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SpringREIT

Spring Real Estate Investment Trust

春泉產業信託

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

(Stock Code: 01426)

Managed by

Spring Asset Management Limited

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022 AND CLOSURE OF REGISTER OF UNITHOLDERS

ABOUT SPRING REIT

Spring Real Estate Investment Trust (“**Spring REIT**”) is a real estate investment trust constituted by a trust deed entered into on 14 November 2013 as amended and supplemented by the first supplemental deed dated 22 May 2015 and the first amending and restating deed dated 28 May 2021 (collectively, the “**Trust Deed**”) between Spring Asset Management Limited and DB Trustees (Hong Kong) Limited, as trustee of Spring REIT (the “**Trustee**”). Units of Spring REIT (the “**Units**”) were first listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 5 December 2013.

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

ABOUT THE MANAGER

Spring REIT is managed by Spring Asset Management Limited (as manager of Spring REIT, the “**Manager**”), a company incorporated in Hong Kong for the sole purpose of managing Spring REIT. As at 30 June 2022, the Manager is 80.4% owned by Mercuria Holdings Co., Ltd. (“**Mercuria Holdings**”), which is an investment holding company listed on the Tokyo Stock Exchange (Stock Code: 7347) with notable shareholders such as Development Bank of Japan, Itochu Corporation and Sumitomo Mitsui Trust Bank, Limited.

DISTRIBUTION

The board of directors (the “**Board**”) of the Manager, for and on behalf of Spring REIT, has resolved to declare an interim distribution for the period from 1 January 2022 to 30 June 2022 (the “**Reporting Period**”, “**1H 2022**” or “**2022 Interim Distribution Period**”) of HK11.2 cents per Unit (“**2022 Interim Distribution**”) to unitholders of Spring REIT (“**Unitholders**”) whose names appear on the register of Unitholders on 8 September 2022 (the “**Record Date**”), remaining constant half-on-half (“**HoH**”) and representing an increase of 3.7% year-on-year (“**YoY**”) and a payout ratio of 90% (FY2021: 90%).

Based on the closing price of HK\$2.65 per Unit as at 30 June 2022, the Reporting Period distribution per Unit (“**DPU**”) represents an annualized distribution yield of 8.5%. For details of the distribution, please refer to the section headed “Consolidated Statement of Distributions” in the financial information.

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 2022 Interim Distribution is HK\$1 = RMB0.8310, which represents the average of month-end central parity rates in the 2022 Interim Distribution Period (as announced by the People’s Bank of China).

The Manager confirms that 2022 Interim Distribution is composed only of consolidated profit after tax, before transactions with Unitholders and non-cash adjustments for the 2022 Interim Distribution Period.

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

The Record Date for the 2022 Interim Distribution will be 8 September 2022. The register of Unitholders will be closed for the purpose of determining the identity of Unitholders from 7 September 2022 to 8 September 2022, both days inclusive, during which period no transfer of Units will be registered. The 2022 Interim Distribution is to be payable on 22 September 2022 to Unitholders whose names appear on the register of Unitholders on the Record Date.

In order to qualify for the 2022 Interim Distribution, all completed transfer forms in respect of transfer of Units (accompanied by the relevant Unit certificates) must be lodged for registration with Tricor Investor Services Limited, Spring REIT’s Unit registrar in Hong Kong, whose address is 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on 6 September 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Manager is pleased to present the financial results of Spring REIT for the six months ended 30 June 2022. The Reporting Period was dominated by a volatile macroeconomic environment associated with the resurgence of COVID-19 and the global prospect of stagflation, both of which were reflected in a challenging leasing environment in Beijing.

Despite this, the performance of our property portfolio has been particularly encouraging, with YoY growth of 3.9% in net property income being registered in the period. Recognising the importance of resilience in such a volatile environment, the Manager placed a strong emphasis on maintaining occupancy at the CCP Property and exercising rent flexibility. This strategy has proven effective, helping to insulate the CCP Property from the negative economic impact of the COVID-19 measures imposed in Beijing during the second quarter of 2022.

Cash interest expenses increased slightly for the period, as interest rate hikes kicked in later in the second quarter. Total distributable income for the period grew by 3.8% to RMB152.65 million and the DPU for the period amounted to HK11.2 cents with a payout ratio of 90%, representing an increase of 3.7% over the same period in 2021. The weaker Renminbi against the Hong Kong Dollar during the period partially offset the increase in total distributable income.

CCP Property Operation Review

Beijing office market overview

The Omicron outbreak in Beijing and the ripple effects of the lockdown in Shanghai in the second quarter cancelled out Beijing's encouraging economic rebound in the first quarter, causing the city's GDP growth in the first six months to fall to a mere 0.7% YoY. The tertiary or service sector remained the largest contributor to the Beijing economy, with IT and financial services being the key drivers. These industries recorded YoY growth of 9.4% and 6.6% respectively.

The Beijing CBD is home to tenants from a wide range of industries, including many from the finance and insurance, professional services, and manufacturing industries. It holds the largest amount of Grade-A office stock in Beijing, amounting to 2.80 million sqm as at 30 June 2022, and accounting for 25.8% of the city's total Grade-A office space of 10.85 million sqm.

After a strong start in early 2022 which saw moderate improvements in overall rent and occupancy, market sentiment in Beijing was adversely affected by the Omicron outbreak in the second quarter of 2022. Although there was some relocation and expansion demand from the IT and finance sectors, lease enquiries and new lettings were limited. Multinational activity remained subdued, and domestic tenants made up more than 80% of overall activity. The prolonged lockdown in Shanghai and in many other parts of the country exacerbated the financial strains on many tenants in the CBD with operations throughout the country. The number of delayed rental payments, rent relief requests and early terminations by CBD office tenants rose in the second quarter, and our CCP Property was not immune. We expect the impact to be more pronounced in the second half of 2022.

Despite the challenging economic environment, the fundamentals of the Beijing property market have stabilized. The improvement in occupancy in the first quarter of 2022, prior to the onset of Omicron, was helped by a lack of new office completions. The new office space accumulated over the last few years was also largely taken up, alleviating pressures on both rent and occupancy. This has helped the CBD office market to show resilience under the pressure arising from the Omicron outbreak in the second quarter. At the time of writing, no new office supply is expected in the CBD until 2026.

Beijing Office Market Vacancy and Rental Rates in 1H 2022

		Occupancy Rate ¹	HoH Change	YoY Change	Average Rental Rate ¹ (RMB/sqm/month)	HoH Change ²	YoY Change ²
CBD	Grade A	89.4%	+2.3 ppts	+4.7 ppts	357	1.9%	3.8%
	Premium Grade A	90.5%	+2.3 ppts	+6.8 ppts	401	1.9%	3.2%

¹ Data is as at 30 June 2022.

² YoY and HoH changes in average rental rate are on a chain-linked basis, to facilitate like-for-like comparison.

