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Spring Real Estate Investment Trust

春泉產業信託

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

(Stock Code: 01426)

**Managed by
Spring Asset Management Limited**

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021 AND CLOSURE OF REGISTER OF UNITHOLDERS

ABOUT SPRING REIT

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

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

ABOUT THE MANAGER

Spring REIT is managed by Spring Asset Management Limited (as manager of Spring REIT, the “**Manager**”), a company incorporated in Hong Kong for the sole purpose of managing Spring REIT. As at 30 June 2021, the Manager is 80.4% owned by Mercuria Investment Co., Limited (“**Mercuria Investment**”). Following a group restructuring, with effect from 9 July 2021, the Manager is 80.4% owned by Mercuria Holdings Co., Ltd. (“**Mercuria Holdings**”), which is an investment holding company listed on the Tokyo Stock Exchange (Stock Code: 7347) with notable shareholders such as Development Bank of Japan, Itochu Corporation and Sumitomo Mitsui Trust Bank, Limited.

DISTRIBUTION

The board of directors (the “**Board**”) of the Manager, for and on behalf of Spring REIT, has resolved to declare an interim distribution for the period from 1 January 2021 to 30 June 2021 (the “**Reporting Period**”, “**1H 2021**” or “**2021 Interim Distribution Period**”) of HK10.8 cents per Unit (“**2021 Interim Distribution**”) to unitholders of Spring REIT (“**Unitholders**”) whose names appear on the register of Unitholders on 9 September 2021 (the “**Record Date**”), representing an increase of 2.9% half-on-half (“**HoH**”) and 13.7% year-on-year (“**YoY**”) and a payout ratio of 90% (FY2020: 95%).

Based on the closing price of HK\$2.86 per Unit as at 30 June 2021, the Reporting Period distribution per Unit (“**DPU**”) represents an annualized distribution yield of 7.6%. 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 2021 Interim Distribution is HK\$1 = RMB0.8333, which represents the average of month-end central parity rates in the 2021 Interim Distribution Period (as announced by the People’s Bank of China).

The Manager confirms that 2021 Interim Distribution is composed only of consolidated profit after tax, before transactions with Unitholders and non-cash adjustments for the 2021 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 2021 Interim Distribution will be 9 September 2021. The register of Unitholders will be closed for the purpose of determining the identity of Unitholders from 8 September 2021 to 9 September 2021, both days inclusive, during which period no transfer of Units will be registered. The 2021 Interim Distribution is to be payable on 21 September 2021 to Unitholders whose names appear on the register of Unitholders on the Record Date.

In order to qualify for the 2021 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 Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 7 September 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

The Manager is pleased to present the financial results of Spring REIT for the six months ended 30 June 2021. The extreme external events of 2020 carried forward into the Reporting Period severely impacting the business environment in which Spring REIT operates. These were mainly associated with the COVID-19 pandemic, continued tensions between China and the US, and the challenging leasing environment in Beijing. We are therefore pleased to report that although Spring REIT was inevitably affected by these events, it has bucked the general market trend to deliver 17.5% growth YoY in distributable income and 13.7% growth in DPU, amounting to RMB147.07 million and HK10.8 cents respectively. Such encouraging results in an extremely challenging period are attributable to the quality of our property portfolio, favourable foreign exchange and interest rate movements, and past strategic decisions made to strengthen our balance sheet.

Beijing Office Market Overview

The CBD hosts tenants from a wide range of industries, including finance and insurance, professional services, internet and other hi-tech industries. It holds the largest amount of Grade-A office stock in Beijing, amounting to 2.59 million sqm as at 30 June 2021, representing 25.0% of the city's total Grade-A office stock of 10.37 million sqm.

The Beijing office market gradually improved in 1H 2021, with occupancy rates in the CBD submarket showing signs of bottoming out on the back of an uptick in leasing enquiries and growing leasing demand. Newly completed buildings also enjoyed a pickup in absorption compared with previous quarters. However, the recovery in market occupancy has come at the expense of rental levels, due to landlords continuing to adopt aggressive pricing policies to fill up vacant spaces. Relocations have been an important source of market demand, with tenants taking advantage of softer rents and the high vacancy environment to trade up from their existing premises.

Domestic companies continued to be the main driver of demand in the leasing market, led by companies in the finance and technology, media and telecommunications sectors. However, Chaoyang District authorities recently released details of supporting policies for multinational companies looking to set up offices in the China (Beijing) Pilot Free Trade Zone, of which the CBD district is a part. These include subsidy schemes and facilitation measures for specific industries, which will be important in encouraging foreign corporations to move in, as well as in spurring foreign investment. This should in turn further stimulate leasing demand from foreign corporations.

Looking forward, two new office completions in the CBD core area will see new office space enter the market in the second half of 2021. However, the impact that these will have on the leasing market is expected to be limited, given that the majority of the space in both developments will be self-used by the landlords. Recovery demand that will help to absorb some vacant space is expected to remain in the near term. With limited new supply coming onto the market beyond 2021, we remain cautiously optimistic about the prospects for the Beijing office market in the upcoming quarters.

Beijing Office Market Vacancy and Rental Rates in 1H 2021

		Occupancy Rate ¹	HoH Change	YoY Change	Average Rental Rate ¹ (RMB/sqm/month)	HoH Change ²	YoY Change ²
CBD	Grade A	84.7%	+3.3 ppts	+2.1 ppts	344	(4.0%)	(8.8%)
	Premium Grade A	83.6%	+2.8 ppts	+4.5 ppts	389	(3.7%)	(9.2%)

¹. Data is given as at 30 June 2021.

