

# SpringREIT

Spring Real Estate Investment Trust  
春泉產業信託

Stock Code : 01426

Managed by  
Spring Asset Management Limited

2017 Interim Report



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## About Spring REIT

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

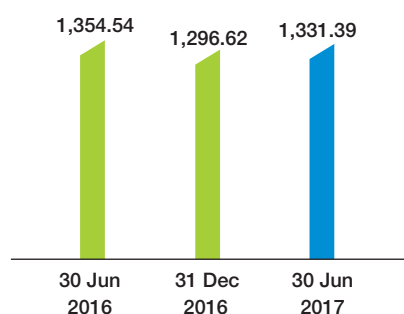
## About the Manager

Spring REIT is managed by Spring Asset Management Limited (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 2017, the Manager is 90.2% owned by Mercuria Investment Co., Limited. (“**Mercuria**”, formerly known as AD Capital Co., Ltd., renamed on 1 January 2016), which is a private equity investment firm listed on the Tokyo Stock Exchange (Stock Code: 7190) with notable shareholders such as Development Bank of Japan, Itochu Corporation and Sumitomo Mitsui Trust Bank, Limited.

# Performance Highlights

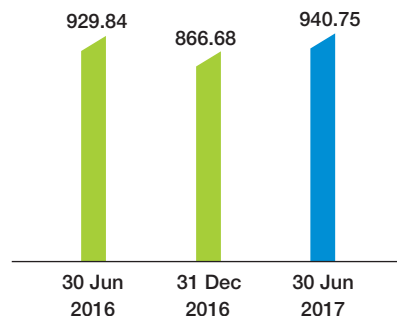
## Appraised Property Value

(USD million)



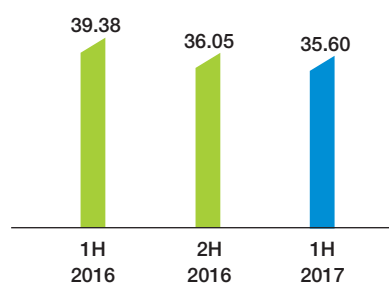
## Net Asset Value

(USD million)



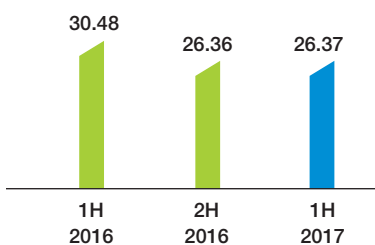
## Total Revenue

(USD million)



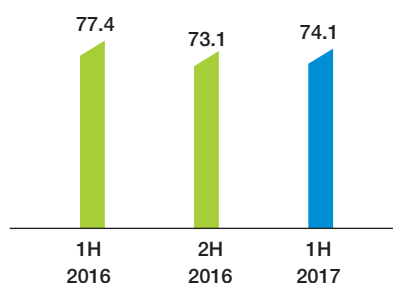
## Net Property Income

(USD million)



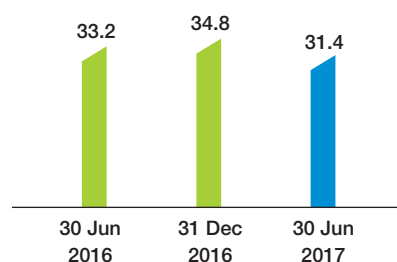
## Net Property Income Margin

(%)



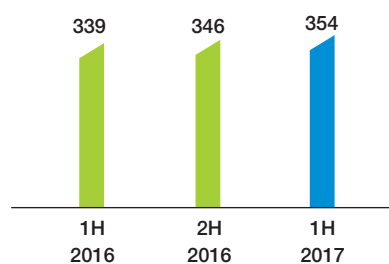
## Gearing Ratio

(%)



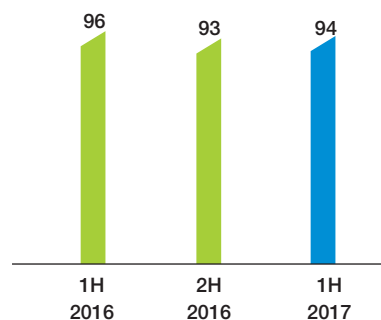
## Average Monthly Passing Rent (net of VAT)

(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 2017 to 30 June 2017 (the “**Reporting Period**”) of HK9.5 cents per unit (the “**2017 Interim Distribution**”) to the unitholders. The distribution implied a payout ratio of approximately 100%. The 2017 Interim Distribution, however, may be subject to adjustment in the event of any issuance of new units between 1 July 2017 and the record date for determining unitholders’ entitlements to such distribution, which will be 12 September 2017 (the “**Record Date**”).