Source: JLL Research

CCP Property Operation Performance

(in RMB million)					
For the Six Months Ended	30-Jun-2022	HoH Change	31-Dec-2021	HoH Change	30-Jun-2021
Revenues					
– Rental income	243.48	(0.7%)	245.07	4.9%	233.73
– Car park income	2.72	32.0%	2.06	(26.7%)	2.81
– Other income (note i)	2.56	(41.4%)	4.78	769.1%	0.55
	248.76	(1.3%)	251.91	6.3%	237.09
Property Operating Expenses					
– Property management fee	(5.50)	6.4%	(5.17)	—	(5.17)
– Property taxes (note ii)	(30.38)	5.1%	(28.90)	2.5%	(28.19)
– Withholding tax (note iii)	(25.50)	5.0%	(24.28)	2.9%	(23.60)
– Other taxes (note iv)	(0.15)	(86.5%)	(1.11)	(62.0%)	(2.92)
– Leasing Commission	(0.94)	(90.0%)	(9.37)	643.7%	(1.26)
– Other expenses (note v)	(1.96)	86.7%	(1.05)	156.1%	(0.41)
	(64.43)	(7.8%)	(69.88)	13.5%	(61.55)
Net Property Income	184.33	1.3%	182.03	3.7%	175.54

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 stamp duty.
- v Other expenses mainly represent reinstatement cost.

During the reporting period, the CCP Property reported a 1.3% decrease in revenue HoH, with rental income generated from the office space decreasing by 0.7% HoH. The HoH decline in rental income during the reporting period is attributable to a mild decrease in passing rent reflecting a soft Beijing office market in the first half of 2022. The 7.8% HoH decrease in property operating expenses was mainly due to lower commission expenses, as renewals dominated leasing activities during the period. After deducting property operating expenses, net property income was RMB184.33 million, representing an increase of 1.3% HoH and 5.0% YoY.

Property operating expenses are mainly comprised of tax expenses, namely property taxes, withholding tax and other taxes. Tax expenses in aggregate accounted for 87.0% of the total property operating expenses. The property management fee, payable at 2.0% of total revenue, accounted for 8.5% of the total property operating expenses.

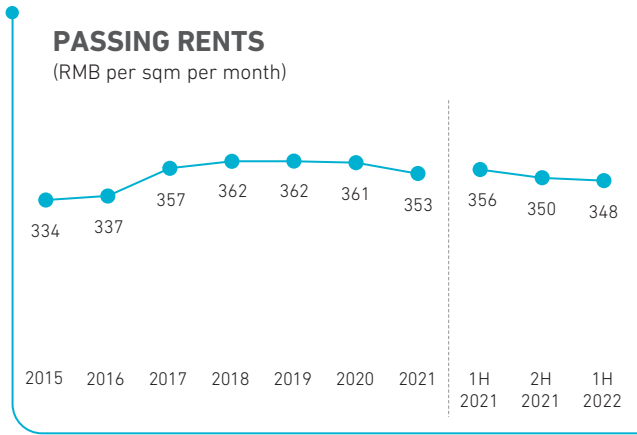
Rental Income

The CCP Property secured an average occupancy of 96.3% in 1H 2022. Average passing rent (net of Value-Added Tax (“VAT”)) declined marginally to RMB348 per sqm in 1H 2022, implying a negative rental reversion rate² of 0.9%. Lease expiries during the period involved a total area of 25,301 sqm (representing 21.0% of the leasable office area). The retention rate¹ for these expiries was 74.9% (or 18,943 sqm). Including new lettings, a total area of 21,210 sqm (representing 17.6% of the leasable office area) was leased out in the period, of which 10.7% was attributable to new leases.

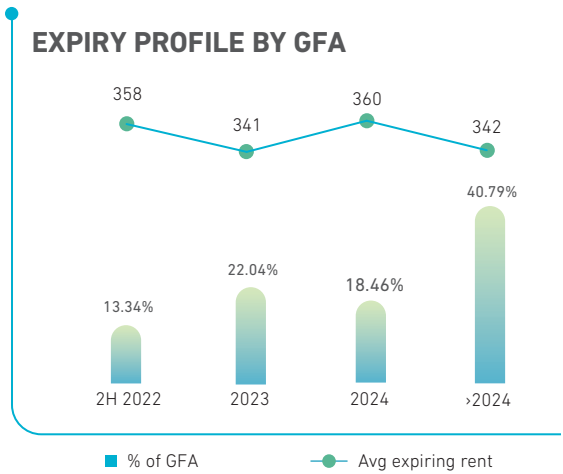
The reporting period was particularly challenging due to Omicron outbreaks and prolonged lockdowns in parts of China, including Beijing, from March to May. As of 30 June 2022, rental arrears amounted to RMB2.82 million, representing 7.1% of the total rental income receivable in June 2022. 78% of the outstanding arrears as of 30 June 2022 was recovered by July. We will remain diligent in monitoring the situation given the volatile environment.

For the Six Months Ended	30-Jun- 2022	Change	31-Dec- 2021	Change	30-Jun- 2021
Average Monthly					
Passing Rent (RMB/sqm) ³	348	(0.6%)	350	(1.7%)	356
Average Occupancy ⁴	96.3%	—	96.3%	+6.0 pts	90.3%

Passing Rents
(RMB per sqm per month)



Expiry Profile by GFA



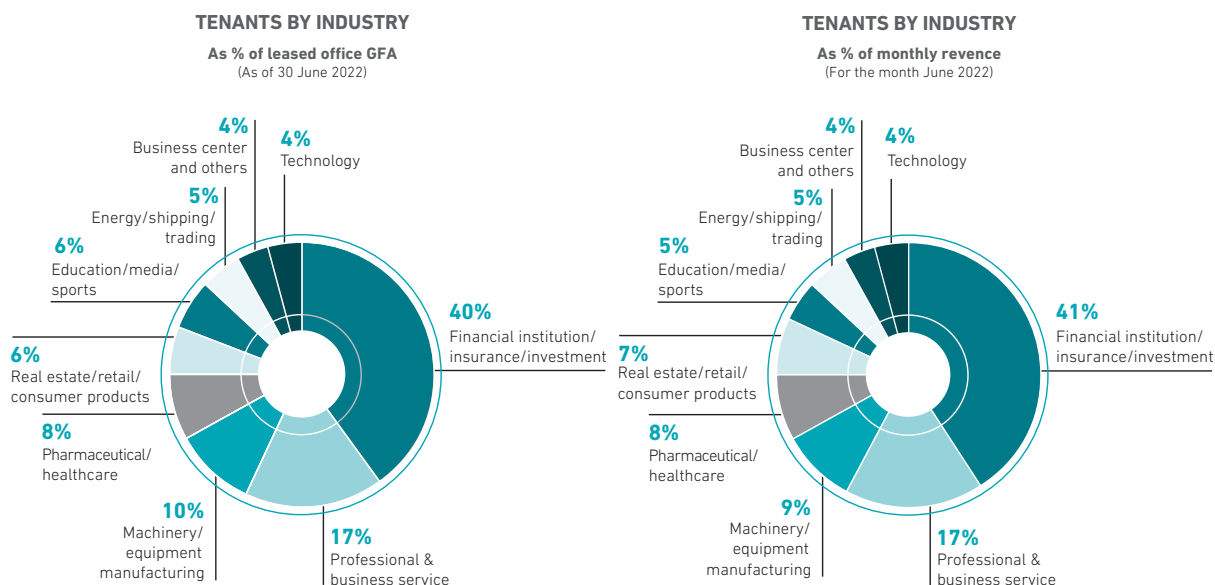
1. Retention rate illustrates the proportion of the total area under all the expired leases that was taken up by the same tenants entering into new leases during the relevant period.
2. Rental reversion is calculated on the basis of the difference in the effective rent only for existing tenants who renewed their lease in the same space with the same area during the relevant period.
3. Average monthly passing rent is presented net of business tax and VAT (where applicable) and is an average of the month-end figures throughout the specified period.
4. Occupancy rate is an average of the month-end figures throughout the specified period.