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

Source: JLL Research

CCP Property Operation Performance

(in RMB millions)					
For the Six Months Ended	30-Jun-2021	HoH Change	31-Dec-2020	HoH Change	30-Jun-2020
Revenues					
– Rental income	231.48	0.1%	231.25	(5.0%)	243.53
– Car park income	2.81	39.1%	2.02	(28.9%)	2.84
– Other income (note i)	2.80	(61.8%)	7.33	9.9%	6.67
	237.09	(1.5%)	240.60	(4.9%)	253.04
Property Operating Expenses					
– Property management fee	(5.17)	(4.6%)	(5.42)	1.5%	(5.34)
– Property tax (note ii)	(28.19)	(3.9%)	(29.33)	(4.0%)	(30.54)
– Withholding tax (note iii)	(23.60)	(3.2%)	(24.39)	(4.1%)	(25.44)
– Other taxes (note iv)	(2.92)	(6.4%)	(3.12)	8.7%	(2.87)
– Leasing Commission	(1.26)	20.0%	(1.05)	23.5%	(0.85)
– Others	(0.41)	(82.8%)	(2.38)	(45.5%)	(4.37)
	(61.55)	(6.3%)	(65.69)	(5.4%)	(69.41)
Net Property Income	175.54	0.4%	174.91	(4.7%)	183.63

Notes:

- i. Other income mainly represents compensation paid by tenants for early termination of lease and signage income.
- ii. Property tax represents real estate tax and land use tax.
- iii. Withholding tax in the People's Republic of China is calculated based on rental revenues at a rate of 10%.
- iv. Other taxes represent urban construction and maintenance tax, education surcharge and stamp duty.

During the Reporting Period, the CCP Property reported a decrease in total revenue of 1.5% HoH, while its rental income remained relatively stable. After deducting property operating expenses of RMB61.55 million, net property income was RMB175.54 million, representing an increase of 0.4% HoH and a decrease of 4.4% YoY.

Property operating expenses are mainly made up of tax expenses, namely withholding tax, property tax and other taxes. Tax expenses in aggregate accounted for 88.9% of the total property operating expenses, while the property management fee, payable at 2.0% of total revenue, accounted for 8.4% of these expenses.

Rental income

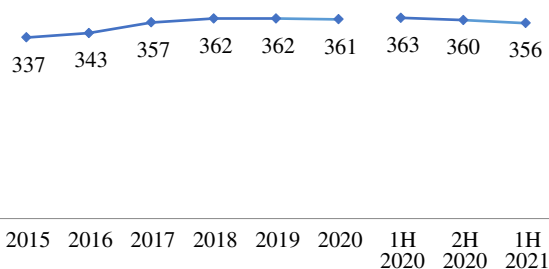
Both renewals and new leases executed from 2H 2020 took place at a time when rental levels were softening in the overall market. As a result, passing rent during the period declined marginally by 1.1%, implying a negative rental reversion rate of 5.5%. However, the impact on rental income was to an extent mitigated by an improvement in the occupancy rate, which had recovered to 93.6% by the end of June 2021 from 90.2% on 31 December 2020. The improvement in occupancy despite the adverse market conditions has once again demonstrated the resilience of our Beijing leasing operation. Lease expiries during the period involved a total area of 27,167 sqm (representing 22.6% of the leasable office area). Of these expiries, 78.6% were renewed. Including the renewals, a total area of 31,305 sqm (representing 26.0% of the leasable office area) was leased out, 31.8% of which was attributable to new leases.

Summary of Operating Performance					
For the Six Months Ended	30-Jun-2021	Change	31-Dec-2020	Change	30-Jun-2020
Net monthly average passing rent (RMB/month)	356	(1.1%)	360	(0.8%)	363
Average Occupancy (%)	90.3%	+0.8 ppts	89.5%	-3.9 ppts	93.4%

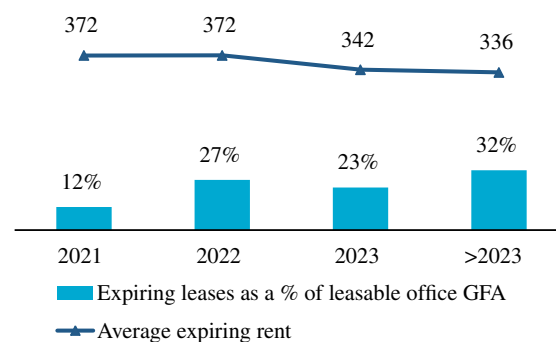
Note: Net passing rent is presented net of VAT.

Passing Rent

(RMB per sqm per month)



Expiry Profile by GFA



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

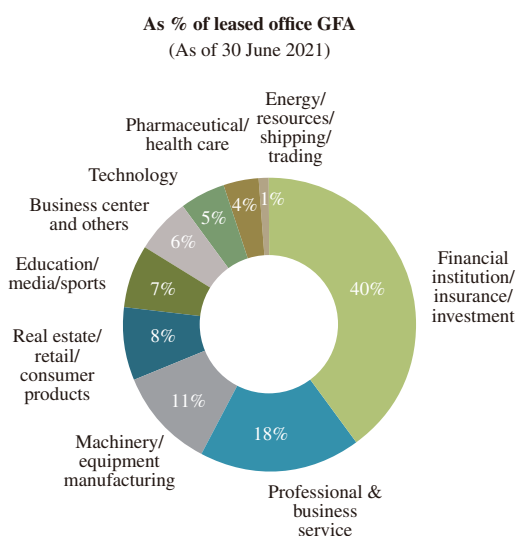
As at 30 June 2021, the weighted average lease expiry based on GFA was 790 days. Leases expiring in the second half of 2021 and in the year ending 31 December 2022 accounted for 12% and 27% of the total leasable office GFA respectively, and the average unit rents for the expiring leases were RMB372 per sqm for both periods.

Tenancy base

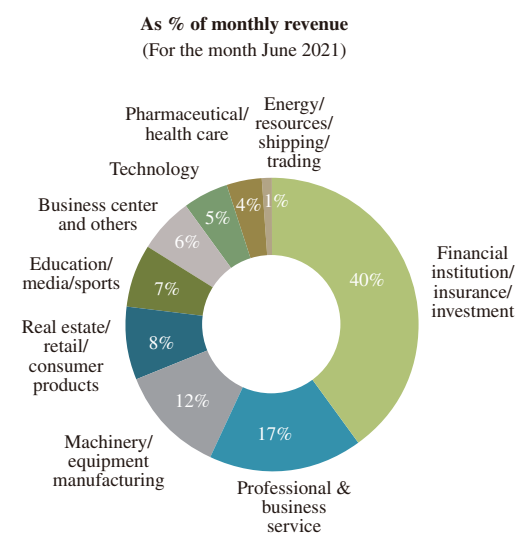
The CCP Property had a total of 182 tenancies as at 30 June 2021. The top five tenants accounted for 21.9% of total rental revenue for the Reporting Period, and occupied 22.9% of the total leasable GFA as at 30 June 2021. Details of the top five tenants in terms of GFA are set out in the table below.