2017 Interim Distribution will be paid in Hong Kong dollars. The HKD/USD exchange rate adopted for the 2017 Interim Distribution is 7.8019, the average mid-price of opening indicative counter exchange rate as published by the Hong Kong Association of Banks for the five (5) business days immediately preceding 30 June 2017. In arriving at the Total Distributable Income (“**TDI**”) for the Reporting Period, adjustments have been made to the consolidated profit after tax before transactions with unitholders for the Reporting Period to eliminate the effects of certain Adjustments (as defined in the Trust Deed). Based on the closing price of HKD3.40 per unit as at 30 June 2017, the 2017 Interim Distribution represents an annualized distribution yield of 5.6%. For details of the distribution, please refer to the section headed “Statement of Distributions” in the financial information.

In accordance with the Trust Deed, the Manager’s current policy is to distribute to the unitholders at least 90% of TDI in each financial year. The Manager also has the discretion to direct Spring REIT to distribute over and above the minimum 90% of TDI for any financial year if and to the extent Spring REIT, in the opinion of the Manager, has funds surplus to its business requirements.

The Record Date of the 2017 Interim Distribution will be 12 September 2017, Tuesday. The register of unitholders will be closed for the purpose of determining identities of the unitholders from 11 September 2017, Monday to 12 September 2017, Tuesday, both days inclusive, during which period no transfer of units will be registered. The 2017 Interim Distribution is expected to be payable on 22 September 2017, Friday to the unitholders whose names appear on the register of unitholders on the Record Date.

In order to qualify for the 2017 Interim Distribution, all completed transfer forms in respect of transfer of units (accompanied by the relevant unit certificates) must be lodged with Computershare Hong Kong Investor Services Limited, Spring REIT’s unit registrar in Hong Kong, whose address is 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 8 September 2017, Friday.

## Overview of Spring REIT's Properties\*

- Spring REIT's portfolio includes all office floors of Office Tower One and Office Tower Two and approximately 600 car parking spaces of China Central Place.
- China Central Place is a prime mixed-use complex in the central business district ("CBD") in Beijing with well-recognized brand hotels and shopping centers.
- According to Jones Lang LaSalle Research, China Central Place is one of the eight Premium Grade A office buildings in Beijing.
- The portfolio has a total GFA of 145,373 sqm, including approximately 600 car parking spaces.
- Appraised value as at 30 June 2017 was RMB9,028.00 million (equivalent to US\$1,331.39 million)
- Average occupancy rate for the six months ended 30 June 2017 was 93.5%



### Accessibility

- Direct access to Beijing Subway Line 1 through the shopping mall
- Direct access to Beijing Subway Line 14
- About 20 km away from the Beijing Capital International Airport

\* As of 30 June 2017

# Management Discussion and Analysis

## Operation review

In the first half 2017, global growth was firming led by an upturn in the United States. In the Euro Zone and Japan, economies have also shown signs of recovery reflecting stronger domestic demand and exports. Rising inflation and narrowing output gaps raised the prospects of less accommodative monetary policy globally, beginning with the US Federal Reserve hiking interest rate twice during the Reporting Period.

Closer to home, economic growth in China continued steadily. The moderation in state-driven investment growth was offset by a rebound in export and robust consumption growth. Despite monetary tightening and the housing market correction in the largest cities, credit growth still outpaced nominal GDP growth to provide stability. Exchange rate pressures have eased since late 2016, partly as a result of tightened capital controls to encourage inward foreign direct investment.

