

SpringREIT

Spring Real Estate Investment Trust

春泉產業信託

Stock Code : 01426

Managed by
Spring Asset Management Limited

INTERIM REPORT

2022





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.



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PERFORMANCE HIGHLIGHTS

Property Valuation

(RMB million)



Net Asset Value

(RMB million)



Total Revenue

(RMB million)



Net Property Income

(RMB million)



Net Property Income Margin

(%)



Gearing Ratio

(%)



Average Monthly Passing Rent*

(RMB per sqm per month)



Average Occupancy*

(%)





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 HK\$11.2 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.

OVERVIEW OF SPRING REIT'S PROPERTIES



CCP Property Office Tower 1 & Office Tower 2 China Central Place, Beijing

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

UK Portfolio 84 Commercial Properties

The UK Portfolio comprises 84 separate commercial properties in diverse 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 outlets in the UK, operating more than 600 centres around the country.





OVERVIEW OF CHINA CENTRAL PLACE

China Central Place is a prime mixed-use complex in Beijing CBD with well-recognized brand hotels and shopping centers.

OFFICE

Premium Grade offices

- Awarded as Top 20 Office Buildings in China
- Direct underground connection to Beijing Subway

SHOPPING

SKP Beijing and other shopping areas

- SKP Beijing – one of the largest department stores in China by sales

RESIDENTIAL

Residential area

- Residential and serviced apartments with a clubhouse

HOTELS

Five-star luxury hotels

- Ritz-Carlton Hotel Beijing
- JW Marriott Hotel Beijing



--- Subway Line 14
 --- Subway Line 1



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.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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 pts | +4.7 pts | 357 | 1.9% | 3.8% |
| | Premium Grade A | 90.5% | +2.3 pts | +6.8 pts | 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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

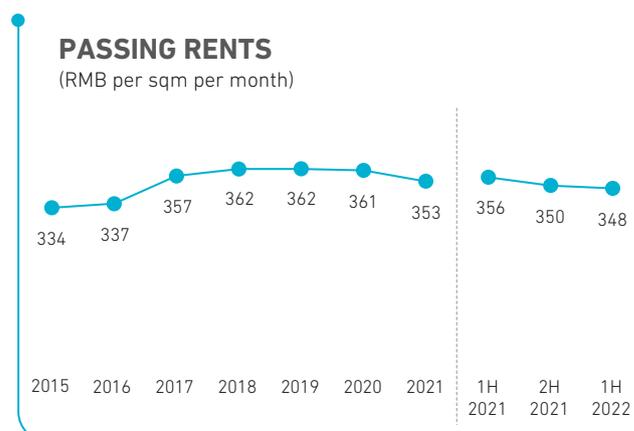
The CCP Property secured an average occupancy of 96.3% in 1H 2022. Average passing rent (net of Value-Added Tax ("VAT")) declined marginally to RMB348 per sqm in 1H 2022, implying a negative rental reversion rate² of 0.9%. Lease expiries during the period involved a total area of 25,301 sqm (representing 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

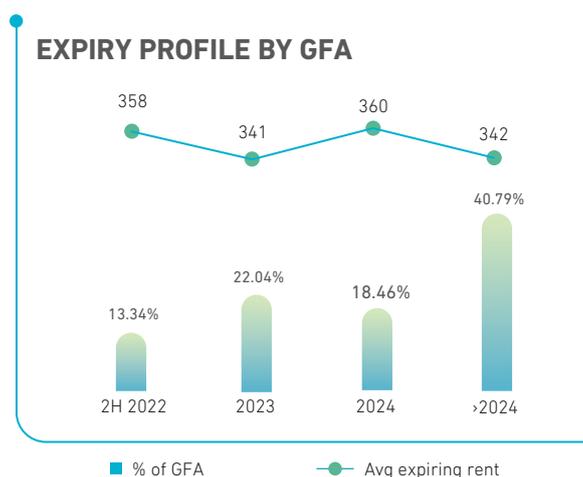
(RMB per sqm per month)





MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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

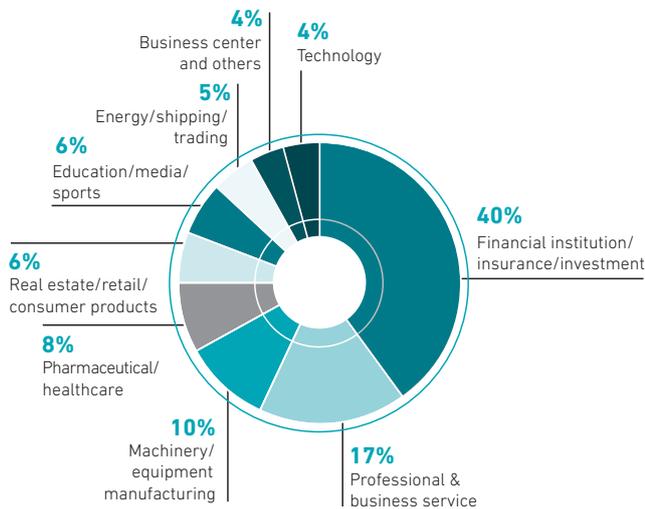
The CCP Property had a total of 188 tenancies as at 30 June 2022. The top five tenants in terms of GFA accounted for 21.3% of the total revenue for the Reporting Period, and occupied 22.4% of total leased GFA as at 30 June 2022. Details of these tenants are set out below.