Tenants	% of total leased GFA
Epson	5.9%
Zhong De Securities	4.3%
Deutsche Bank	4.3%
Xinyuan	4.2%
Global Law Office	4.2%
Total	22.9%

Tenants by Industry



Tenants by Industry



UK Portfolio Operation Review

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

In June 2021, Spring REIT completed the disposal of a small parcel of unused land adjacent to one of the Kwik Fit sites, resulting in a gain on disposal amounting to RMB151,000.

Financial Results Highlights

(in RMB million unless otherwise specified)					
For the Six Months Ended	30-Jun-2021	HoH Change	31-Dec-2020	HoH Change	30-Jun-2020
Revenue	256.93	(1.3%)	260.44	(4.5%)	272.73
Property operating expenses	(61.90)	(6.2%)	(65.97)	(5.4%)	(69.72)
Net property income	195.02	0.3%	194.47	(4.2%)	203.01
Net property income margin	75.9%	+1.2 ppts	74.7%	+0.3 ppts	74.4%
G&A expenses	(31.52)	(16.3%)	(37.67)	9.5%	(34.40)
Cash interest expense	(31.22)	(24.2%)	(41.18)	(24.6%)	(54.60)
Profit after taxation	212.34	180.3%	75.76	(128.5%)	(265.68)
TDI	147.07	2.5%	143.53	14.6%	125.19

Unit information	1H 2021	HoH Change	2H 2020	HoH Change	1H 2020
DPU (HK cents)	10.8	2.9%	10.5	10.5%	9.5
Payout ratio	90%	-5.0 ppts	95% ¹	-5.0 ppts	100%
Net asset value per Unit (HK\$)	5.34	2.1%	5.23	5.9%	4.94
Number of Units in issue	1,466,273,210	0.4%	1,460,872,865	0.4%	1,454,929,390

As at	30-Jun-2021	HoH Change	31-Dec-2020	HoH Change	30-Jun-2020
Portfolio valuation	9,230.51	0.3%	9,202.90	(3.1%)	9,500.72
Total assets	9,765.84	0.5%	9,712.87	(3.3%)	10,040.17
Total borrowings	3,006.47	(0.6%)	3,024.23	(6.0%)	3,218.11
Net asset value	6,515.41	1.3%	6,432.90	(1.9%)	6,555.59
Gearing ratio	30.8	-0.3 ppts	31.1%	-1.0 ppts	32.1%

¹ Represents the full year payout ratio of 95%.

Financial Performance

Spring REIT's revenue for the Reporting Period was RMB256.93 million, representing a decrease of 1.3% HoH and 5.8% YoY. After deducting property operating expenses of RMB61.90 million, net property income amounted to RMB195.02 million, representing a 0.3% increase HoH and a 3.9% decrease YoY. The net property income margin increased to 75.9% for the Reporting Period (2H 2020: 74.7%; 1H 2020: 74.4%).

General and administrative expenses decreased by 16.3% HoH and 8.4% YoY to RMB31.52 million (2H 2020: RMB37.67 million; 1H 2020: RMB34.40 million). A total finance cost for interest-bearing borrowings of RMB12.96 million was registered, which consisted of a non-cash foreign exchange gain. A foreign exchange gain of RMB27.71 million (2H 2020: a gain of RMB212.37 million; 1H 2020: a loss of RMB40.24 million) was recognized when US dollar bank borrowings were translated to RMB. Cash interest expenses amounted to RMB31.22 million, decreasing by 24.2% HoH and decreasing by 42.8% YoY.

Taking into account the increase in fair value of the UK Portfolio of RMB15.36 million and the CCP Property of RMB10.40 million, profit after taxation for the Reporting Period was RMB212.34 million (2H 2020: profit after taxation of RMB75.76 million; 1H 2020: loss after taxation of RMB265.68 million).

TDI of Spring REIT for the Reporting Period was RMB147.07 million, representing increases of 2.5% HoH and 17.5% YoY. Among other adjustments, the TDI excludes the foreign exchange gain and increases in fair value of our investment properties, both of which are non-cash in nature.

Financial Position

Spring REIT's principal valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the "**Principal Valuer**") performed the valuation of the Spring REIT portfolio as at 30 June 2021. The CCP Property was appraised at RMB8,566.00 million as at 30 June 2021, representing a 0.2% increase compared to its valuation as at 31 December 2020. The valuation of the CCP Property was arrived at using the income approach, and cross-checked by the direct comparison approach. The increase in valuation was mainly attributable to an upward adjustment in the occupancy rate in the calculation. The capitalization rate/reversionary yield stayed stable at 5.0% (31 December 2020: 5.0%; 30 June 2020: 5.0%).

The UK Portfolio was appraised at GBP74.40 million (equivalent to RMB664.51 million) as at 30 June 2021, representing a 2.1% increase in GBP terms compared to its valuation as at 31 December 2020. The valuation of the UK Portfolio was arrived at using an income approach. The reversionary yield ranged from 4.25% to 8.50% (31 December 2020: 4.60% to 8.50%).

As at 30 June 2021, Spring REIT had in place aggregate secured loan facilities of approximately RMB3,006.47 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, totaling US\$483.00 million (the “**CCP Facilities**”), which bears an interest rate of 3-month US dollar LIBOR plus 1.55% per annum and will expire in December 2024.
2. A facility of GBP50.00 million (the “**UK Facility**”) extended by Sumitomo Mitsui Banking Corporation and put in place on 26 January 2018. The UK Facility bears an interest rate of 3-month GBP LIBOR plus 2.20% per annum and will expire in January 2022.

As at 30 June 2021, the gearing ratio, i.e. total borrowings to gross asset value, was 30.8%, compared with 31.1% as at 31 December 2020.

In 2020, Spring REIT entered into multiple interest rate swaps contracts (“**IRS Contracts**”), with a weighted average swap rate of 0.52% per annum with maturity in December 2024, in tandem with the date of loan maturity of the CCP Facilities. The aggregate notional amount of these IRS Contracts is US\$300 million, representing 74.4% of the US\$ loans already drawn down by Spring REIT.