In Beijing, given the steady economic environment, domestic institutions remained the major source of demand for offices. “Outward migration” continued as a growing number of foreign firms turned to submarkets where the rent seemed more affordable or resorted to relocating to smaller premises. The rental rate for offices in Beijing saw no significant movement as domestic demand continued to support office absorption. According to Jones Lang LaSalle Research, rent in the Beijing Central Business District (“CBD”) area remained flat during the Reporting Period. Intra-district movement within the CBD largely came from tenants attracted to new completions while demand from outside of the CBD came mostly from financial tenant expansion due to the lack of leasable space and high rents in Finance Street.

Spring REIT’s performance during the Reporting Period has stabilized and registered a modest rebound in RMB terms thanks to the resilience of Office Tower 1, Office Tower 2 and the relevant portion of the car park in China Central Place (together, the “CCP Property”).

For the Six Months Ended	30-Jun-16 RMB million (note i)	Change %	31-Dec-16 RMB million	Change %	30-Jun-17 RMB million
Revenues					
– Rental income	244.20	(4.3%)	233.70	1.8%	237.81
– Car park income	2.09	(19.6%)	1.68	2.4%	1.72
– Other income (note ii)	11.12	(27.1%)	8.11	(34.8%)	5.29
	257.41	(5.4%)	243.49	0.5%	244.82
Property Operating Expenses					
– Property management fee	(5.21)	6.3%	(5.54)	(2.7%)	(5.39)
– Property tax (note iii)	(12.42)	139.3%	(29.72)	(2.7%)	(28.92)
– Business and other taxes (note iv)	(11.89)	(68.7%)	(3.72)	(6.5%)	(3.48)
– Withholding tax (note v)	(25.98)	(6.7%)	(24.23)	(0.1%)	(24.20)
– Leasing Commission	(2.22)	(14.4%)	(1.90)	(42.6%)	(1.09)
– Others	(0.43)	–	(0.43)	(4.7%)	(0.41)
	(58.15)	12.7%	(65.54)	(3.1%)	(63.49)
Net Property Income	199.26	(10.7%)	177.95	1.9%	181.33

### Notes:

- i While the consolidated financial statements were prepared in USD, the performance of the CCP Property is presented in RMB in order to facilitate meaningful discussions given that the CCP Property is located in China.
- ii Other income mainly represents compensation paid by tenants for early termination of lease.
- iii Property tax represents real estate tax and land use tax.
- iv Business and other taxes represent business tax, urban construction and maintenance tax, education surcharge and stamp duty.
- v Withholding tax in the People’s Republic of China is calculated based on the rental revenues at a rate of 10%.
- vi The property tax changes that became effective on 1 July 2016 was the primary cause for the decrease in net property income by 10.7% from RMB199.26 million in the first half (“1H”) of financial year (“FY”) 2016 to RMB177.95 million in the second half (“2H”) of FY 2016.

# Management Discussion and Analysis (continued)

Without further regulatory or tax changes, Spring REIT was able to deliver a modest rebound in both revenue and net property income for the Reporting Period in RMB terms. Revenue rose 0.5% half on half (“HoH”) to RMB244.82 million. After deducting property operating expenses of RMB63.49 million, net property income stood at RMB181.33 million, rising 1.9% HoH.

## Rental income

The rental income for the Report Period was RMB237.81 million, a 2.6% decrease year on year (“YoY”) and a 1.8% increase HoH. If the effect of business tax and value-added tax (“VAT”) (where applicable) was removed from the rental income to facilitate a like-for-like comparison, net rental income for the Reporting Period would have shown an increase of approximately 0.9% YoY.