As at 30 June 2022, the weighted average lease expiry in terms of GFA was 775 days for the CCP Property. Leases expiring in the second half of 2022 and in the year ending 31 December 2023 accounted for 13.3% and 22.0% of the total leasable GFA respectively, and the average unit rents for the expiring leases were RMB358 per sqm and RMB341 per sqm respectively.

Tenancy base

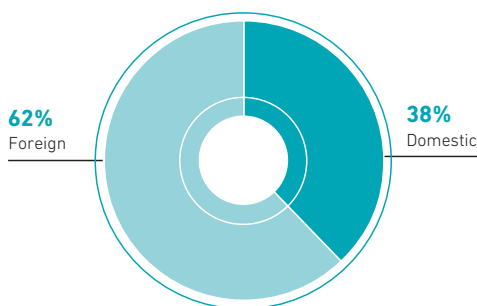
The CCP Property had a total of 188 tenancies as at 30 June 2022. The top five tenants in terms of GFA accounted for 21.3% of the total revenue for the Reporting Period, and occupied 22.4% of total leased GFA as at 30 June 2022. Details of these tenants are set out below.

Tenants	Portion of total leased GFA
Epson	5.9%
Zhong De Securities	4.2%
Xinyuan	4.2%
Global Law Office	4.1%
The Executive Centre	4.0%
Total	22.4%



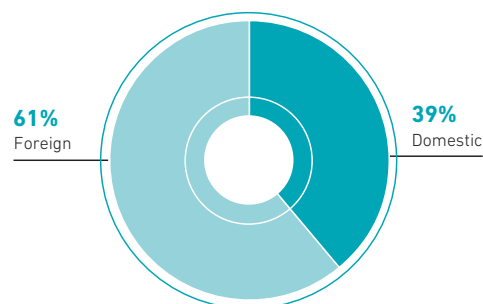
INTERNATIONAL AND DOMESTIC TENANT SPLIT

As % of leased office GFA
(As of 30 June 2022)



INTERNATIONAL AND DOMESTIC TENANT SPLIT

As % of monthly revenue
(For the month June 2022)



UK Portfolio Operation Review

Each of the UK Portfolio's 84 properties is under a long-term lease with the tenant Kwik-Fit (GB) Limited ("Kwik Fit"), a leading car servicing operator in the United Kingdom, with all but one of the leases expiring in March 2032 (save for the lease and head lease in respect of one property will expire in September 2024). Currently, the UK Portfolio has an occupancy rate of 100%, with an annual contract rental income of approximately GBP4.55 million. Spring REIT enjoys substantial pass through of rental income as the leases are "full repairing and insuring" in nature, under which the tenant pays 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.).

Financial Results Highlights

(in RMB millions unless otherwise specified)	30-Jun-2022	HoH Change	31-Dec-2021	HoH Change	30-Jun-2021
For the Six Months Ended					
Revenue	267.31	(1.5%)	271.51	5.7%	256.93
Property operating expenses	(64.73)	(7.8%)	(70.17)	13.4%	(61.90)
Net property income	202.58	0.6%	201.35	3.2%	195.02
Net property income margin	75.8%	1.6 ppts	74.2%	-1.7 ppts	75.9%
G&A expenses	(32.91)	(2.5%)	(33.75)	7.1%	(31.52)
Cash interest expenses	(32.34)	4.5%	(30.96)	(0.8%)	(31.22)
Profit after taxation	93.77	(68.5%)	297.61	40.2%	212.34
Total distributable income	<u>152.65</u>	<u>1.3%</u>	<u>150.62</u>	<u>2.4%</u>	<u>147.07</u>

Units Information	1H 2022	HoH Change	2H 2021	HoH Change	1H 2021
DPU (HK cents)	11.2	—	11.2	3.7%	10.8
Payout ratio	90%	—	90%	—	90%
Net asset value per Unit (HK\$)	5.29	(4.9%)	5.56	4.1%	5.34
Number of Units outstanding	<u>1,479,302,559</u>	<u>0.5%</u>	<u>1,472,383,580</u>	<u>0.4%</u>	<u>1,466,273,210</u>

As at	30-Jun-2022	HoH Change	31-Dec-2021	HoH Change	30-Jun-2021
Property valuation	9,331.82	0.3%	9,307.10	0.8%	9,230.51
Total assets	10,033.78	1.5%	9,884.00	1.2%	9,765.84
Total borrowings	3,089.40	4.3%	2,960.83	(1.5%)	3,006.47
Net asset value	6,685.28	0.2%	6,671.65	2.4%	6,515.41
Gearing ratio	<u>30.8</u>	<u>0.8 ppts</u>	<u>30.0</u>	<u>-0.8 ppts</u>	<u>30.8</u>

Financial Performance

Spring REIT's revenue for the Reporting Period was RMB267.31 million, representing a 1.5% decrease HoH and a 4.0% increase YoY. After taking into account property operating expenses of RMB64.73 million, net property income amounted to RMB202.58 million, representing a 0.6% increase HoH and a 3.9% increase YoY. The net property income margin increased to 75.8% for the Reporting Period (2H 2021: 74.2%; 1H 2021: 75.9%).

General and administrative expenses amounted to RMB32.91 million. Meanwhile, a total finance cost on interest-bearing borrowings of RMB187.62 million (1H2021: finance costs on interest-bearing borrowings of RMB12.96 million) was registered, which consisted of a non-cash foreign exchange loss of RMB137.29 million (1H 2021: non- cash foreign exchange gain of RMB27.71 million) recognised when US dollar bank borrowings were converted to RMB in the financial statements. Cash interest expenses amounted to RMB32.34 million, increased by 3.6% YoY as compared to RMB31.22 million in 1H 2021.

Taking into account of the increase in the fair value of the CCP Property of RMB52.00 million and the UK Portfolio of RMB7.06 million, profit after taxation for the Reporting Period was RMB93.77 million (2H 2021: profit after taxation of RMB297.61 million; 1H 2021: RMB212.34 million).

Spring REIT's total distributable income for the Reporting Period was RMB152.65 million, representing an increase of 1.3% HoH and an increase of 3.8% YoY. Among other adjustments, the reported amount excludes the foreign exchange gain, net fair value gain on derivative financial instrument, and the increase in the fair value of the CCP Property and the UK Portfolio, which are non-cash in nature.

Financial Position

Spring REIT's principal valuer, Knight Frank Petty Limited ("**Knight Frank**" or the "**Principal Valuer**"), performed a valuation of the Spring REIT portfolio as at 30 June 2022. The CCP Property was appraised at RMB8,690 million as at 30 June 2022, representing a 0.6% increase in value compared to its valuation as at 31 December 2021. The valuation of the CCP Property was arrived at using the income capitalization approach, and cross-checked by the direct comparison approach. The increase in valuation was attributable mainly to an increase in the base rent. The capitalization rate/reversionary yield was 5.0% (31 December 2021: 5.0%; 30 June 2021: 5.0%).

The UK Portfolio was appraised at GBP78.66 million (equivalent to RMB641.82 million) as at 30 June 2022, representing a 1.2% increase in GBP terms and a 4.1% decrease in RMB terms compared to its valuation as at 31 December 2021. The valuation of the UK Portfolio was arrived at using the income approach. The reversionary yield ranged from 3.70% to 7.90% (31 December 2021: 4.00% to 8.25%).