| 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% |

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

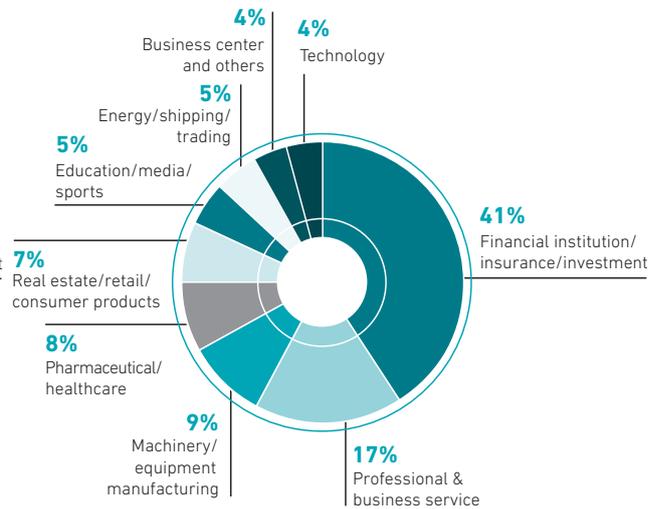
TENANTS BY INDUSTRY

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



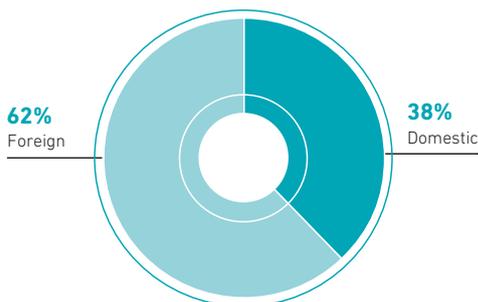
TENANTS BY INDUSTRY

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



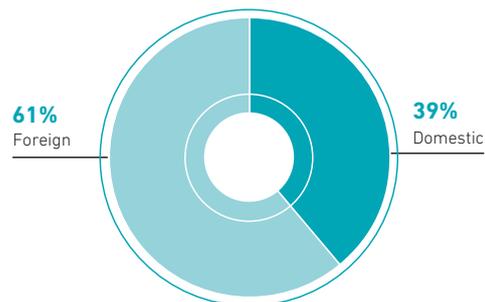
INTERNATIONAL AND DOMESTIC TENANT SPLIT

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.).



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL RESULTS HIGHLIGHTS

| (in RMB millions unless otherwise specified) For the Six Months Ended | 30-Jun-2022 | HoH Change | 31-Dec-2021 | HoH Change | 30-Jun-2021 |
|--|----------------|-----------------|-------------|------------|-------------|
| 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 | 152.65 | 1.3% | 150.62 | 2.4% | 147.07 |

| 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 | 1,479,302,559 | 0.5% | 1,472,383,580 | 0.4% | 1,466,273,210 |

| 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 | 30.8 | 0.8 ppts | 30.0 | -0.8 ppts | 30.8 |

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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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: 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.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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.

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.



CORPORATE GOVERNANCE (continued)

THE BOARD

The Board currently comprises seven members, including 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 (*Chief Executive Officer*)
Chung Wai Fai

Independent Non-executive Directors

Simon Murray
Lam Yiu Kin
Qiu Liping

CONFLICTS OF INTEREST AND BUSINESS COMPETITIONS WITH MERCURIA GROUP

Mercuria Holdings Co., Ltd. ("**Mercuria Holdings**") may exercise influence over the affairs of Spring REIT through its control over Mercuria Investment Co., Ltd. ("Mercuria Investment") and RCA Fund 01, L.P. ("**RCA Fund**"). RCA Fund, which is managed by Mercuria Investment pursuant to a management agreement between Mercuria Investment and RCA Fund (acting through its general partner, RCAC), held 20.60% interest in the Units of Spring REIT as at 30 June 2022. Mercuria Investment 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. Together with the Units held by its wholly-owned subsidiary, Mercuria Holdings held in aggregate 24.67% interests in the Units of Spring REIT as at 30 June 2022.

Listed on Tokyo Stock Exchange in July 2021, Mercuria Holdings 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 Holdings 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 Investment in the future.



CORPORATE GOVERNANCE (continued)

Mercuria Investment is a fellow subsidiary of the Manager in which both company is a subsidiary of Mercuria Holdings (collectively "**Mercuria Group**").

Accordingly, Mercuria Holdings may also exercise influence over the affairs of Spring REIT through its wholly owned subsidiary, Mercuria Investment and a non-wholly owned subsidiary, the Manager (as at 30 June 2022, issued shares of the Manager is owned by Mercuria Holdings as to 80.4% and some of the Non-executive Directors of the Manager were and still are directors and/or senior executives of Mercuria Holdings) which has received and will continue to receive cash of Spring REIT by virtue of all or part of its entitlement to the fees for asset management services rendered to Spring REIT.

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 Group;
- (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 substantial 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 Investment 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 provide property management services including lease management services to the Beijing CCP Property. Besides, the Property Manager has delegated to Beijing Huamao Property Management Co., Ltd. (北京華貿物業顧問有限公司), responsible 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.

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.

COMPLIANCE WITH THE DEALINGS CODE

To monitor and supervise any dealing 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.

DISCLOSURE ON INDEPENDENT NON-EXECUTIVE DIRECTOR REMUNERATION ARRANGEMENT

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

| Name of Independent Non-executive Director of the Manager | Remuneration for the Reporting Period ⁽ⁱ⁾ (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 ⁽ⁱⁱ⁾ |
|---|--|---|--|
| Mr. Simon Murray | 207,000 | 100% | 76,000 |
| Mr. Qiu Liping | 207,000 | 100% | 76,000 |
| Mr. Lam Yiu Kin | 225,000 | 100% | 84,000 |

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” in this report.

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 report, the Manager received notification regarding the following changes in Directors' information:

| Director | Changes in Information |
|--|---|
| Leung Kwok Hoe, Kevin <i>Chief Executive Officer and Executive Director</i> | – appointed as authorized representative of 春泉企業管理(惠州)有限公司, a subsidiary of the Manager in Huizhou, with effect from 5 July 2022. |
| Lam Yiu Kin <i>Independent Non-executive Director</i> | – retired as an Independent Non-executive Director of WWPKG Holdings Company Limited (Stock Code: 8069), with effect from 2 August 2022 |

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

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 |



CORPORATE GOVERNANCE (continued)

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).



CONNECTED PARTY TRANSACTIONS

The connected party transaction rules of the REIT Code govern transactions between Spring REIT or other parts of the Group (on one side) and connected persons (as defined in Paragraph 8.1 of the REIT Code) of Spring REIT (on the other side). 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 Trustee of Spring REIT;
- (c) a substantial holder;

Notes:

- (1) A holder is a substantial holder if it is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of Spring REIT or any of its subsidiaries.

- (d) a director or chief executive of (i) the Manager of Spring REIT; (ii) the Trustee of Spring REIT; or (iii) any subsidiaries of Spring REIT

Notes:

- (1) "Chief executive" is a person who either alone or together with one or more other persons is or will be responsible under the immediate authority of the board of directors for the conduct of the business of the relevant entity.
- (2) "Director" of the Manager or any of subsidiaries of Spring REIT also includes a person who was a director of the Manager or any subsidiaries of Spring REIT in the last 12 months.

- (e) an associate of the persons in (a), (b), (c) or (d) above;
- (f) a "connected subsidiary" as defined in Chapter 14A of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code); and
- (g) a person deemed to be connected by SFC.

Notes:

- (1) SFC has the power to deem any person to be a connected person.
- (2) In general, a "deemed connected person" under Chapter 14A of the Listing Rules (modified as appropriate pursuant to 2.26) would be deemed as a connected person under this paragraph.