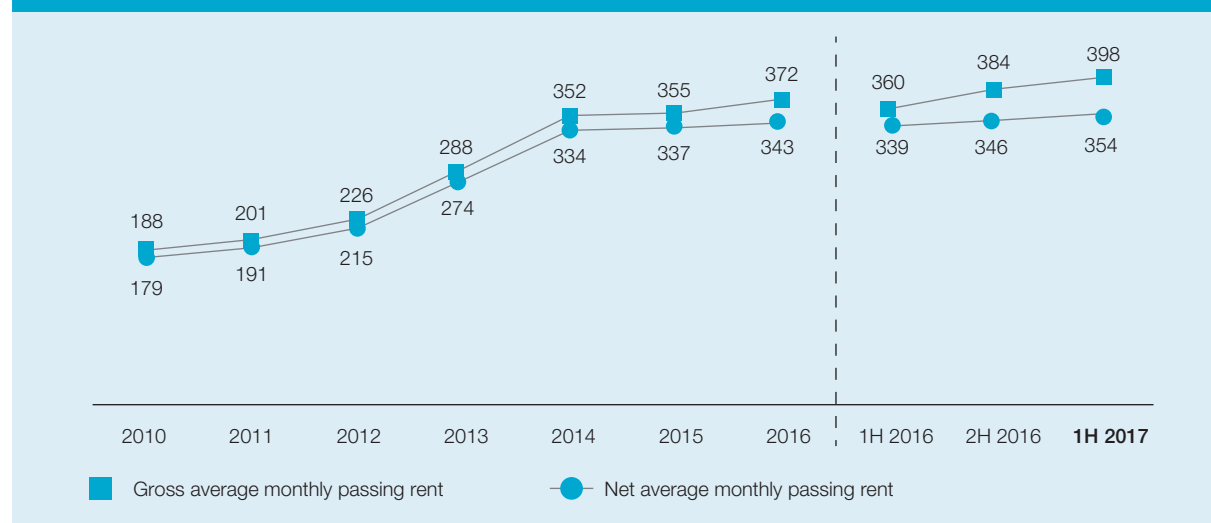
Operation at the CCP Property continued to firm with an average occupancy of 93.5% (2H 2016: 93.0%; 1H 2016: 95.6%). Average passing rent (net of VAT) stood at RMB354 per sqm, up 2.3% HoH and 4.4% YoY on the back of a respectable average rental reversions of 5.8% (FY2016: 7.5%). For the leases that expired during the Reporting Period, retention rate remained healthy at 67.9%.

## Summary of Operating Performance

For the six months ended	30-Jun-16	Change	31-Dec-16	Change	30-Jun-17
Average Monthly Passing Rent (RMB/sqm)					
– Gross passing rent	360	+6.7%	384	+3.6%	<b>398</b>
– Net passing rent	339	+2.1%	346	+2.3%	<b>354</b>
Average Occupancy (%)	96%	-3 ppts	93%	+1 ppts	<b>94%</b>

## Average Passing Rents

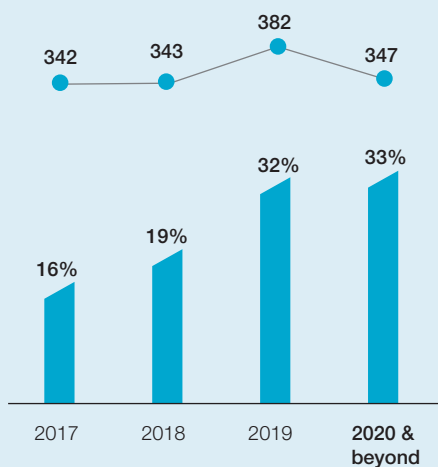
(RMB per sqm per month)



Note: Net passing rent is presented net of business tax and VAT (where applicable).

# Management Discussion and Analysis (continued)

## Expiry Profile



As at 30 June 2017, weighted average lease expiry in terms of GFA was 1,107 days for the CCP Property. Leases expiring on or before the year ending 31 December 2017 and 31 December 2018 account for 16% and 19% of the total leased GFA respectively, and the average unit rents for the expiring leases were RMB342 per sqm and RMB343 per sqm respectively.

## Tenancy base

The CCP Property had a total of 186 tenancies as at 30 June 2017. The top five tenants accounted for 22.6% of total revenue for the Reporting Period and occupied 24.4% of total GFA as at 30 June 2017.

## Cost

Property operating expenses mainly comprise of tax expenses where applicable, namely withholding tax, business and other taxes, and property tax. Tax expenses in aggregate accounted for 88.6% of the total property operating expenses. Property management fee, payable at 2.0% of total revenue, accounted for 8.5% of the property operating expenses.