As at 30 June 2022, Spring REIT had in place aggregate debt facilities of approximately RMB3,089.40 million, comprising:

1. A secured term loan facility of US\$403.00 million and an uncommitted undrawn term loan facility of US\$80.00 million, totalling US\$483.00 million (the "**CCP Facilities**"), bearing an interest rate of 3-month US dollar LIBOR plus 1.55% per annum and expiring in December 2024.
2. A facility of GBP51.00 million (equivalent to approximately RMB416.11 million) (the "**UK Facility**") extended by Sumitomo Mitsui Banking Corporation ("**SMBC**") and put in place in January 2022, in which GBP 50.50 million (equivalent to approximately RMB412.03 million) has been drawn down. The UK facility bears an interest rate of 2.20% margin per annum plus Sterling Overnight Index Average ("**SONIA**") plus Credit Adjustment Spread ("**CAS**") and will expire in January 2025.

Acquisition of a Retail Property in Huizhou

On 29 April 2022, Spring REIT announced the acquisition of a 68% interest in a retail property known as “Huamao Place” (華貿天地) located in Huizhou, Guangdong Province, PRC. Completion is expected to take place in the second half of the year. The acquisition will enlarge Spring REIT’s existing portfolio and deliver regular rental contributions upon completion.

Net Assets Attributable to Unitholders

As at 30 June 2022, net assets attributable to Unitholders stood at RMB6,685.28 million.

The net asset value per Unit as at 30 June 2022 was HK\$5.29 (31 December 2021: HK\$5.56; 30 June 2021: HK\$5.34). This represented a 99.6% premium to the closing price of the Units of HK\$2.65 as at 30 June 2022, the last trading day in the Reporting Period.

Capital Commitments

As at 30 June 2022, the Group had no significant capital commitments.

Employees

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

Outlook

After a strong start in early 2022 for China’s economy, the largest wave of COVID-19 in two years disrupted the country’s growth trajectory. Economic growth stalled during the reporting period, reflecting the impact of Omicron outbreaks along with structural adjustments made by many industries (including the real estate sector) to conform with national policies. Despite the temporary economic headwinds, we believe growth will resume by the end of 2022, driven by potential policy stimulus measures and the easing of domestic COVID-19 restrictions.

Market sentiment in Beijing was affected by prolonged lockdowns imposed in the second quarter of 2022. With most tenants choosing to work from home at this time, the headcount in our CCP properties declined to as low as 5% of the daily average on normal days. The impact of the Omicron outbreak is expected to temporarily weigh on rental levels and occupancy in the near term, and the Manager will do its best to accommodate the needs of our tenants in this period. In the longer term the Manager remains cautiously optimistic about the prospects for the Beijing office market. We expect the market to remain resilient, given the possibility of economic recovery in the second half of 2022 and the lack of further Grade A office supply in the CBD going forward.

We do expect to see increases in the number of requests for concessions and early terminations due to the difficult operating environment faced by many of our tenants. Rental reversions are likely to continue to reflect soft rental rates in the broader market, and occupancy is likely to be affected by downsizing and early terminations. Given the possibility of a rise in rental arrears, we will remain vigilant and pay special attention to supporting tenants whose businesses have been significantly impacted by the economic headwinds. Meanwhile, the “triple net” structure of the leases in our UK portfolio and the defensive nature of the business of our tenant Kwik Fit mean that we expect the UK Portfolio to continue to provide steady additional returns.

With inflation pressures continuing to mount globally, we expect to see a volatile period in both interest rates and currencies. The US Fed’s raising of the benchmark interest rate from March 2022 represented an aggressive move to contain inflationary pressure. Fortunately, Spring REIT’s earlier initiative to implement float-to-fixed interest rate hedges covering about 75% of its USD loan exposures has mitigated its interest rate risk to a certain extent. In June 2022, Spring REIT entered into a deed of amendment to upsize the existing CCP Facilities. Upon satisfying the conditions precedent, Spring REIT will upsize the CCP Facilities and switch the loan and interest rate swaps currency from USD to HKD, ahead of USD LIBOR being officially replaced by the Secured Overnight Financing Rate (SOFR). This move demonstrates the Manager’s determination in the capital management exercise to reduce the uncertainty of the transition, given that the Hong Kong Monetary Authority has no plans to discontinue HIBOR in the foreseeable future.

On 29 April 2022, Spring REIT entered into an agreement to acquire a 68% interest in Huamao Place (華貿天地) for approximately RMB1,637 million. Huamao Place is a landmark asset located in Jiangbei in the city of Huizhou in the PRC. The acquisition, which will be fully debt funded, is expected to enlarge the value of Spring REIT's portfolio by approximately 27% on a consolidated basis. It also marks Spring REIT's first investment in a retail property asset in the PRC, and its first investment in the Greater Bay Area. The Manager was pleased to receive 99.99% support for the acquisition from Unitholders at the EGM on 26 May 2022. Completion of the transaction is expected to take place in the second half of 2022. With higher US interest rates expected to trigger flows of capital to the US, depreciation pressure is likely for other currencies including the RMB. This is relevant for the acquisition, which has been structured so that Spring REIT will also assume RMB-denominated debt. This will mitigate the impact of currency fluctuations by aligning Spring REIT's operating currency with the currency in which the debt is denominated.

The acquisition of Huamao Place is a testimony to the Manager's ability to add value for our Unitholders by virtue of our strategic relationships with two mainland partners, namely Huamao Property Holdings Limited and Sino-Ocean Group Holding Limited. We are confident that in the years ahead, these relationships will continue to open up potential investment opportunities matching the best-in-class quality of Spring REIT's existing assets.

Going forward, the Manager remains firmly committed to steering Spring REIT safely through the challenging macro-economic environment. Unitholders can be assured of our unwavering determination to delivering long term and sustainable growth in distributions.

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 (the "**Listing Rules**"), with necessary changes, as if those rules were applicable to real estate investment trusts (the "**REIT**") 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 26 May 2022 (to note the audited financial statements of Spring REIT together with the independent auditor’s report for the year ended 31 December 2021, and the re-appointment of the independent auditor of Spring REIT; and to approve the buy-back mandate) for meeting with Unitholders and answering their questions, if any.

In addition, an extraordinary general meeting was held on the same date to seek Unitholders’ approval on the major and connected transactions: acquisition and joint venture relating to a commercial property in Huizhou, the PRC; and the related continuing connected party transactions. Details of which were set out in the circular to Unitholders dated 3 May 2022.

Authorization Structure

Spring REIT is a collective investment scheme constituted as a unit trust and authorized by 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) and Mr. Chung Wai Fai (Executive Director 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. Ms. Alice Yu ceased being the RO and the Head of Compliance of the Manager on 11 August 2022.

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

New Issue of Units

During the Reporting Period, an aggregate of 7,147,979 new Units were issued to the Manager as payment of part of the Manager’s fee. Please refer to the announcements dated 25 March 2022 and 29 April 2022 for more details.

During the Reporting Period, the Manager (on behalf of Spring REIT) bought back a total of 808,000 Units on the Stock Exchange and a total of 229,000 Units were cancelled prior to the end of the Reporting Period. Please refer to the section headed “Purchase, Sale or Redemption of Units” for details.

The total number of Units in issue as at 30 June 2022 was 1,479,302,559 Units.

