months ended 30 June	2020	2019
Highest traded unit price	<b>HK\$3.29</b>	HK\$3.72
Highest premium of the traded unit price to net assets per unit	<b>N/A</b>	N/A
Lowest traded unit price	<b>HK\$2.00</b>	HK\$3.33
Highest discount of the traded unit price to net assets per unit	<b>59.5%</b>	42.0%
Distributions per unit <sup>2</sup>	<b>HK9.5 cents</b>	HK10.0 cents
Net yield per unit <sup>2</sup>	<b>3.8%</b>	3.0%
Net yield (annualised) per unit <sup>2</sup>	<b>7.6%</b>	6.0%

Notes:

- 1 Market capitalisation is calculated based on the closing unit price of the period times the unit outstanding as at the end of the period.
- 2 Net yield per unit is calculated based on distribution per unit for each period to the closing price as at the end of each period.

# Corporate Information

## The Manager

Spring Asset Management Limited  
Room 2801, 28/F, Man Yee Building  
68 Des Voeux Road Central  
Hong Kong  
Tel: +852 3100 0300  
Fax: +852 3100 0320

## Board of Directors of the Manager Chairman and Non-executive Director

Mr. Toshihiro Toyoshima

## Executive Directors

Mr. Nobumasa Saeki  
Mr. Leung Kwok Hoe, Kevin

## Non-executive Director

Mr. Hideya Ishino

## Independent Non-executive Directors

Mr. Simon Murray  
Mr. Qiu Liping  
Mr. Lam Yiu Kin

## Responsible Officers of the Manager

Mr. Nobumasa Saeki  
Mr. Leung Kwok Hoe, Kevin  
Mr. Chung Wai Fai  
Ms. Alice Yu

## Company Secretary of the Manager

Fair Wind Secretarial Services Limited

## Auditor

PricewaterhouseCoopers  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*

## Internal Auditor

BDO Financial Services Limited

## Trustee

DB Trustees (Hong Kong) Limited

## Principal Valuer

Jones Lang LaSalle Corporate Appraisal and  
Advisory Limited

## Legal Advisors

Baker & McKenzie

## Unit Registrar

Computershare Hong Kong Investor  
Services Limited  
Shops 1712-1716, 17/F., Hopewell Centre  
183 Queen's Road East  
Wan Chai  
Hong Kong

## Property Manager

Beijing Hua-re Real Estate Consultancy Co., Ltd  
Montagu Evans LLP

## Investor Relations

Mr. Chung Wai Fai  
Email: [ir@springreit.com](mailto:ir@springreit.com)

## Stock Code

Hong Kong: 1426

## Website

[www.springreit.com](http://www.springreit.com)

# SpringREIT

Spring Real Estate Investment Trust  
春泉產業信託

Stock Code : 01426

---

[www.springreit.com](http://www.springreit.com)

Managed by  
**Spring Asset Management Limited**



This report is printed on environmentally friendly paper