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 2022 RMB |
|--|--|---|--|--|
| MIBJ Consulting (Beijing) Co., Ltd. | An associate of the Manager and an associate of a director of the Manager ¹ | Leasing | 476,744 | 280,629 |
| PAG Investment Consulting (Beijing) Co., Limited (太盟投資管理諮詢(北京)有限公司) | An associate of a substantial holder of Spring REIT ² | Leasing | 1,266,991 | 742,757 |

Notes:

1. MIBJ Consulting (Beijing) Co., Ltd. (“**Mercuria Beijing**”) is wholly-owned by Mercuria Holdings Co., Ltd., which in turn holds 80.4% shareholding in the Manager. 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 Mercuria Beijing. On 19 December 2017, the Group (through the Property Manager) as landlord and Mercuria Beijing as tenant entered into a tenancy agreement in respect of certain office premises owned by Spring REIT at the CCP Property for a term of three years commencing from 1 January 2018. The tenancy agreement was subsequently terminated on 28 February 2020 and replaced by another tenancy agreement for another office premises owned by Spring REIT at the CCP Property for a term of ten months commencing from 1 March 2020. On 29 December 2020, the tenancy agreement was renewed for a further term of three years with effect from 1 January 2021. Details of the transaction were set out in the announcement of Spring REIT dated 22 December 2017, 28 February 2020 and 29 December 2020.
2. PAG Investment Consulting (Beijing) Co., Limited (太盟投資管理諮詢(北京)有限公司) (“**PAG Beijing**”) is a non-wholly owned subsidiary of PAG Holdings Limited, a substantial holder of Spring REIT, and therefore a connected person of Spring REIT pursuant to paragraph 8.1(f) of the REIT Code. On 6 September 2019, the Group (through its Property Manager) as landlord and PAG Beijing as tenant entered into a tenancy agreement in respect of certain office premises owned by Spring REIT at the CCP Property for a term of three years commencing from 1 November 2019. On 27 May 2022, the tenancy agreement was renewed for a further term of three years with effect from 1 November 2022. Details of the transaction were set out in the announcements of Spring REIT dated 9 September 2019 and 27 May 2022.

Beijing Guohua Real Estate Co., Ltd.* (“**Beijing Guohua**”) is an associate of Huamao Property Holdings Limited (“**Huamao Property**”), a substantial holder of Spring REIT, and therefore a connected person of Spring REIT pursuant to paragraph 8.1(f) of the REIT Code.

The Group (as lessor) has entered into a carpark master lease contract dated 1 January 2017 and subsequently renewed with last renewal on 21 December 2021 (the “**Carpark Master Lease**”) with Beijing Huamao Property Consulting Co., Ltd. First Branch (the “**Carpark operator**”) (as lessee), pursuant to which the Group’s carpark spaces within the Development are master-leased to the Carpark Operator at a fixed rent, subject to an annual payment adjustment pursuant to the Carpark Management and Benefit Sharing Agreement (as described below). The Carpark Operator is an independent third party of Spring REIT.



CONNECTED PARTY TRANSACTIONS (continued)

In relation to the Carpark Master Lease, the Group (through its Property Manager) and a wholly-owned subsidiary of Beijing Guohua, both as owners of their respective carpark spaces in the Development, have jointly entered into a carpark management and benefit sharing agreement dated 22 October 2020 and as supplemented by a supplemental agreement dated 9 February 2021 to (i) appoint the Carpark Operator for the provision of management services in respect of the relevant carpark spaces, and (ii) set out the basis for determining the amount of the net income (after deduction of carpark management fees) generated from the carpark and each owner's entitlement thereto (the "**Carpark Management and Benefit sharing Agreement**") and together with the Carpark Master Lease, the "**Carpark Contracts**"). The Carpark Management and Benefit sharing Agreement was renewed for a further term of 2 years with effect from 1 January 2022.

Under the Carpark Master Lease, the transaction amount for the period from 1 January 2022 to 30 June 2022 was RMB2,964,377. Under the Carpark Management and Benefit Sharing Agreement, (i) the Group's entitlement to the net income (after deduction of carpark management fees) for the period from 1 January 2022 to 30 June 2022 was RMB2,285,995, and (ii) the Group's share of the carpark management fees for the period from 1 January 2022 to 30 June 2022 was RMB839,040.

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. | An associate of the Manager and an associate of a director of the Manager | Property management | 5,502,047 |

Note:

1. Beijing Hua-re Real Estate Consultancy Co., Ltd. is 40% owned by Mercuria Investment, which is a fellow subsidiary of the Manager. Mr. Toshihiro Toyoshima, the chairman and Non-executive Director of the Manager is also a director of the Property Manager.

On 30 August 2011, the Group and the Property Manager entered into a property management agreement (the "**Property Management Agreement**") in relation to the provision of certain property management and lease management as well as marketing services by the Property Manager in respect of the CCP Property. Pursuant to the Property Management Agreement, a monthly property management fee equivalent to 2% of the CCP Property's monthly total revenue will be payable to the Property Manager in consideration for the services provided. On 26 July 2021, the Property Management Agreement was renewed on the same terms and conditions for another two-year period commencing from 1 September 2021 and expiring 31 August 2023. Details of the transaction were set out in the announcement of Spring REIT dated 26 July 2021.

On 31 December 2019, the Group and Beijing Guohua, both as owners of their respective portion of the Development have jointly entered into a service contract for a period of 24 months to appoint Beijing Huamao Property Management Co., Ltd., the common area manager (the "**Common Area Manager**"), for the provision of maintenance and management services for the relevant common areas within the Development (the "**Common Area Service Contract**"). On 21 December 2021, the Common Area Service Contract was renewed on the same terms and conditions for another two-year period commencing from 1 January 2022.

CONNECTED PARTY TRANSACTIONS (continued)

The Group is responsible for its portion of the management fee payable to the Common Area Manager, which is determined taking into account the Group's proportional property area. Pursuant to the Common Area Service Contract, the management fee payable by the Group to the building manager is settled via deduction from the building management fees paid directly by the tenants of the Group to the building manager, and such management fee amount for the period from 1 January 2022 to 30 June 2022 was RMB1,642,424. The Common Area Manager is an independent third party of Spring REIT.

On 21 December 2021, Beijing Huamao Property Consulting Co. Ltd.* (the "Building Manager") (as a delegate of RCA01) and Beijing Huamao Commercial Management Co. Ltd.* (the "Digital CCP Service Provider") entered into an agreement under which the Digital CCP Service Provider agreed to provide certain property digital system services (the "Digital CCP System Service Contract") to the Spring REIT CCP Properties and the tenants. Pursuant to the Digital CCP System Service Contract, the service fee for the six months ended 30 June 2022 was RMB3,673,454.