Purchase, Sale or Redemption of Units

During the Reporting Period, the Manager (on behalf of Spring REIT) bought back a total of 808,000 Units on the Stock Exchange at an aggregate consideration (excluding expenses) of approximately HK\$2.2 million. Further details are set out as follows:

Month	Number of Units bought back	Purchase price per Unit		Approximate aggregate consideration (excluding expenses) HK\$'000
		Highest HK\$	Lowest HK\$	
2022				
May	306,000	2.7180	2.6612	826
June	502,000	2.7063	2.6373	1,340

All Unit buy-backs by the Manager in the Reporting Period were carried out pursuant to the general mandate to buy back Units granted by the Unitholders that was in force in the relevant time, and were made in the interests of Spring REIT and the Unitholders as a whole. The buy-backs were effected by the Manager for the enhancement of the net asset value and/or earnings per Unit. The average cost (excluding expenses) of the Units bought back was approximately HK\$2.68 per Unit. A total of 229,000 Units were cancelled during the Reporting Period and the remaining bought back Units were cancelled as at the date of this report.

Save as disclosed above, 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 during the Reporting Period. Please also refer to the section headed “Management Discussion and Analysis – New Issue of Units” in this report for details relating to new Units issued by Spring REIT during the 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 2022.

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).

Review of Interim Results

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

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

Issuance of the Interim Report

The interim report of Spring REIT for the Reporting Period will be published on the websites of the Hong Kong Exchanges and Clearing Limited, at www.hkexnews.hk, and Spring REIT, at www.springreit.com, and will be sent to Unitholders on or before 31 August 2022.

By order of the Board

Spring Asset Management Limited

(as manager of Spring Real Estate Investment Trust)

Mr. Toshihiro Toyoshima

Chairman of the Manager

Hong Kong, 23 August 2022

As at the date of this announcement, the directors of the Manager are Toshihiro Toyoshima (chairman and non-executive director); Leung Kwok Hoe, Kevin (Chief Executive Officer and executive director) and Chung Wai Fai, Michael (executive director); Hideya Ishino (non-executive director); and Simon Murray, Lam Yiu Kin and Liping Qiu (independent non-executive directors).

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
Revenues	6	267,307	256,928
Property operating expenses	7	<u>(64,732)</u>	<u>(61,904)</u>
Net property income		202,575	195,024
General and administrative expenses	8	(32,908)	(31,520)
Fair value gain of investment properties	14	59,057	25,764
Fair value (loss)/gain of right-of-use assets	15	(253)	224
Other gains, net	9	<u>53,735</u>	<u>36,241</u>
Operating profit		282,206	225,733
Bank interest income		1,825	1,198
Finance costs on interest-bearing borrowings	10	<u>(187,615)</u>	<u>(12,961)</u>
Profit before taxation and transactions with Unitholders		96,416	213,970
Income tax expense	11	<u>(2,643)</u>	<u>(1,631)</u>
Profit for the period, before transactions with Unitholders		93,773	212,339
Distributions paid to Unitholders:			
– 2020 final distribution		—	(128,170)
– 2021 final distribution (note i)		<u>(139,224)</u>	<u>—</u>
		<u>(45,451)</u>	<u>84,169</u>

Six months ended 30 June

	2022	2021
	(Unaudited)	(Unaudited)
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Change in net assets attributable to Unitholders, excluding issues of new units and units bought back for cancellation	(485)	70,753
Amount arising from exchange reserve movements regarding translation of financial statements	(44,966)	13,416
	<u>(45,451)</u>	<u>84,169</u>

Represented by:

Change in net assets attributable to Unitholders,
excluding issues of new units and units

bought back for cancellation

Amount arising from exchange reserve movements
regarding translation of financial statements

Notes:

- (i) 2021 final distribution of RMB139,224,000 for the year ended 31 December 2021 was paid during the six months ended 30 June 2022. Total distribution for the six months ended 30 June 2022 is presented in the consolidated statement of distributions.
- (ii) Earnings per unit, based upon 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 32 to 54 are an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		Before transactions with Unitholders (Unaudited) <i>RMB'000</i>	Transactions with Unitholders (note i) (Unaudited) <i>RMB'000</i>	After transactions with Unitholders (Unaudited) <i>RMB'000</i>
For the six months ended 30 June 2022				
Profit for the period		93,773	(138,739)	(44,966)
Other comprehensive income:				
<i>Items that may be reclassified to condensed consolidated income statement</i>				
Exchange losses on translation of financial statements of subsidiaries		(5,165)	—	(5,165)
<i>Items that may not be reclassified to condensed consolidated income statement</i>				
Exchange gains on translation of financial statements of Spring REIT		50,131	—	50,131
Total comprehensive income for the period	ii	138,739	(138,739)	—
For the six months ended 30 June 2021				
Profit for the period		212,339	(198,923)	13,416
Other comprehensive income:				
<i>Items that may be reclassified to condensed consolidated income statement</i>				
Exchange losses on translation of financial statements of subsidiaries		(82)	—	(82)
<i>Items that may not be reclassified to condensed consolidated income statement</i>				
Exchange losses on translation of financial statements of Spring REIT		(13,334)	—	(13,334)
Total comprehensive income for the period	ii	198,923	(198,923)	—

Notes:

- (i) Transactions with Unitholders comprise the distributions paid to Unitholders of RMB139,224,000 (2021: RMB128,170,000), and change in net assets attributable to Unitholders excluding issue of new units and units bought back for cancellation, which is a decrease of RMB485,000 (2021: an increase of RMB70,753,000).

- (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 issues 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 32 to 54 are an integral part of these condensed consolidated interim financial information.

CONSOLIDATED STATEMENT OF DISTRIBUTIONS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit for the period, before transactions with Unitholders	93,773	212,339
Adjustments:		
– Fair value gain of investment properties	(59,057)	(25,764)
– Fair value loss/(gain) of right-of-use assets	253	(224)
– Gain on disposal of investment properties	—	(151)
– Net fair value gain of derivative financial instruments	(92,790)	(25,058)
– Deferred taxation on change in fair values of investment properties	1,341	—
– Manager's fee expenses in units in lieu of cash	15,987	15,395
– Amortisation of transaction costs for host liability components of bank borrowings	16,797	9,279
– Unrealised foreign exchange loss/(gain)	176,347	(38,742)
Distributable income for the period (note i)	152,651	147,074
Total distributions of the period (note ii)	137,386	132,367
Percentage of total distribution over distributable income for the period	90%	90%
Distributions per unit to Unitholders for the period		
– Interim distribution per unit, to be paid (note iii, iv and v)	<u>HK11.2 cents</u>	<u>HK10.8 cents</u>

Notes:

- (i) Under the terms of the Trust Deed, the distributable income represents the profit for the period before transactions with Unitholders, adjusted to eliminate the effects of certain non-cash transactions which have been recorded in the condensed 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) On 25 July 2022, a total of 770,000 units, comprising 579,000 units repurchased during the six months ended 30 June 2022 and 191,000 units repurchased during the period from 1 July 2022 to 18 July 2022, were subsequently cancelled. On 11 August 2022, a total of 3,490,017 units were issued as payment of part of the Manager's fees. Accordingly, the interim distribution per unit of HK11.2 cents for the six months ended 30 June 2022 is calculated based on the interim distribution to be paid to Unitholders of RMB137,386,000 for the period and 1,482,022,576 units in issue as at 23 August 2022, being the date of declaration of the final distribution, rounded to the nearest HK0.1 cents.