As at 30 June 2021, Spring REIT’s investment properties, rent receivables, restricted bank balances, IRS Contracts, ordinary shares of RCA01 and Hawkeye Properties 501 Limited and all assets of Hawkeye Properties 501 Limited were pledged to secure term loan facilities where applicable. In addition, RCA01 and Hawkeye Properties 501 Limited’s restricted bank balances were charged to or otherwise subject to the control of the security agent to the CCP Facilities or the UK Facility. Throughout the Reporting Period, Spring REIT, RCA01, RUK01 Limited and Hawkeye Properties 501 Limited have in all material respects complied with the terms and provisions of the finance and security documents.

The unrestricted cash of Spring REIT (together with its special purpose vehicles, the “**Group**”) amounted to RMB160.25 million as at 30 June 2021, compared with RMB154.44 million as at 31 December 2020. The Group also had total undrawn uncommitted bank loan facilities of US\$80.00 million. With these financial resources, Spring REIT has sufficient liquid assets to satisfy its working capital and operating requirements. The unrestricted cash is generally placed as short-term deposits, mostly denominated in US\$. The Group’s liquidity and financing requirements are reviewed regularly.

As at 30 June 2021, the gross asset value of the Group was RMB9,765.84 million, representing an increase of 0.5% HoH and a decrease of 2.7% YoY.

Net Assets Attributable to Unitholders

As at 30 June 2021, net assets attributable to Unitholders stood at RMB6,515.41 million.

The net asset value per Unit as at 30 June 2021 was HK\$5.34 (31 December 2020: HK\$5.23; 30 June 2020: HK\$4.94). This represented a 86.7% premium to the closing price of the Units of HK\$2.86 as at 30 June 2021, the last trading day in the Reporting Period.

Capital Commitments

As at 30 June 2021, 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

By contrast with the global economy, which was still suffering from pandemic uncertainties in the first half of 2021, the economy in China is ahead of the pack and shows signs of increasing stability. China's efficient handling of the pandemic by its central and local governments, and the limited number of recent cases reported, suggest that we are now seeing the light at the end of the tunnel for COVID-19. The leasing market in Beijing has stabilized and is expected to be supported by a revival of leasing demand going forward.

Market sentiment in Beijing has also been helped by the fact that the slew of new office supply has almost come to an end, and there is limited land supply for future office development in the CBD area. The volume of tenant enquiries has risen, driven by businesses looking to trade up their premises to take advantage of attractive rental levels. Although tighter regulation by the Chinese government over technology companies is expected to temporarily weigh on rental levels in the short term, the Manager remains cautiously optimistic that the dynamics of the Beijing office market will continue to improve given the positive underlying market trends.

For Spring REIT, most of the major leases due to expire in the second half of 2021 have been secured for renewal. While rental reversion was negative during the Reporting Period, reflecting softened rental rates in the broader market, the Manager is optimistic that occupancy will continue to improve in the second half as leasing activities return. In the meantime, the Manager will remain vigilant in its approach to Spring REIT's leasing operations.

Looking ahead to the second half of 2021, Spring REIT's core CCP Property in Beijing is in a strong position. It is likely to be among the first batch of properties to recover given its premium quality and location, and we remain positive that its operating performance will continue to improve throughout the year. Meanwhile, the UK Portfolio will continue to provide additional steady returns.

Our enhanced strategic relationships with Sino-Ocean Group Holding Limited and Huamao Property Holdings Ltd. are also paving the way for potential high-quality investment opportunities in the years ahead. Spring REIT will be focused on ensuring that any new acquisitions live up to the standards of quality and reliability of its existing assets. The Manager is firmly committed to steering Spring REIT safely through the challenging macro-economic environment, and Unitholders can be assured of our unwavering determination to deliver 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 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.

As disclosed in the announcement of Spring REIT dated 28 May 2021, the Trust Deed was amended and restated to reflect recent amendments of the REIT Code gazetted and announced by the Securities and Futures Commission (the “**SFC**”) on 4 December 2020 (the “**REIT Code Amendments**”), including: (i) the requirements under the REIT Code in respect of investments by REITs in minority-owned properties; (ii) the relaxation of the diversification limit applicable to relevant investments and the requirements applicable to non-core investments of Spring REIT; (iii) the scope of and requirements for connected party transactions and notifiable transactions of Spring REIT for in line with the Listing Rules; (iv) the change in the borrowing limit of REIT’s under the REIT Code; and (v) miscellaneous REIT Code Amendments.

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 announcement, Mr. Leung Kwok Hoe, Kevin (Executive Director and Chief Executive Officer of the Manager), Mr. Chung Wai Fai, Michael (Executive Director of the Manager) and Ms. Alice Yu (Chief Compliance Officer of the Manager) are the responsible officers of the Manager (the “**RO**”) pursuant to the requirements under section 125 of the SFO and Paragraph 5.4 of the REIT Code. Mr. Leung Kwok Hoe, Kevin, Executive Director and Chief Executive Officer of the Manager, was approved by the SFC as an approved person of the Manager pursuant to sections 104(2) and 105(2) of the SFO.

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

New Issue of Units

During the Reporting Period, an aggregate of 6,666,345 new Units were issued to the Manager as payment of part of the Manager’s fees. Please refer to the announcements dated 26 March 2021 and 30 April 2021 for more details.

During the Reporting Period, the Manager (on behalf of Spring REIT) bought back a total of 1,539,000 Units on the Stock Exchange and a total of 1,266,000 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 2021 was 1,466,273,210 Units.

Purchase, Sale or Redemption of Units

During the Reporting Period, the Manager (on behalf of Spring REIT) bought back a total of 1,539,000 Units on the Stock Exchange at an aggregate consideration (excluding expenses) of approximately HK\$4.3 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\$	
2021				
January	145,000	2.7275	2.6894	394
February	–	–	–	–
March	108,000	2.8100	2.7725	301
April	36,000	2.8400	2.7882	102
May	547,000	2.8200	2.6913	1,508
June	703,000	2.9290	2.8416	2,040

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\$2.8163 per Unit. All the above bought back Units were cancelled as at the date of this announcement.

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” above 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 2021.

Investments in Property Development and Relevant Investments

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

Review of Interim Results

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

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

Issuance of the Interim Report

The interim report of Spring REIT for the Reporting Period will be published on the websites of the Hong Kong Exchanges and Clearing Limited, at www.hkexnews.hk, and Spring REIT, at www.springreit.com, and will be sent to Unitholders on or before 31 August 2021.