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 includes the Trustee, any director or chief executive of the Trustee and any associate of the Trustee) during the Reporting Period:

| Name of Connected Person | Relationship with spring Relt | Nature of the Connected Party Transaction | Income/ (Expense) for the Reporting Period RMB |
|--|-------------------------------|--|--|
| Leasing transactions | | | |
| Deutsche Bank AG and its associated companies | Trustee Connected Persons | Leasing ¹ | 20,262,387 ¹ |
| Ordinary Banking and Financial services | | | |
| Deutsche Bank AG | Trustee Connected Person | Interest income received/receivable on bank deposits | 314,036 ² |
| Deutsche Bank AG | Trustee Connected Person | Bank charges | (10,737) ³ |

Note:

- As at 30 June 2022, a rental deposit of RMB6,829,822 was held by the Group from Trustee Connected Persons among which RMB6,704,791 was held by RCA01 (a special purpose vehicle wholly owned and controlled by Spring REIT) by way of bank guarantee provided by Deutsche Bank (China) Co., Ltd. as at 30 June 2022.

On 1 November 2016, Spring REIT (through its Property Manager) as landlord and Deutsche Bank (China) Company Limited, a Trustee Connected Person, as tenant entered into a tenancy agreement in respect of certain office premises owned by Spring REIT at the CCP Property for a term of 5 years commencing from 1 December 2016. In October 2021 and November 2021, certain office premises under the tenancy agreement was renewed for a further term of 5 years with effect from 1 December 2021.

On 1 March 2016, Spring REIT (through its Property Manager) as landlord and Zhong De Securities Company Limited, a Trustee Connected Person, as tenant entered into a tenancy agreement in respect of certain office premises owned by Spring REIT at the CCP Property for a term of five years commencing from 1 May 2016. In April 2021, the tenancy agreement was renewed for a further term of 5 years with effect from 1 May 2021.

- It represents the interest income received/receivable on the bank deposits with the Trustee Connected Persons.
- It represents the bank charges charged by the Trustee Connected Persons for certain banking services.



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 (China) Company Ltd. | Trustee Connected Person | Lease for certain premises of 27th and 28th floors of Tower 1, China Central Place and signage income | 10,406,756 |
| Zhong De Securities | Trustee Connected Person | Lease for the whole of 22nd and 23rd floors of Tower 1, China Central Place and signage income | 9,855,631 |

CONFIRMATION BY THE MANAGER AND TRUSTEE OF CORPORATE FINANCE TRANSACTION WITH TRUSTEE CONNECTED PERSONS

Both the Manager and the Trustee confirm that there was no corporate finance transaction and/or other connected party transaction (save and except for those disclosed hereinabove) between Spring REIT and any Trustee Connected Persons during the Reporting Period.

WAIVERS FROM STRICT COMPLIANCE

Waivers from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of certain connected party transactions entered into by Spring REIT and/or its subsidiaries with their connected persons (the "**Waivers**") have been granted by the SFC. The Waivers have been granted subject to the relevant waiver terms and conditions including, inter alia, the requirements that the transactions should be entered into on normal commercial terms in the ordinary and usual course of business of Spring REIT, and are to be reviewed by the external auditor of Spring REIT, the Independent Non-executive Directors of the Manager and/or the audit committee of the Manager, and (in respect of certain types of transactions) the transaction amounts shall be within the specified annual caps and shall be disclosed in Spring REIT's semi-annual and annual reports as required under Paragraph 8.14 of the REIT Code (the "**Waiver Conditions**").

During the Reporting Period, Spring REIT has complied with the requisite Waiver Conditions, where applicable.

An extension of the waiver from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of certain new and certain existing continuing connected party transactions and new annual caps for certain leasing transactions and property management arrangements between the Group and Manager Connected Persons Group has been granted by the SFC on 20 May 2015 (the "**2015 Waiver Extension**"), subject to annual limitation as to the capped value of such transactions, review to be conducted by the external auditor for each relevant financial period, annual review to be conducted by the Independent Non-executive Directors of the Manager and other terms and conditions.

CONNECTED PARTY TRANSACTIONS (continued)

The 2015 Waiver Extension expired on 31 December 2017 (the “**Expiry Date**”). As disclosed in the announcement of the Manager dated 22 December 2017 (the “**2017 Announcement**”), the Board of the Manager decided not to seek an extension of the 2015 Waiver Extension upon its expiry in view that only two relevant continuing connected party transactions was to subsist beyond the Expiry Date. The Manager has complied with during the Reporting Period and will continue to comply with all disclosure and Unitholders’ approval requirements under Chapter 8 of the REIT Code in respect of any relevant continuing connected party transaction which either: (a) subsisted after the Expiry Date; or (b) was entered into by Spring REIT after the Expiry Date.

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 AND THE TRUSTEE

Pursuant to the REIT Code, services provided by the Manager and the Trustee 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 RMB25.70 million. The Manager’s fee paid in the form of Units amounted to HK\$19.12 million and the Manager’s fee paid in the form of cash amounted to HK\$11.93 million. On 3 December 2021, the Manager had elected 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 2022 in accordance with the Trust Deed.

During the Reporting Period, the fee payable to the Trustee under the Trust Deed was RMB0.88 million.

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

* The Company has no official English name. The above unofficial English translation is for identification purpose only. Please refer to Chinese version of interim report for official Chinese name.



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 2022, 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 2022 | | As at 31 December 2021 | | Change in % of interest |
|--|--|--|---|--|---|----------------------------|
| | | Number of Units interested in (Long Position) | Approximate % of interest ¹ | Number of Units interested in (Long Position) | Approximate % of interest ¹ | |
| The Manager | | | | | | |
| Spring Asset Management Limited ² | Beneficial owner/ Beneficial interest | 28,194,341 | 1.91% | 21,282,362 | 1.45% | +0.46% |
| Directors | | | | | | |
| Toshihiro Toyoshima | Beneficial owner/ Personal interest | 1,100,000 | 0.07% | 1,100,000 | 0.07% | 0.00% |
| Hideya Ishino | Beneficial owner/ Personal interest | 115,000 | 0.01% | 115,000 | 0.01% | 0.00% |
| Leung Kwok Hoe, Kevin | Beneficial owner/ Personal interest | 759,000 | 0.05% | 759,000 | 0.05% | 0.00% |
| Simon Murray ³ | Beneficial owner/ Personal interest | 951,000 | 0.06% | 875,000 | 0.06% | 0.00% |
| Qiu Liping ³ | Beneficial owner/ Personal interest | 951,000 | 0.06% | 875,000 | 0.06% | 0.00% |
| Lam Yiu Kin ³ | Beneficial owner/ Personal interest | 971,000 | 0.07% | 887,000 | 0.06% | +0.01% |
| Senior Executive | | | | | | |
| Alice Yu ⁴ | 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 1,479,302,559 as at 30 June 2022 and 1,472,383,580 as at 31 December 2021 respectively.
2. 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. The Manager beneficially owned 28,194,341 Units as at 30 June 2022 (31 December 2021: 21,282,362 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 20 of this report for details. As at 30 June 2022, there had been no change to the annual election made by each Independent Non-executive Director.
4. Ms. Alice Yu ceased being the RO and the Head of Compliance of the Manager on 11 August 2022.