Distributions to Unitholders for the six months ended 30 June 2022 represent a payout ratio of 90% (2021: 90%) of Spring REIT's total distributable income for the period. The interim distribution for the six months ended 30 June 2022 is expected to be paid to Unitholders on 22 September 2022. Such interim distributions per unit, however, may be subject to adjustment upon the issuance of new units between 23 August 2022 (being the date of the declaration of the interim distribution) and 8 September 2022 (the "Record Date"), if any.

- (iv) On 26 July 2021, a total of 589,000 units, comprising 273,000 units repurchased during the six months ended 30 June 2021 and 316,000 units repurchased during the period from 1 July 2021 to 19 July 2021, were subsequently cancelled. On 11 August 2021, a total of 3,269,154 units were issued as payment of part of the Manager's fees. Accordingly, the interim distribution per unit of HK10.8 cents for the six months ended 30 June 2021 is calculated based on the interim distribution to be paid to Unitholders of RMB132,367,000 for the period and 1,468,953,364 units in issue as at 24 August 2021, being the date of declaration of the final distribution, rounded to the nearest HK0.1 cents.
- (v) All distributions to Unitholders are determined and paid in Hong Kong dollar.

The notes on pages 32 to 54 are an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
	<i>Notes</i>		
Assets			
Investment properties	14	9,331,817	9,307,096
Right-of-use assets	15	14,197	15,217
Derivative financial instruments	16	132,524	33,414
Restricted bank balances	18	338,493	320,223
Trade and other receivables	17	62,397	52,006
Cash and cash equivalents	18	154,347	156,047
Total assets		10,033,775	9,884,003
Liabilities, excluding net assets attributable to Unitholders			
Interest-bearing borrowings	20	3,089,395	2,960,830
Deferred tax liabilities	21	3,919	2,760
Lease liabilities	15	10,420	11,009
Rental deposits	19	151,676	150,639
Income tax payable		4,001	2,887
Trade and other payables	19	89,086	84,225
Total liabilities, excluding net assets attributable to Unitholders		3,348,497	3,212,350
Net assets attributable to Unitholders		6,685,278	6,671,653
Units in issue ('000)	22	1,479,303	1,472,384
Net asset value per unit attributable to Unitholders			
In RMB		4.52	4.53
In HK\$		5.29	5.56

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

Leung Kwok Hoe, Kevin
Executive Director

Chung Wai Fai, Michael
Executive Director

The notes on pages 32 to 54 are an integral part of these condensed consolidated interim financial information.

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

For the six months ended 30 June 2022

	Reserves (note) RMB'000	Net assets attributable to Unitholders RMB'000
As at 1 January 2022	—	6,671,653
Profit for the period, before transactions with Unitholders	—	93,773
Exchange gains on translation of financial statements	44,966	—
Amount arising from exchange reserve movements	(44,966)	44,966
Distributions paid to Unitholders:		
– 2021 final distribution	—	(139,224)
	—	(139,224)
Change in net assets attributable to Unitholders for the six months ended 30 June 2022, excluding issues of new units and units bought back for cancellation	—	(485)
	—	(485)
Issuance of units	—	15,956
Units bought back for cancellation (<i>note 22</i>)	—	(1,846)
	—	(1,846)
As at 30 June 2022	—	6,685,278

	Reserves (note) <i>RMB'000</i>	Net assets attributable to Unitholders <i>RMB'000</i>
As at 1 January 2021	—	6,432,897
Profit for the period, before transactions with Unitholders	—	212,339
Exchange losses on translation of financial statements	(13,416)	—
Amount arising from exchange reserve movements	13,416	(13,416)
Distributions paid to Unitholders:		
– 2020 final distribution	—	(128,170)
Change in net assets attributable to Unitholders for the six months ended 30 June 2021, excluding issues of new units and units bought back for cancellation	—	70,753
Issuance of units	—	15,349
Units bought back for cancellation (<i>note 22</i>)	—	(3,592)
As at 30 June 2021	—	6,515,407

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 32 to 54 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 a trust deed entered into on 14 November 2013 as amended and supplemented by the first supplemental deed dated 22 May 2015 and the First Amending and Restating Deed entered into between Spring Asset Management Limited (the “Manager”) and DB Trustees (Hong Kong) Limited (the “Trustee”) on 28 May 2021 (collectively, 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 60/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 2022 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 2021, 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 2021 as described in those annual financial statements.

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

The Group has adopted all of the new standards, amendments, improvements and interpretation issued by the International Accounting Standards Board that are mandatory for annual accounting periods beginning on or after 1 January 2022.

New standards, amendments, improvements and interpretation to existing standards effective in 2022:

IFRS 16 Amendments	Covid-19-Related Rent Concessions beyond 30 June 2021
IFRS 3, IAS 16 and IAS 37 Amendments	Narrow-Scope Amendments
Annual Improvements to IAS 41, IFRS 1, IFRS 9, and IFRS 16	Annual Improvements 2018-2020 Cycle

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

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

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

		Effective for accounting periods beginning on or after
IAS 1 Amendments	Classification of Liabilities as Current or Non-current	1 January 2023
IAS 1 and IFRS Practice Statement 2 Amendments	Disclosure of Accounting Policies	1 January 2023
IAS 8 Amendments	Definition of Accounting Estimates	1 January 2023
IAS 12 Amendments	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 4 Amendments	Extension of the temporary exemption from applying IFRS 9 and IFRS 4	1 January 2023
IFRS 17 and IFRS 17 Amendments	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, improvements 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, improvements and interpretations to existing standards, and anticipated that the adoption of new standards, amendments, improvements and interpretations to existing standards will not have a material effect on the Group's operating result or financial position.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimates of fair value of investment properties

The fair value of each investment property is individually determined at each reporting date by independent valuer using valuation techniques. Details of the judgement and assumptions have been disclosed in note 14.

(b) Estimates of fair values of derivative financial instruments

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

(c) Taxation

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

5 FINANCIAL RISK

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2021.

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

6 REVENUE AND SEGMENT INFORMATION

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

For the six months period ended 30 June 2022, revenue of RMB248.9 million (30 June 2021: RMB237.1 million) is attributable to tenants from the PRC investment properties and RMB18.4 million (30 June 2021: RMB19.8 million) is attributable to tenants from the UK investment properties. As at 30 June 2022, investment properties of RMB8,690 million (31 December 2021: RMB8,638 million) is located in the PRC and RMB642 million (31 December 2021: RMB669 million) is located in the UK. Right-of-use assets of RMB14 million (31 December 2021: RMB15 million) is located in the UK.

An analysis of revenues of the Group is as follows:

	Six months ended 30 June	
	2022 (Unaudited) <i>RMB'000</i>	2021 (Unaudited) <i>RMB'000</i>
Revenues		
Rental income	262,028	253,574
Car park income	2,720	2,807
Other income (<i>note i</i>)	2,559	547
	<u>267,307</u>	<u>256,928</u>

Note:

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

7 PROPERTY OPERATING EXPENSES

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Property management fee	5,767	5,452
Property taxes (note i)	30,385	28,192
Other taxes (note ii)	146	2,919
Withholding tax (note iii)	25,499	23,604
Leasing commission	942	1,256
Reinstatement costs	1,551	—
Others	442	481
	<u>64,732</u>	<u>61,904</u>

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	
	2022	2021
	(Unaudited) RMB'000	(Unaudited) RMB'000
Manager's fee (<i>note i</i>)	25,704	25,153
Trustee fee	880	721
Valuation fee	761	423
Auditor's remuneration		
– Audit services	102	101
– Other assurance services	612	610
– Other non-assurance services	13	—
Legal and other professional fee (<i>note ii</i>)	4,389	3,720
Others	447	792
	<u>32,908</u>	<u>31,520</u>

Notes:

- (i) The breakdown of the Manager's fee was set out in note 12.
- (ii) Legal and other professional fee mainly comprises advisory fees and other professional fees.