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

Hong Kong, 24 August 2021

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

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	<i>Notes</i>	RMB'000	RMB'000
Revenues	6	256,928	272,726
Property operating expenses	7	(61,904)	(69,721)
Net property income		195,024	203,005
General and administrative expenses	8	(31,520)	(34,400)
Fair value gain/(loss) of investment properties	14	25,764	(336,845)
Fair value gain/(loss) of right-of-use assets	15	224	(754)
Other gains, net	9	36,241	8,907
Operating profit/(loss)		225,733	(160,087)
Finance income		1,198	1,724
Finance costs	10	(12,961)	(106,218)
Profit/(loss) before taxation and transactions with Unitholders		213,970	(264,581)
Income tax expense	11	(1,631)	(1,097)
Profit/(loss) for the period, before transactions with Unitholders		212,339	(265,678)
Distributions paid to Unitholders:			
– 2019 final distribution		–	(117,685)
– 2020 final distribution (<i>note i</i>)		(128,170)	–
		84,169	(383,363)

Six months ended 30 June	
2021	2020
(Unaudited)	(Unaudited)
RMB'000	RMB'000

Represented by:

Change in net assets attributable to Unitholders, excluding issues of new units and units bought back for cancellation	70,753	(365,201)
Amount arising from exchange reserve movements regarding translation of financial statements	13,416	(18,162)
	84,169	(383,363)

Notes:

- (i) 2020 final distribution of RMB128,170,000 for the year ended 31 December 2020 was paid during the six months ended 30 June 2021. Total distribution for the six months ended 30 June 2021 is presented in the consolidated statement of distributions.
- (ii) Earnings/(loss) per unit, based upon profit/(loss) 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 25 to 45 are an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Before transactions with Unitholders (Unaudited) RMB'000	Transactions with Unitholders (note i) (Unaudited) RMB'000	After transactions with Unitholders (Unaudited) RMB'000
<i>Note</i>				
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 loss on translation of financial statements of subsidiaries		(82)	–	(82)
<i>Items that may not be reclassified to condensed consolidated income statement</i>				
Exchange loss on translation of financial statements of Spring REIT		(13,334)	–	(13,334)
Total comprehensive income for the period	<i>ii</i>	<u>198,923</u>	<u>(198,923)</u>	<u>–</u>
For the six months ended 30 June 2020				
Loss for the period		(265,678)	247,516	(18,162)
Other comprehensive income:				
<i>Items that may be reclassified to condensed consolidated income statement</i>				
Exchange loss on translation of financial statements of subsidiaries		(2,396)	–	(2,396)
<i>Items that may not be reclassified to condensed consolidated income statement</i>				
Exchange gain on translation of financial statements of Spring REIT		20,558	–	20,558
Total comprehensive loss for the period	<i>ii</i>	<u>(247,516)</u>	<u>247,516</u>	<u>–</u>

Notes:

- (i) Transactions with Unitholders comprise the distributions paid to Unitholders of RMB128,170,000 (2020: RMB117,685,000), and change in net assets attributable to Unitholders excluding issues of new units and units bought back for cancellation, which is an increase of RMB70,753,000 (2020: a decrease of RMB365,201,000).
- (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 25 to 45 are an integral part of these condensed consolidated interim financial information.

CONSOLIDATED STATEMENT OF DISTRIBUTIONS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit/(loss) for the period, before transactions with Unitholders	212,339	(265,678)
Adjustments:		
– Fair value (gain)/loss of investment properties	(25,764)	336,845
– Fair value (gain)/loss of right-of-use assets	(224)	754
– Gain on conversion of convertible bonds	–	(56,699)
– Gain on disposal of investment properties	(151)	–
– Net fair value (gain)/loss of derivative financial instruments	(25,058)	16,770
– Manager's fee expenses in units in lieu of cash	15,395	16,749
– Amortisation of transaction costs for host liability components of convertible bonds and bank borrowings	9,279	5,187
– Unrealised foreign exchange (gain)/loss	(38,742)	71,259
	<u>147,074</u>	<u>125,187</u>
Distributable income for the period (note i)	147,074	125,187
Total distributions of the period (note ii)	132,367	125,187
Percentage of total distribution over distributable income for the period	90%	100%
Distributions per unit to Unitholders for the period		
– Interim distribution per unit, to be paid (note iii and iv)	HK10.8 cents	HK9.5 cents

Notes:

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

Distributions to Unitholders for the six months ended 30 June 2021 represent a payout ratio of 90% (2020: 100%) of Spring REIT's total distributable income for the period. The interim distribution for the six months ended 30 June 2021 is expected to be paid to Unitholders on 21 September 2021. Such interim distributions per unit, however, may be subject to adjustment upon the issuance of new units between 24 August 2021 (being the date of the declaration of the interim distribution) and 9 September 2021 (the "**Record Date**"), if any.

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

The notes on pages 25 to 45 are an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

		As at 30 June 2021 (Unaudited) <i>RMB'000</i>	As at 31 December 2020 (Audited) <i>RMB'000</i>
	<i>Notes</i>		
Assets			
Investment properties	<i>14</i>	9,230,513	9,202,902
Right-of-use assets	<i>15</i>	15,319	15,073
Derivative financial instruments	<i>16</i>	8,648	–
Restricted bank balances	<i>18</i>	316,472	313,924
Trade and other receivables	<i>17</i>	34,639	26,531
Cash and cash equivalents	<i>18</i>	160,251	154,435
		9,765,842	9,712,865
Total assets			
 Liabilities, excluding net assets attributable to Unitholders			
Interest-bearing borrowings	<i>20</i>	3,006,474	3,024,232
Derivative financial instruments	<i>16</i>	–	16,550
Lease liabilities	<i>15</i>	11,465	11,504
Rental deposits	<i>19</i>	149,983	147,980
Income tax payable		2,983	2,669
Trade and other payables	<i>19</i>	79,530	77,033
		3,250,435	3,279,968
Total liabilities, excluding net assets attributable to Unitholders			