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 2022 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 SUBSTANTIAL UNITHOLDERS UNDER THE REIT CODE

As at 30 June 2022, based on the information available to the Manager, each of the following persons was considered as a “**substantial 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 2022 | | | As at 31 December 2021 | | | Change in % of interest |
|--|--|--|--|---|--|--|---|----------------------------|
| | | Number of Units interested in (Long Position) | Number of underlying Units interested in (Long Position) | Approximate % of issued Units ¹ | Number of Units interested in (Long Position) | Number of underlying Units interested in (Long Position) | Approximate % of issued Units ¹ | |
| RCAC ² | Interest of controlled corporation/corporate interests | 304,699,361 | N/A | 20.60% | 304,699,361 | N/A | 20.69% | -0.09% |
| Sumitomo Mitsui Banking Corporation ³ | Person having a security interest in shares/other interests | 334,720,159 | N/A | 22.63% | 334,720,159 | N/A | 22.73% | -0.10% |
| Mercuria Investment ³ | Interest of controlled corporation/corporate interests | 336,720,159 | N/A | 22.76% | 336,720,159 | N/A | 22.87% | -0.11% |
| Mercuria Holdings ⁴ | Interest of controlled corporation/corporate interests | 364,914,500 | N/A | 24.67% | 358,002,521 | N/A | 24.31% | +0.36% |
| PAG Holdings Limited ^{5,6} | Interest of controlled corporation/corporate interests | 233,562,089 | N/A | 15.79% | 233,562,089 | N/A | 15.86% | -0.07% |
| Spirit Cayman Limited ⁷ | Beneficial owner/ Beneficial interest | 169,552,089 | N/A | 11.46% | 169,552,089 | N/A | 11.52% | -0.06% |
| Huamao Property ⁸ | Interest of controlled corporation & beneficial owner/corporate interests & beneficial interests | 185,249,742 | N/A | 12.52% | 185,249,742 | N/A | 12.58% | -0.06% |
| Fang Chao ⁸ | Interest of controlled corporation/corporate interests | 185,249,742 | N/A | 12.52% | 185,249,742 | N/A | 12.58% | -0.06% |

DISCLOSURE OF INTERESTS (continued)

| Name | Capacity/ Nature of interest | As at 30 June 2022 | | | As at 31 December 2021 | | | Change in % of interest |
|--|--|--|--|--|--|--|--|----------------------------|
| | | Number of Units interested in (Long Position) | Number of underlying Units interested in (Long Position) | Approximate % of issued Units ¹ | Number of Units interested in (Long Position) | Number of underlying Units interested in (Long Position) | Approximate % of issued Units ¹ | |
| Lin Minghan ⁸ | Interest of controlled corporation/corporate interests | 185,249,742 | N/A | 12.52% | 185,249,742 | N/A | 12.58% | -0.06% |
| Chia Seok Eng ⁸ | Interest of controlled corporation/corporate interests | 185,249,742 | N/A | 12.52% | 185,249,742 | N/A | 12.58% | -0.06% |
| Shining Path Limited ⁹ | Interest of controlled corporation/corporate interests | 162,096,029 | N/A | 10.96% | 162,096,029 | N/A | 11.01% | -0.05% |
| Skyland Union Holdings Limited ¹⁰ | Interest of controlled corporation/corporate interests | 162,096,029 | N/A | 10.96% | 162,096,029 | N/A | 11.01% | -0.05% |
| Sino-Ocean Group ¹¹ | Interest of controlled corporation/corporate interests | 176,408,678 | N/A | 11.92% | 176,408,678 | N/A | 11.98% | -0.06% |

Notes:

- The percentages expressed herein are based on the total number of issued Units of 1,479,302,559 as at 30 June 2022 and 1,472,383,580 as at 31 December 2021 respectively.
- These 304,699,361 Units (including 302,699,361 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 302,699,361 Units in short position represents a pledge by RCA Fund to Sumitomo Mitsui Banking Corporation using the said Units as collateral to secure the borrowing of a loan.
- These 336,720,159 Units comprise the interests of (i) 32,020,798 Units (including 32,020,798 Units in short position) directly held by a 100% controlled entity (SR Target, L.P.); and (ii) 304,699,361 Units (including 302,699,361 Units in short position) directly held by a 41.45% controlled entity (RCA Fund). Please refer to Note 2 above for details of interests of RCA Fund.
- These 364,914,500 Units comprise the interests of (i) 336,720,159 Units (including 334,720,159 Units in short position) indirectly held by a 100% controlled entity (Mercuria Investment); and (ii) 28,194,341 Units directly held by a 80.40% controlled entity (the Manager). Please refer to Note 3 above for details of interests of Mercuria Investment.
- 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 2 December 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 deemed to be interested.



DISCLOSURE OF INTERESTS (continued)

6. Based on disclosure of interests notifications filed on 2 December 2020:
- (a) each of PARE (Cayman) Limited (as controlling entity 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 (as general partner of Secured Capital Real Estate Partners V, L.P. and SCREP V Feeder B, L.P.), SCREP V Feeder B, L.P. (as limited partner and controlling entity of Secured Capital Real Estate Partners V, L.P. as to 70.87%) and Secured Capital Real Estate Partners V, L.P. (as controlling entity 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 5(i) above;
 - (b) each of PARE (Cayman) Limited (as controlling entity of SCREP VI Management, LLC as to 100%), PAG Investment Advisors Pte. Ltd. (as manager of SCREP VI Management, LLC), SCREP VI Management, LLC (as general partner of SCREP VI, L.P. and SCREP VI Feeder A, L.P.), SCREP VI Feeder A, L.P. (as limited partner and controlling entity of SCREP VI, L.P. as to 75.33%), SCREP VI, L.P. (as controlling entity of SCREP VI Holdings L.P. as to 100%) and SCREP VI Holdings L.P. (as controlling entity 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 5(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 2 December 2020.