9 OTHER GAINS, NET

	Six months ended 30 June	
	2022	2021
	(Unaudited) RMB'000	(Unaudited) RMB'000
Net fair value gain of derivative financial instruments at fair value through profit or loss	92,790	25,058
Foreign exchange (losses)/gains, net	(39,055)	11,032
Gain on disposal of investment properties	—	151
	<u>53,735</u>	<u>36,241</u>

10 FINANCE COSTS ON INTEREST-BEARING BORROWINGS

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Interest expenses on bank borrowings (<i>note i</i>)	50,695	36,934
Interest (income)/expenses on derivative financial instruments	(808)	3,267
Interest expenses on lease liabilities	436	470
Foreign exchange losses/(gains) on bank borrowings (<i>note ii</i>)	137,292	(27,710)
	<u>187,615</u>	<u>12,961</u>

Notes:

- (i) Interest expenses on bank borrowings comprised contractual loan interest and amortised loan arrangement fee, which were recognised using the effective interest rate method.
- (ii) Foreign exchange losses/(gains) on bank borrowings arise upon translating the bank borrowings denominated in foreign currencies.

11 INCOME TAX EXPENSE

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

For the subsidiary with operation in the UK, it is subject to non-resident landlord income tax and deferred tax in relation to the capital gain tax on investment properties revaluation at a rate of 19%.

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	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax		
Current income tax	1,302	1,323
Under-provision in prior year	—	308
	1,302	1,631
Deferred taxation		
	1,341	—
	2,643	1,631

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	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit before income tax and transactions with Unitholders	96,416	213,970
Exclude profit from the PRC operation which is not subject to income tax (<i>note 7(iii)</i>)	(121,485)	(211,347)
	(25,069)	2,623
Tax calculated at the Hong Kong profit tax rate at 16.5% (2021: 16.5%)	(4,136)	433
Effect on different taxation rate on overseas operations	(48)	729
Income not subject to tax	(169)	(4,618)
Expenses not deductible for tax purposes	6,996	4,779
Under-provision in prior year	—	308
	2,643	1,631

12 MANAGER'S FEE

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Base fee	19,628	19,293
Variable fee	6,076	5,860
	<u>25,704</u>	<u>25,153</u>

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 3 December 2021 and 4 December 2020 in relation to the Manager’s elections for the Base Fee to be paid to the Manager in the form of cash as to 20% and in the form of Units as to 80% (2021: same), and Variable Fee to be paid to the Manager in the form of cash entirely (2021: same), arising from any real estate of Spring REIT for the year ended 31 December 2022 and 2021 in accordance with the Trust Deed.

13 EARNINGS PER UNIT

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit for the period, before transactions with Unitholders	93,773	212,339
Weighted average number of units for the period for calculating basic earnings per unit	1,475,393,909	1,463,501,297
Adjustment for dilutive units issuable in respect of the Manager's fee	3,490,017	3,269,154
Weighted average number of units for the period for calculating diluted earnings per unit	1,478,883,926	1,466,770,451
Basic earnings per unit based upon profit before transactions with Unitholders	<u>RMB6.4 cents</u>	<u>RMB14.5 cents</u>
Diluted earnings per unit based upon profit before transactions with Unitholders	<u>RMB6.3 cents</u>	<u>RMB 14.5 cents</u>

14 INVESTMENT PROPERTIES

	For the	For the year
	period ended	ended 31
	30 June	December
	2022	2021
	(Unaudited)	(Audited)
	RMB'000	RMB'000
At beginning of the period/year	9,307,096	9,202,902
Additions	—	2,596
Disposal	—	(1,642)
Exchange differences recognised in other comprehensive income	(34,336)	(24,775)
Changes in fair value recognised in consolidated income statement	59,057	128,015
At end of the period/year	<u>9,331,817</u>	<u>9,307,096</u>

Notes:

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

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

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

As at 30 June 2022 and 31 December 2021, the Group had no unprovided contractual obligations for future repairs and maintenance of the investment properties.

As at 30 June 2022 and 31 December 2021, 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 qualified valuer not connected to the Group who holds a recognised relevant professional qualification and has recent experiences in the locations and segments of the investment properties valued.

The Manager reviewed the valuation performed by the independent valuer for financial reporting purpose. Discussions of valuation processes and results are held between the Manager and the independent valuer at least once every six months, in line with the Group's interim and annual reporting dates. As at 30 June 2022 and 31 December 2021, the fair values of the investment properties have been determined by Knight Frank Petty Limited and Jones Lang LaSalle Corporate Appraisal and Advisory Limited respectively.

The independent valuer adopted the income capitalisation approach and cross-checked by the direct comparison approach for the valuation where applicable.

Valuation techniques

(i) PRC investment properties

The income capitalisation approach estimates the value of the properties on an open market basis by capitalising the estimated rental income 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. 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 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 <i>RMB’000</i>	Level 2 <i>RMB’000</i>	Level 3 <i>RMB’000</i>
Recurring fair value measurements			
As at 30 June 2022	—	—	9,331,817
As at 31 December 2021	—	—	9,307,096

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

Key unobservable inputs used to determine fair values

(i) PRC investment properties

(a) Capitalisation rate

This is estimated based on the market lease over market value on comparable. The higher the capitalisation rates used, the lower the fair values of the investment properties. In the 30 June 2022 valuation, a capitalisation rate of 5.0% (31 December 2021: 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 RMB398 (31 December 2021: RMB392) 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 2022 valuations, the capitalisation rate used in the income capitalisation approach of 84 investment properties ranged from 3.70% to 7.90% (31 December 2021: 4.00% to 8.25%).

(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 ranged from GBP4.52 to GBP23.57 (31 December 2021: GBP4.50 to GBP22.50) per square foot.

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 2022 (Unaudited) RMB'000	For the year ended 31 December 2021 (Audited) RMB'000
Right-of-use assets		
At beginning of the period/year	15,217	15,073
Exchange differences recognised in other comprehensive income	(767)	(566)
Changes in fair value recognised in consolidated income statement	(253)	710
At end of the period/year	<u>14,197</u>	<u>15,217</u>
	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Lease liabilities, expected to be settled:		
Within 1 year	57	88
After 1 year	10,363	10,921
	<u>10,420</u>	<u>11,009</u>

Fair value hierarchy

	Fair value measurements using		
	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000
Recurring fair value measurements			
As at 30 June 2022			
Asset			
Right-of-use assets	<u>—</u>	<u>—</u>	<u>14,197</u>
As at 31 December 2021			
Asset			
Right-of-use assets	<u>—</u>	<u>—</u>	<u>15,217</u>

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

16 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Asset		
Fair value of the interest rate swaps	<u>132,524</u>	<u>33,414</u>

The Group has entered into six (31 December 2021: six) interest rate swaps as part of its financial risk management but did not account for these as accounting hedges under IFRS 9. Plain vanilla interest rate swap was used to hedge the floating interest payments of the debt instruments.