		As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Net assets attributable to Unitholders		<u>6,515,407</u>	<u>6,432,897</u>
Units in issue ('000)	22	<u>1,466,273</u>	<u>1,460,873</u>
Net asset value per unit attributable to Unitholders			
In RMB		4.44	4.40
In HK\$		<u>5.34</u>	<u>5.23</u>

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
ATTRIBUTABLE TO UNITHOLDERS**

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Reserves <i>(note)</i> <i>RMB'000</i>	Net assets attributable to Unitholders <i>RMB'000</i>
As at 1 January 2021	–	6,432,897
Profit for the period, before transactions with Unitholders	–	212,339
Exchange loss 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
As at 1 January 2020	–	6,447,775
Loss for the period, before transactions with Unitholders	–	(265,678)
Exchange gain on translation of financial statements	18,162	–
Amount arising from exchange reserve movements	(18,162)	18,162
Distributions paid to Unitholders:		
– 2019 final distribution	–	(117,685)
Change in net assets attributable to Unitholders for the six months ended 30 June 2020, excluding issues of new units	–	(365,201)
Issuance of units	–	473,013
As at 30 June 2020	–	6,555,587

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Spring Real Estate Investment Trust (“**Spring REIT**”) is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Spring REIT was established on 25 November 2013 and its units are listed on the main board of The Stock Exchange of Hong Kong Limited (the “**HKSE**”) on 5 December 2013. Spring REIT is governed by 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 2021 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 2020, 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 2020 as described in those annual financial statements.

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

The Group has adopted all of the new standards issued by the International Accounting Standards Board that are mandatory for annual accounting periods beginning 1 January 2021.

New standards, amendments, interpretations and improvements to existing standards effective in 2021:

IFRS 16 Amendments	COVID-19 Related Rent Concessions
IAS 39, IFRS 9, IFRS 7, IFRS 4 and IFRS 16 Amendments	Interest Rate Benchmark Reform – Phase 2

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

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

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

		Effective for accounting periods beginning on or after
IFRS 16 Amendments	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
IFRS 3, IAS 16 and IAS 37 Amendments	Narrow-Scope Amendments	1 January 2022
Annual Improvements to IAS 41, IFRS 1, IFRS 9, and IFRS 16	Annual Improvements 2018-2020 Cycle	1 January 2022
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 Asset and Liabilities arising from a Single Transaction	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023
IFRS 10 and IAS 28 (2011) Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Estimates of fair value of investment properties

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

(b) Estimates of fair values of derivative financial instruments

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

(c) Taxation

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

5 FINANCIAL RISK

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2020.

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

6 REVENUE AND SEGMENT INFORMATION

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

For the six months period ended 30 June 2021, revenue of RMB237.1 million (30 June 2020: RMB253.0 million) is attributable to tenants from the PRC investment properties and RMB19.8 million (30 June 2020: RMB19.7 million) is attributable to tenants from the UK investment properties. As at 30 June 2021, investment properties of RMB8,566 million (31 December 2020: RMB8,553 million) is located in the PRC and RMB665 million (31 December 2020: RMB650 million) is located in the UK. Right-of-use assets of RMB15.3 million (31 December 2020: RMB15.1 million) is located in the UK.

An analysis of revenues of the Group is as follows:

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Revenues		
Rental income	253,574	265,463
Car park income	2,807	2,844
Other income (<i>note i</i>)	547	4,419
	<hr/>	<hr/>
	256,928	272,726
	<hr/>	<hr/>

Note:

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

7 PROPERTY OPERATING EXPENSES

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Property management fee	5,452	5,622
Property taxes (<i>note i</i>)	28,192	30,545
Other taxes (<i>note ii</i>)	2,919	2,870
Withholding tax (<i>note iii</i>)	23,604	25,438
Leasing commission	1,256	853
Others	481	4,393
	<hr/>	<hr/>
	61,904	69,721
	<hr/>	<hr/>

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	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Manager's fee (<i>note i</i>)	25,153	26,889
Trustee fee	721	913
Valuation fee	423	461
Auditor's remuneration		
– Audit services	101	247
– Other assurance services	610	651
Legal and other professional fee (<i>note ii</i>)	3,720	4,731
Others	792	508
	<u>31,520</u>	<u>34,400</u>

Notes:

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

9 OTHER GAINS, NET

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Net fair value gain/(loss) of derivative financial instruments		
at fair value through profit or loss	25,058	(16,770)
Foreign exchange gain/(loss)	11,032	(31,022)
Gain on conversion of convertible bonds (<i>note 21</i>)	–	56,699
Gain on disposal of investment properties	151	–
	<u>36,241</u>	<u>8,907</u>

10 FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses on bank borrowings (<i>note i</i>)	36,934	55,854
Interest expenses on convertible bonds	–	4,299
Interest expenses on derivative financial instruments	3,267	4,327
Interest expenses on lease liabilities	470	469
Foreign exchange (gain)/loss on bank borrowings (<i>note ii</i>)	(27,710)	40,237
Others	–	1,032
	<u>12,961</u>	<u>106,218</u>

Notes:

- (i) Interest expenses on bank borrowings comprised contractual loan interest and amortised loan arrangement fee, which were recognised using the effective interest rate method.
- (ii) Foreign exchange (gain)/loss 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).

Prior to 6 April 2020, for the subsidiary with operation in the UK, it is subject to non-resident landlord income tax at a rate of 20%. From 6 April 2020 onwards, the UK subsidiary is subject to corporation tax 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	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current income tax	1,323	1,097
Under-provision in prior year	308	–
	<u>1,631</u>	<u>1,097</u>

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	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit/(loss) before income tax and transactions with Unitholders	213,970	(264,581)
Exclude (profit)/loss from the PRC operation which is not subject to income tax (<i>note 7(iii)</i>)	(211,347)	249,566
	<u>2,623</u>	<u>(15,015)</u>
Tax calculated at the Hong Kong profit tax rate at 16.5% (2020: 16.5%)	433	(2,477)
Effect on different taxation rate on overseas operations	729	(875)
Income not subject to tax	(4,618)	(12,448)
Expenses not deductible for tax purposes	4,779	16,897
Under-provision in prior year	308	–
	<u>1,631</u>	<u>1,097</u>

12 MANAGER'S FEE

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Base fee	19,293	20,799
Variable fee	5,860	6,090
	<u>25,153</u>	<u>26,889</u>

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

- (i) Base fee at 0.4% per annum of the value of the deposited property (“**Base Fee**”, as defined in the Trust Deed).
- (ii) Variable fee at 3.0% per annum of the net property income (“**Variable Fee**”, as defined in the Trust Deed) (before deduction therefrom of the Base fee and Variable fee).