7. These 169,552,089 Units were beneficially owned by Spirit Cayman Limited. Please refer to Note 6(b) above.
8. These 185,249,742 Units comprise the interests of (i) 56,500,742 Units directly held by Huamao Property; and (ii) 128,749,000 Units directly held by a 100% controlled entity (China Orient Stable Value Fund Limited). The following disclosure of interests notifications filed are related to the same batch of Units interested and deemed to be interested by Huamao Property:
- (a) according to the notifications filed on 24 December 2020, each of RCA02 (as controlling entity of Huamao Property as to 41.84%), Diligent Glory Investments Limited (as controlling entity of RCA02 as to 100%), Risun Holdings Limited (as controlling entity of Diligent Glory Investments Limited as to 100%) and Fang Chao (as controlling person of Risun Holdings Limited as to 80%) was deemed to be interested in those 185,249,742 Units, being the same parcel of Units directly and indirectly held by Huamao Property.
 - (b) according to the notifications filed on 7 January 2021, each of Siberite Limited (as controlling entity of Huamao Property as to 40.48%) and Lin Minghan (as controlling person of Siberite Limited as to 50%) was deemed to be interested in those 185,249,742 Units, being the same parcel of Units directly and indirectly held by Huamao Property.
 - (c) according to the notifications filed on 7 January 2021, each of Siberite Limited (as controlling entity of Huamao Property as to 40.48%), Pebblebay Capital Corp (as controlling entity of Siberite Limited as to 50%) and Chia Seok Eng (as controlling person of Pebblebay Capital Corp as to 100%) was deemed to be interested in those 185,249,742 Units, being the same parcel of Units directly and indirectly held by Huamao Property.
9. Based on the notification filed by Shining Path Limited on 21 December 2020, Shining Path Limited was interested in 162,096,029 Units, comprising the interests of (i) 160,626,029 Units directly held by a 100% controlled entity (Alpha Great Global Limited); and (ii) 1,470,000 Units held directly by a 100% controlled entity (Pure Sage Investments Limited).

DISCLOSURE OF INTERESTS (continued)

10. Based on the notification filed by Skyland Union Holdings Limited on 17 February 2020, Skyland Union Holdings Limited was interested in 160,626,029 Units as 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 9(i) above. Accordingly, Skyland Union Holdings Limited is deemed to be interested in the 160,626,029 Units held by Alpha Great Global Limited.

Based on the notification filed by Shining Path Limited on 21 December 2020, the Manager was aware that Skyland Union Holdings Limited was also deemed to be interested in 1,470,000 Units which was indirectly held by Shining Path Limited through its 100% controlled entity (Pure Sage Investments Limited), as at 30 June 2022 as referred to Note 9 (ii) above.

11. Based on the notification filed by Sino Ocean Group on 2 November 2021, Sino Ocean Group was deemed to be interested in 176,408,678 Units, comprising the interests of (i) 162,096,029 Units indirectly held by its indirect 50% controlled entity, Shining Path Limited through 100% controlled corporations as referred to Note 9 above; and (ii) 14,312,649 Units indirectly held by its indirect 49% controlled entity, Fortune Joy Ventures Limited through a number of 100% controlled corporations and a 70% controlled corporation (Oceanland Global Investment Limited) to hold these Units.

Save as disclosed above and based on the information available to the Manager, no other substantial Unitholders of Spring REIT within the meaning of REIT Code 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 2022 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 2022, 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 substantial Unitholders of Spring REIT under REIT Code disclosed above, 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 2022 | | As at 31 December 2021 | | Change in % of interest |
|---------------|--|---|--|---|--|----------------------------|
| | | Number of Units interested in (Long Position) | Approximate % of issued Units ¹ | Number of Units interested in (Long Position) | Approximate % of issued Units ¹ | |
| Mamoru Taniya | Beneficial owner/ Beneficial interest | 102,604,639 | 6.94% | 102,604,639 | 6.97% | -0.03% |

Note:

1. The percentages expressed herein are based on the total number of issued Units of 1,479,302,559 as at 30 June 2022 and 1,472,383,580 as at 31 December 2021 respectively.

Save as disclosed above and based on the information available to the Manager, the Manager is not aware of any other substantial Unitholders of Spring REIT within the meaning of 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 2022 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 2022, 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, who have interests (or deemed interests) in the Units or underlying Units or held any short position in Units which 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

**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 36 to 66, 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 2022 and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the consolidated statement of distribution, the condensed consolidated statement of changes in equity and net assets attributable to Unitholders and the condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. 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 of the Group does not present fairly, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 August 2022

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2022

| | Notes | Six months ended 30 June | |
|---|-------|--------------------------------|--------------------------------|
| | | 2022 (Unaudited) RMB'000 | 2021 (Unaudited) RMB'000 |
| Revenues | 6 | 267,307 | 256,928 |
| Property operating expenses | 7 | (64,732) | (61,904) |
| 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 | 53,735 | 36,241 |
| Operating profit | | 282,206 | 225,733 |
| Bank interest income | | 1,825 | 1,198 |
| Finance costs on interest-bearing borrowings | 10 | (187,615) | (12,961) |
| Profit before taxation and transactions with Unitholders | | 96,416 | 213,970 |
| Income tax expense | 11 | (2,643) | (1,631) |
| 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) | | (139,224) | — |
| | | (45,451) | 84,169 |
| Represented by: | | | |
| 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 |
| | | (45,451) | 84,169 |

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 42 to 66 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

| | Note | Before transactions with Unitholders (Unaudited) RMB'000 | Transactions with Unitholders (note i) (Unaudited) RMB'000 | After transactions with Unitholders (Unaudited) RMB'000 |
|--|------|--|--|---|
| For the six months ended 30 June 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 42 to 66 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 (Unaudited) RMB'000 | 2021 (Unaudited) 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) | HK11.2 cents | HK10.8 cents |

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 42 to 66 are an integral part of these condensed consolidated interim financial information.