The aggregated notional principal amount of the interest rate swaps as at 30 June 2022 was US\$300 million (approximately RMB2,010 million) (31 December 2021: US\$300 million (approximately RMB1,907 million)) with maturity on 20 December 2024.

The Group recorded net fair value gain on interest rate swaps for the six months ended 30 June 2022 amounting to RMB92,790,000 (30 June 2021: RMB25,058,000) (note 9) which were credited 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 recovered after twelve months.

17 TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Rent receivables	2,816	3,225
Deferred rent receivables (<i>note iv</i>)	29,765	34,486
Prepayments (<i>note v</i>)	25,625	13,193
Other receivables	3,764	1,095
VAT recoverable	427	7
	<u>62,397</u>	<u>52,006</u>

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 and deferred rent receivables in the PRC is generally fully covered by the rental deposits from the corresponding tenants (*note 19*).
- (iii) As at 30 June 2022 and 31 December 2021, 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) Prepayments mainly comprise the prepaid advisory fees, professional fees and renovation fees.
- (vi) The carrying amounts of trade and other receivables are expected to be recovered within the next twelve months.

18 RESTRICTED BANK BALANCES AND CASH AND CASH EQUIVALENTS

	As at 30 June 2022 (Unaudited) <i>RMB'000</i>	As at 31 December 2021 (Audited) <i>RMB'000</i>
Restricted bank balances	338,493	320,223
Cash and cash equivalents	<u>154,347</u>	<u>156,047</u>
	<u>492,840</u>	<u>476,270</u>

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

	As at 30 June 2022 (Unaudited) <i>RMB'000</i>	As at 31 December 2021 (Audited) <i>RMB'000</i>
US\$	226,150	215,317
RMB	227,277	203,103
HK\$	9,554	28,246
GBP	<u>29,859</u>	<u>29,604</u>
	<u>492,840</u>	<u>476,270</u>

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

The carrying amounts of cash and cash equivalents and restricted bank balances are expected to be recovered as below:

	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Cash and cash equivalents		
Within 1 year	<u>154,347</u>	<u>156,047</u>
Restricted bank balances		
Within 1 year	—	2,923
After 1 year	<u>338,493</u>	<u>317,300</u>
	<u>338,493</u>	<u>320,223</u>

19 RENTAL DEPOSITS AND TRADE AND OTHER PAYABLES

	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Rental deposits (note i)	<u>151,676</u>	<u>150,639</u>
Trade and other payables:		
Rental receipts in advance	42,573	44,064
Provision for other taxes (note ii)	474	227
VAT payable	1,813	1,926
Accrued expenses and other payables	<u>44,226</u>	<u>38,008</u>
	<u>89,086</u>	<u>84,225</u>

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 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Within 1 year	37,289	50,429
After 1 year	114,387	100,210
	<u>151,676</u>	<u>150,639</u>

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

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

20 INTEREST-BEARING BORROWINGS

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

	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Bank borrowings		
Within 1 year	—	427,684
After 1 year	3,089,395	2,533,146
	<u>3,089,395</u>	<u>2,960,830</u>

Bank borrowings are denominated in the following currencies:

	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
US\$ (note i)	2,685,700	2,533,146
GBP (note ii)	403,695	427,684
	<u>3,089,395</u>	<u>2,960,830</u>

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

	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
6 months or less	<u>3,089,395</u>	<u>2,533,146</u>

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) In December 2021, the Group amended and extended the secured term loan facility. The new secured term loan facility is denominated in GBP for an amount up to GBP51 million. In January 2022, the amendment and restatement agreement is effective and the Group refinanced the borrowing. The new borrowing is repayable in full on 26 January 2025 and bears an interest rate of 2.20% margin plus Sterling Overnight Index Average plus Credit Adjustment Spread.

As at 30 June 2022 and 31 December 2021, the Group's investment properties (note 14), derivative financial instruments (note 16), rent receivables (note 17) and all future rent receivables (note 23), restricted bank balances (note 18), interests in certain subsidiaries of the Group and certain assets of a subsidiary of the Group were pledged to secure the Group's loan borrowings. In addition, the Trustee (in its capacity as trustee of Spring REIT) has provided guarantee for all the loan facilities.

21 DEFERRED TAX LIABILITIES

Deferred taxation is calculated in full on temporary differences under the liability method.

Deferred tax liabilities are expected to be settled after one year.

The movements in deferred tax liabilities during the period/year are as follows:

	Investment properties revaluation	
	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
At beginning of the period/year	2,760	—
Exchange differences recognised in other comprehensive income	(182)	(89)
Deferred tax expense recognised in consolidated income statement	1,341	2,849
At end of the period/year	<u>3,919</u>	<u>2,760</u>

22 UNITS IN ISSUE

	Number of units	
	For the period ended 30 June 2022	For the year ended 31 December 2021
Balance at the beginning of the period/year	1,472,383,580	1,460,872,865
New units issued for Manager's fee	7,147,979	13,365,715
Repurchase of units in issue (<i>note ii</i>)	(229,000)	(1,855,000)
Balance at the end of the period/year (<i>note i</i>)	<u>1,479,302,559</u>	<u>1,472,383,580</u>

Notes:

- (i) Traded market value of the units as of 30 June 2022 was HK\$2.65 (31 December 2021: HK\$2.58) per unit. Based on 1,479,302,559 (31 December 2021: 1,472,383,580) units, the market capitalisation was HK\$3,920 million (approximately RMB3,353 million) (31 December 2021: HK\$3,799 million (approximately RMB3,097 million)).
- (ii) Pursuant to the general mandate granted to the Manager by the Unitholders, the Manager (on behalf of Spring REIT) bought back a total of 808,000 units (2021: 1,539,000 units) at an aggregate consideration of approximately RMB1,846,000 (2021: RMB3,592,000) during the period ended 30 June 2022. 229,000 units (2021: 1,266,000 units) bought back were cancelled during the period.

23 FUTURE MINIMUM RENTAL RECEIVABLES

As at 30 June 2022, the analysis of the Group's aggregate future minimum rental receivable under non-cancellable leases is as follows:

	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Within 1 year	486,049	492,552
1 - 2 years	393,051	400,862
2 - 3 years	250,637	289,478
3 - 4 years	148,930	185,437
4 - 5 years	62,318	100,196
After 5 years	211,347	246,783
	<u>1,552,332</u>	<u>1,715,308</u>

Note: Most of the operating leases are on fixed terms and of terms of 3 years (2021: 3 years).

24 PRINCIPAL SUBSIDIARIES

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

The above list contains only the particulars of the subsidiaries which principally affect the results or assets and liabilities of the Group.

25 EVENT AFTER REPORTING PERIOD

On 29 April 2022, the Group entered into the conditional acquisition agreements, pursuant to which they would acquire an aggregate 68% interest in Huizhou Runxin Shopping Mall Development Co., Ltd, which owns a seven-storey shopping mall and certain carpark spaces in Huizhou City, PRC. The estimated purchase consideration for the acquisition is RMB1,637.2 million. The transaction was then approved by the unitholders on 26 May 2022 and is yet to be completed as certain conditions precedent are in the progress of being fulfilled as at the date of this announcement.

26 APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The condensed consolidated interim financial information was authorised for issue by the Manager on 23 August 2022.