Based on the election made by the Manager dated 4 December 2020 and 10 December 2019 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% (2020: same), and Variable Fee to be paid to the Manager in the form of cash entirely (2020: same), arising from any real estate of Spring REIT for the year ended 31 December 2021 and 2020 in accordance with the Trust Deed.

13 EARNINGS/(LOSS) PER UNIT

	Six months ended 30 June	
	2021	2020
	(Unaudited) <i>RMB'000</i>	(Unaudited) <i>RMB'000</i>
Profit/(loss) for the period, before transactions with Unitholders	<u>212,339</u>	<u>(265,678)</u>
Adjustment for dilutive convertible bonds	<u>–</u>	<u>(52,372)</u>
Profit/(loss) for the period, before transactions with Unitholders for calculating diluted earnings/(loss) per unit	<u>212,339</u>	<u>(318,050)</u>
Weighted average number of units for the period for calculating basic earnings/(loss) per unit	1,463,501,297	1,412,628,282
Adjustment for dilutive units issuable in respect of the Manager's fee	3,269,154	–
Adjustment for dilutive convertible bonds	<u>–</u>	<u>37,067,545</u>
Weighted average number of units for the period for calculating diluted earnings/(loss) per unit	1,466,770,451	1,449,695,827
Basic earnings/(loss) per unit based upon profit/(loss) before transactions with Unitholders	<u>RMB 14.5 cents</u>	<u>(RMB 18.8 cents)</u>
Diluted earnings/(loss) per unit based upon profit/(loss) before transactions with Unitholders	<u>RMB 14.5 cents</u>	<u>(RMB 21.9 cents)</u>

14 INVESTMENT PROPERTIES

	For the period ended 30 June 2021 (Unaudited) RMB'000	For the year ended 31 December 2020 (Audited) RMB'000
At the beginning of the period/year	9,202,902	9,873,265
Additions	2,596	26,609
Disposal	(1,662)	–
Exchange differences recognised in other comprehensive income	913	(24,294)
Changes in fair value recognised in consolidated income statement	25,764	(672,678)
	<hr/> 9,230,513 <hr/>	<hr/> 9,202,902 <hr/>
At the end of the period/year	9,230,513	9,202,902

Note:

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

In the PRC, the investment properties comprise office towers 1 & 2 and approximately 600 car parking spaces located at No. 79 and 81 Jianguo Road, Beijing, the PRC. The land use rights of the 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.

On 4 June 2021, the Group completed the disposal of a portion of property located in the UK. The net disposal proceed was RMB1,813,000 and the gain on disposal was RMB151,000.

As at 30 June 2021 and 31 December 2020, the Group had no unprovided contractual obligations for future repairs and maintenance of the investment properties.

As at 30 June 2021 and 31 December 2020, 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 2021 and 31 December 2020, the fair values of the investment properties have been determined by Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

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

Valuation techniques

(i) PRC investment properties

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

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

(ii) UK investment properties

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

Fair value hierarchy

	Fair value measurements using		
	Level 1	Level 2	Level 3
	RMB’000	RMB’000	RMB’000
Recurring fair value measurements			
As at 30 June 2021	—	—	9,230,513
As at 31 December 2020	—	—	9,202,902

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 2021 valuation, a capitalisation rate of 5.0% (31 December 2020: 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 RMB384 (31 December 2020: RMB387) per square meter exclusive of VAT is used in the valuation.

(ii) UK investment properties

(a) Capitalisation rate

This is estimated based on the market lease over market value on comparable. The higher the capitalisation rates used, the lower the fair values of the investment properties. In the 30 June 2021 valuations, the capitalisation rate used in the income capitalisation approach of 84 investment properties range from 4.25% to 8.5% (31 December 2020: from 4.6% to 8.5%).

(b) Base rent

Base rent is the standard rent payable under the lease exclusive of taxes, other relevant charges and reimbursements. This was estimated based on the market lease comparable. The higher the base rent used, the higher the fair values of the investment properties. The gross annual unit base rents of 84 investment properties range from GBP4.50 to GBP22.50 (31 December 2020: from GBP4.50 to GBP22.47) 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 2021 (Unaudited) RMB'000	For the year ended 31 December 2020 (Audited) RMB'000
Right-of-use assets		
At the beginning of the period/year	15,073	16,304
Exchange differences recognised in other comprehensive income	22	(567)
Changes in fair value recognised in consolidated income statement	<u>224</u>	<u>(664)</u>
At the end of the period/year	<u>15,319</u>	<u>15,073</u>
	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Lease liabilities, expected to be settled:		
Within 1 year	116	169
After 1 year	<u>11,349</u>	<u>11,335</u>
	<u>11,465</u>	<u>11,504</u>

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 2021			
Asset			
Right-of-use assets	<u>–</u>	<u>–</u>	<u>15,319</u>
As at 31 December 2020			
Asset			
Right-of-use assets	<u>–</u>	<u>–</u>	<u>15,073</u>

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

16 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2021 (Unaudited) <i>RMB'000</i>	As at 31 December 2020 (Audited) <i>RMB'000</i>
Asset		
Fair value of the interest rate swaps	<u>8,648</u>	<u>–</u>
Liability		
Fair value of the interest rate swaps	<u>–</u>	<u>16,550</u>

The Group has entered into six (31 December 2020: 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 2021 was RMB1,937 million (31 December 2020: RMB1,958 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 2021 amounting to RMB25,058,000 (30 June 2020: net fair value loss of RMB16,770,000) (note 9) which were credited/(charged) to the condensed consolidated income statement.

The maximum exposure to credit risk at the reporting date is the carrying values of the derivative financial instruments.