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

| | Notes | As at 30 June 2022 (Unaudited) RMB'000 | As at 31 December 2021 (Audited) RMB'000 |
|--|-------|--|--|
| 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 42 to 66 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) |
| 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) |
| Issuance of units | — | 15,956 |
| Units bought back for cancellation (note 22) | — | (1,846) |
| As at 30 June 2022 | — | 6,685,278 |
| 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 (note 22) | — | (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 42 to 66 are an integral part of these condensed consolidated interim financial information.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

| | Note | Six months ended 30 June | |
|---|------|--------------------------------|--------------------------------|
| | | 2022 (Unaudited) RMB'000 | 2021 (Unaudited) RMB'000 |
| Cash flows from operating activities | | | |
| Cash generated from operations | 23 | 179,120 | 176,915 |
| Interest received | | 1,825 | 1,198 |
| Income tax paid | | — | (1,317) |
| Net cash generated from operating activities | | 180,945 | 176,796 |
| Cash flows from investing activities | | | |
| Additions to investment properties | | — | (2,914) |
| Net proceeds from disposal of investment properties | | — | 1,813 |
| Increase in restricted bank balances | | (13,516) | — |
| Net cash used in investing activities | | (13,516) | (1,101) |
| Cash flows from financing activities | | | |
| Interest paid | | (32,343) | (31,222) |
| Payment of lease liabilities | | (466) | (527) |
| Proceed from borrowings | | 5,223 | — |
| Payment of transaction costs | | (9,009) | — |
| Increase in restricted bank balances | | — | (4,343) |
| Repurchase of units in issue | | (1,846) | (3,592) |
| Distributions to Unitholders | | (139,224) | (128,170) |
| Net cash used in financing activities | | (177,665) | (167,854) |
| Net (decrease)/increase in cash and cash equivalents | | (10,236) | 7,841 |
| Cash and cash equivalents at the beginning of the period | | 156,047 | 154,435 |
| Exchange gain/(loss) on cash and cash equivalents | | 8,536 | (2,025) |
| Cash and cash equivalents at end of period | | 154,347 | 160,251 |

The notes on pages 42 to 66 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.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

3 ACCOUNTING POLICIES (Continued)

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

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.



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 2022, revenue of RMB248.8 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) RMB'000 | 2021 (Unaudited) RMB'000 |
| Revenues | | |
| Rental income | 262,028 | 253,574 |
| Car park income | 2,720 | 2,807 |
| Other income (note i) | 2,559 | 547 |
| | 267,307 | 256,928 |

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 |
| | 64,732 | 61,904 |

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 (Unaudited) RMB'000 | 2021 (Unaudited) RMB'000 |
| Manager's fee (note 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 (note ii) | 4,389 | 3,720 |
| Others | 447 | 792 |
| | 32,908 | 31,520 |

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, NET

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2022 (Unaudited) RMB'000 | 2021 (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 |
| | 53,735 | 36,241 |

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 (note 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 (note ii) | 137,292 | (27,710) |
| | 187,615 | 12,961 |

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 (Unaudited) RMB'000 | 2021 (Unaudited) 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 (Unaudited) RMB'000 | 2021 (Unaudited) 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 (note 7(iii)) | (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 |
| | 25,704 | 25,153 |

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 (Unaudited) RMB'000 | 2021 (Unaudited) 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 | RMB6.4 cents | RMB14.5 cents |
| Diluted earnings per unit based upon profit before transactions with Unitholders | RMB6.3 cents | RMB 14.5 cents |

14 INVESTMENT PROPERTIES

| | For the period ended 30 June 2022 (Unaudited) RMB'000 | For the year ended 31 December 2021 (Audited) RMB'000 |
|---|---|---|
| | At beginning of the period/year | 9,307,096 |
| 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 | 9,331,817 | 9,307,096 |

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.



14 INVESTMENT PROPERTIES (Continued)

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.

14 INVESTMENT PROPERTIES (Continued)

Valuation techniques (Continued)

(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 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 |
| 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.



14 INVESTMENT PROPERTIES (Continued)

Key unobservable inputs used to determine fair values (Continued)

(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 | 14,197 | 15,217 |

15 LEASES (Continued)

| | 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 |
| | 10,420 | 11,009 |

Fair value hierarchy

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

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 | 132,524 | 33,414 |

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 (note iv) | 29,765 | 34,486 |
| Prepayments (note v) | 25,625 | 13,193 |
| Other receivables | 3,764 | 1,095 |
| VAT recoverable | 427 | 7 |
| | 62,397 | 52,006 |

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) RMB'000 | As at 31 December 2021 (Audited) RMB'000 |
|---------------------------|--|--|
| Restricted bank balances | 338,493 | 320,223 |
| Cash and cash equivalents | 154,347 | 156,047 |
| | 492,840 | 476,270 |



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

18 RESTRICTED BANK BALANCES AND CASH AND CASH EQUIVALENTS (Continued)

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

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

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 | 154,347 | 156,047 |
| Restricted bank balances | | |
| Within 1 year | — | 2,923 |
| After 1 year | 338,493 | 317,300 |
| | 338,493 | 320,223 |

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) | 151,676 | 150,639 |
| 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 | 44,226 | 38,008 |
| | 89,086 | 84,225 |

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 |
| | 151,676 | 150,639 |

- (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 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 |
| | 3,089,395 | 2,960,830 |

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 |
| | 3,089,395 | 2,960,830 |

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 | 3,089,395 | 2,533,146 |

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) 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 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.

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 | 3,919 | 2,760 |



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

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 (note ii) | (229,000) | (1,855,000) |
| Balance at the end of the period/year (note i) | 1,479,302,559 | 1,472,383,580 |

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 NOTES TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Cash generated from operating activities

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2022 (Unaudited) RMB'000 | 2021 (Unaudited) RMB'000 |
| Profit before taxation and transactions with Unitholders | 96,416 | 213,970 |
| Fair value gain of investment properties | (59,057) | (25,764) |
| Fair value loss/(gain) of right-of-use assets | 253 | (224) |
| Net fair value gain of derivative financial instruments | (92,790) | (25,058) |
| Gain on disposal of investment properties | — | (151) |
| Manager's fee expenses in units in lieu of cash | 15,987 | 15,395 |
| Bank interest income | (1,825) | (1,198) |
| Finance costs on interest-bearing borrowings | 187,615 | 12,961 |
| Foreign exchange losses/(gains) | 39,055 | (11,032) |
| Operating profit before working capital changes | 185,654 | 178,899 |
| Increase in trade and other receivables | (3,716) | (8,363) |
| Increase in rental deposits | 1,037 | 2,003 |
| (Decrease)/Increase in trade and other payables | (3,855) | 4,376 |
| | 179,120 | 176,915 |

Material non-cash movements:

- (i) The Manager's fee amounting RMB15,987,000 (2021: RMB15,395,000) was settled by issuance of new units.

24 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 |
| | 1,552,332 | 1,715,308 |

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



25 CONNECTED PARTY TRANSACTIONS AND RELATED PARTY TRANSACTIONS AND BALANCES

For the period ended 30 June 2022, 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 2022:

| 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. ("RCA Fund")* | A Substantial Unitholder of Spring REIT |
| PAG Investment Consulting (Beijing) Co., Limited** ("PAG Beijing") | An Associate of a Substantial Unitholder of Spring REIT |
| Beijing Guohua Real Estate Co., Ltd. ("Beijing Guohua")** (note viii and ix) | An Associate of a Substantial Unitholder of Spring REIT |
| MIBJ Consulting (Beijing) Co., Ltd. ("MIBJ")* | An Associate of the Manager and an Associate of a director of the Manager |
| Beijing Hua-re Real Estate Consultancy Co., Ltd. ("HuaRe")* | An Associate of the Manager and an Associate of a director of the Manager |
| Beijing Huamao Commercial Management Co., Ltd* (note x) | An Associate of a Substantial Unitholder of Spring REIT |
| 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.

25 CONNECTED PARTY TRANSACTIONS AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Income from connected/related parties

| | Note | Six months ended 30 June | |
|----------------------------------|------|--------------------------------|--------------------------------|
| | | 2022 (Unaudited) RMB'000 | 2021 (Unaudited) RMB'000 |
| Rental revenue from MIBJ | (i) | 477 | 477 |
| Rental revenue from DBAG and ZDS | (i) | 20,262 | 22,322 |
| Rental revenue from PAG Beijing | (i) | 1,267 | 1,267 |
| Interest income from DBAG | (ii) | 314 | 1,197 |

(c) Expenses to connected/related parties

| | Note | Six months ended 30 June | |
|--|-------|--------------------------------|--------------------------------|
| | | 2022 (Unaudited) RMB'000 | 2021 (Unaudited) RMB'000 |
| Property management fee to HuaRe | (iii) | 5,502 | 5,169 |
| Trustee's fee paid and payable to the Trustee | (iv) | 880 | 721 |
| Manager's fee to Spring Asset Management Limited | (v) | 25,704 | 25,153 |
| Bank charges to DBAG | (vi) | 11 | 10 |

(d) Balances with connected/related parties

| | Note | As at 30 June 2022 (Unaudited) RMB'000 | As at 31 December 2021 (Audited) RMB'000 |
|---------------------------------|-------|--|--|
| | | | |
| Lease deposit from MIBJ | (vii) | 281 | 281 |
| Lease deposit from DBAG and ZDS | (vii) | 6,829 | 6,767 |
| Lease deposit from PAG Beijing | (vii) | 743 | 743 |

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, bank charges and settlement of a financial instrument 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.



25 CONNECTED PARTY TRANSACTIONS AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

Notes: (continued)

- (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) Bank charges was charged in accordance with the terms of the relevant agreements with DBAG.
- (vii) Lease deposits were received in accordance with the terms of the relevant lease agreements.
- (viii) Under the Carpark Master Lease, the transaction amount for the six months ended 30 June 2022 was RMB2,964,377 (For the six months ended 30 June 2021: RMB3,059,172). Under the Carpark Management and Benefit Sharing Agreement, (i) the Group's entitlement to the net income (after deduction of carpark management fees) for the six months ended 30 June 2022 was RMB2,285,995 (For the six months ended 30 June 2021: RMB2,777,942), and (ii) the Group's share of the carpark management fees for the six months ended 30 June 2022 was RMB839,040 (For the six months ended 30 June 2021: RMB839,040).
- (ix) Pursuant to the Common Area Service Contract, the management fee payable by the Group to the Common Area Manager is settled via deduction from the building management fees paid directly by the tenants of the Group to the building manager, and such management fee amount for the six months ended 30 June 2022 was RMB1,642,464 (For the six months ended 30 June 2021: RMB1,642,464). The Common Area Manager is an independent third party of Spring REIT.
- (x) On 21 December 2021, Beijing Huamao Property Consulting Co. Ltd.* (the "**Building Manager**") (as a delegate of RCA01) and Beijing Huamao Commercial Management Co. Ltd.* (the "**Digital CCP Service Provider**") entered into an agreement under which the Digital CCP Service Provider agreed to provide certain property digital system services (the "**Digital CCP System Service Contract**") to the Spring REIT CCP Properties and the tenants. Pursuant to the Digital CCP System Service Contract, the service fee for the six months ended 30 June 2022 was RMB3,673,454.

No transaction was entered with the directors of the Manager (being the key management personnel) for the period ended 30 June 2022 (2021: Nil).

- * The company has no official English name. The above unofficial English translation is for identification purpose only. Please refer to Chinese version of interim report for official Chinese name.

26 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.

27 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 report.

28 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.



PERFORMANCE TABLE

| As at 30 June | 2022 | 2021 | 2020 |
|--|----------------------------|---------------------|---------------------|
| Net assets attributable to Unitholders | RMB6,685.28 million | RMB6,515.41 million | RMB6,555.59 million |
| Net assets per Unit attributable to Unitholders | HK\$5.29 | HK\$5.34 | HK\$4.94 |
| Total borrowings as a percentage of gross assets | 30.0% | 30.8% | 32.1% |
| Market capitalization ¹ | RMB3,352.5 million | RMB3,489.44 million | RMB3,329.07 million |
| Units issued | 1,479,302,559 | 1,466,273,210 | 1,454,929,390 |

| For the six months ended 30 June | 2022 | 2021 | 2020 |
|--|---------------------|--------------|-------------|
| Highest traded unit price | HK\$2.93 | HK\$2.95 | HK\$3.29 |
| Highest premium of the traded unit price to net assets per Unit | N/A | N/A | N/A |
| Lowest traded unit price | HK\$2.50 | HK\$2.52 | HK\$2.00 |
| Highest discount of the traded unit price to net assets per Unit | 47.3% | 52.8% | 59.5% |
| Distributions per Unit ² | HK11.2 cents | HK10.8 cents | HK9.5 cents |
| Net yield per Unit ² | 4.2% | 3.8% | 3.8% |
| Net yield (annualized) per Unit ² | 8.5% | 7.6% | 7.6% |

Notes:

- 1 Market capitalization is calculated based on the closing unit price of the period times the unit issued 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

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Chairman and Non-executive Director
Mr. Toshihiro Toyoshima

Executive Directors

Mr. Leung Kwok Hoe, Kevin
Mr. Chung Wai Fai

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. Leung Kwok Hoe, Kevin
Mr. Chung Wai Fai
Ms. Alice Yu (ceasation on 11 August 2022)

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

Knight Frank Petty Limited

Legal Advisors

Baker & McKenzie

Unit Registrar

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