The carrying amounts of interest rate swaps are expected to be recovered/(settled) as below:

	As at 30 June 2021 (Unaudited) <i>RMB'000</i>	As at 31 December 2020 (Audited) <i>RMB'000</i>
After 1 year	<u>8,648</u>	<u>(16,550)</u>

Fair value hierarchy

	Fair value measurements using		
	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>
Recurring fair value measurements			
As at 30 June 2021			
Asset			
Fair value of the interest rate swaps	–	8,648	–
As at 31 December 2020			
Liability			
Fair value of the interest rate swaps	–	16,550	–

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

17 TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 (Unaudited) <i>RMB'000</i>	As at 31 December 2020 (Audited) <i>RMB'000</i>
Rent receivables	359	1,643
Deferred rent receivables (<i>note iv</i>)	27,394	22,373
Prepayments	4,910	2,332
Other receivable	1,976	54
VAT recoverable	–	129
	34,639	26,531

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 2021 and 31 December 2020, the Group's rent receivables and all future rent receivables were pledged to secure the Group's bank borrowings in the PRC (note 20).
- (iv) Deferred rent receivables represent the accumulated difference between effective rental revenue and actual rental receipts.
- (v) The carrying amounts of trade and other receivables are expected to be recovered within the next twelve months.

18 RESTRICTED BANK BALANCES AND CASH AND CASH EQUIVALENTS

	As at 30 June 2021 (Unaudited) <i>RMB'000</i>	As at 31 December 2020 (Audited) <i>RMB'000</i>
Restricted bank balances	316,472	313,924
Cash and cash equivalents	160,251	154,435
	476,723	468,359

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

	As at 30 June 2021 (Unaudited) <i>RMB'000</i>	As at 31 December 2020 (Audited) <i>RMB'000</i>
US\$	210,206	233,856
RMB	201,714	197,949
HK\$	32,970	4,895
GBP	31,833	31,659
	476,723	468,359

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 restricted bank balances and cash and cash equivalents are expected to be recovered after one year and within the next twelve months, respectively.

19 RENTAL DEPOSITS AND TRADE AND OTHER PAYABLES

	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Rental deposits (note i)	149,983	147,980
Trade and other payables:		
Rental receipts in advance	47,635	43,302
Provision for other taxes (note ii)	252	374
VAT payable	2,532	1,969
Accrued expenses and other payables	29,111	31,388
	79,530	77,033

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 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Within 1 year	56,880	49,315
Over 1 year	93,103	98,665
	149,983	147,980

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

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

20 INTEREST-BEARING BORROWINGS

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

	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Bank borrowings		
Within 1 year	445,624	–
After 1 year	2,560,850	3,024,232
	<u>3,006,474</u>	<u>3,024,232</u>

Bank borrowings are denominated in the following currencies:

	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
US\$ (note i)	2,560,850	2,580,135
GBP (note ii)	445,624	444,097
	<u>3,006,474</u>	<u>3,024,232</u>

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

	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
6 months or less	<u>3,006,474</u>	<u>3,024,232</u>

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

Notes:

- (i) The borrowing bears interest of 1.55% per annum above 3-month US\$ LIBOR and repayable in full on 24 December 2024; and
- (ii) The borrowing is repayable in full on 26 January 2022 and bears an interest rate of 3-month GBP LIBOR plus 2.20% per annum.

As at 30 June 2021 and 31 December 2020, the Group's investment properties (note 14), derivative financial instruments (note 16), rent receivables (note 17) and all future rent receivables (note 23), restricted bank balances (note 18), interests in certain subsidiaries of the Group and certain assets of a subsidiary of the Group were pledged to secure the Group's loan borrowings. In addition, the Trustee (in its capacity as trustee of Spring REIT) has provided guarantee for all the loan facilities.

21 CONVERTIBLE BONDS

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

	For the period ended 30 June 2021 (Unaudited) RMB'000	For the year ended 31 December 2020 (Audited) RMB'000
Host liability components		
At the beginning of the period/year	–	422,013
Conversion of convertible bonds	–	(428,014)
Finance costs	–	3,307
Exchange difference recognised in other comprehensive income	–	2,694
	<hr/>	<hr/>
At the end of the period/year	–	–
Derivative components		
At the beginning of the period/year	–	83,226
Conversion of convertible bonds	–	(83,756)
Exchange difference recognised in other comprehensive income	–	530
	<hr/>	<hr/>
At the end of the period/year	–	–
	<hr/>	<hr/>
At the end of the period/year	–	–

On 12 February 2020, the holder of the convertible bonds has converted all of the bonds based on the initial conversion price of HK\$3.642 per unit, and 160,626,029 new units has been issued and allotted to the bond holder. The conversion represented a settlement of the Group's financial liabilities and resulted in a gain of approximately RMB56.7 million.

22 UNITS IN ISSUE

	Number of units	
	For the period ended 30 June 2021	For the year ended 31 December 2020
Balance at the beginning of the period/year	1,460,872,865	1,285,813,315
New units issued for Manager's fee	6,666,345	15,648,521
New units issued for conversion of convertible bonds (<i>note 21</i>)	–	160,626,029
Repurchase of units in issue (<i>note ii</i>)	<u>(1,266,000)</u>	<u>(1,215,000)</u>
Balance at the end of the period/year (<i>note i</i>)	<u>1,466,273,210</u>	<u>1,460,872,865</u>

Notes:

- (i) Traded market value of the units as of 30 June 2021 was HK\$2.86 (31 December 2020: HK\$2.70) per unit. Based on 1,466,273,210 (31 December 2020: 1,460,872,865) units, the market capitalisation was HK\$4,194 million (approximately RMB3,488 million) (31 December 2020: HK\$3,944 million (approximately RMB3,320 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 1,539,000 units at an aggregate price of approximately RMB3,592,000 during the period ended 30 June 2021. 1,266,000 units bought back were cancelled during the period.

23 FUTURE MINIMUM RENTAL RECEIVABLES

As at 30 June 2021, the analysis of the Group's aggregate future minimum rental receivable under non-cancellable leases is as follows:

	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Within 1 year	486,855	467,365
1 – 2 years	378,464	355,174
2 – 3 years	283,315	247,423
3 – 4 years	176,563	158,233
4 – 5 years	134,318	115,804
After 5 years	280,877	266,565
	<u>1,740,392</u>	<u>1,610,564</u>

Note: Most of the operating leases are on fixed terms and of terms of 3 years (2020: 3 years).

24 SUBSIDIARIES

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

25 APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The condensed consolidated interim financial information was authorised for issue by the Manager on 24 August 2021.