A 9.2% YoY increase of property operating expenses was recorded during the Reporting Period primarily attributable to the 132.9% YoY increase in property tax. As the effect of the tax changes has been fully reflected since 1 July 2016, operating expenses during the reporting period compared to that in 2H 2016 was largely unchanged.



# Management Discussion and Analysis (continued)

## Financial Review

(in USD' million unless otherwise specified)					
For the six months ended	30-Jun-16	Change	31-Dec-16	Change	30-Jun-17
Revenue	39.38	(8.5%)	36.05	(1.2%)	<b>35.60</b>
Property operating expenses	(8.90)	8.9%	(9.69)	(4.7%)	<b>(9.23)</b>
Net property income	30.48	(13.5%)	26.36	0.0%	<b>26.37</b>
Cost-to-income ratio (%)	22.6	+4.3 ppts	26.9	-1.0 ppts	<b>25.9</b>
Profit after taxation	101.05	(109.7%)	(9.76)	(294.9%)	<b>19.02</b>
Total distributable income	20.42	(24.3%)	15.45	(1.6%)	<b>15.21</b>
Payout ratio (%)	92	+2.0 ppts	94	+6.0 ppts	<b>100</b>
As at	30-Jun-16	Change	31-Dec-16	Change	30-Jun-17
Portfolio valuation	1,354.54	(4.3%)	1,296.62	2.7%	<b>1,331.39</b>
Total assets	1,443.88	(4.3%)	1,381.16	3.1%	<b>1,424.21</b>
Total borrowings	479.79	0.1%	480.50	(6.8%)	<b>447.80</b>
Total liabilities	514.04	0.1%	514.48	(6.0%)	<b>483.46</b>
Net asset value	929.84	(6.8%)	866.68	8.5%	<b>940.75</b>
Gearing ratio (%)	33.2	+1.6 ppts	34.8	-3.4 ppts	<b>31.4</b>
Unit information	30-Jun-16	Change	31-Dec-16	Change	30-Jun-17
DPU (HK cents)	13	(23.1%)	10	(5.0%)	<b>9.5</b>
Net asset value per Unit (HK\$)	6.41	(7.2%)	5.95	(1.3%)	<b>5.87</b>
Number of Units outstanding	1,125,370,516	0.5%	1,130,562,940	10.7%	<b>1,251,315,163</b>

## Financial Results Highlight

Taking into account RMB/USD movement, Spring REIT reported a revenue of USD35.60 million, representing a 9.6% decrease YoY and a 1.2% decrease HoH. After deducting property operating expenses of USD9.23 million, net property income amounted to USD26.37 million, representing a 13.5% decrease YoY and flat HoH. Net property income margin remained stable at 74.1% for the Reporting Period (2H 2016: 73.1%; 1H 2016: 77.4%).

As RMB continued to weaken during 2016, the RMB/USD monthly average exchange rate adopted in 2H 2016 was 3.2% lower than that in 1H 2016, which exacerbated the impact of the decrease in net property income. During the Reporting Period, RMB/USD exchange rate depreciated by a modest 1.8% compared to that in 2H 2016 and the effect of currency movement on Spring REIT's performance was marginally negative.

Professional fees and administrative expenses remained largely unchanged at USD4.97 million. Meanwhile total finance costs registered a gain of USD1.00 million driven by a foreign exchange gain of USD11.05 million (2H 2016: a loss of USD20.94 million; 1H 2016: a loss of USD11.22 million) recognized when translating USD bank borrowings to RMB. The gain was partially offset by the USD8.08 million loss from the reversal of mark-to-market gain and cash settlement of two currency forward contracts which expired during the Reporting Period. Cash interest expenses paid was USD8.77 million, which implied an effective interest rate of 3.7%, compared with 3.5% in 2H 2016 and 3.4% in 1H 2016.

# Management Discussion and Analysis (continued)

Taking into account the increase in fair value of the CCP Property of USD3.38 million, profit after taxation for the Reporting Period was USD19.02 million (2H 2016: -USD9.76 million; 1H 2016: USD101.05 million).

Total distributable income of Spring REIT for the Reporting Period was USD15.21 million, representing a 25.5% decrease YoY and a 1.6% decrease HoH. The reported amount has, among other adjustments, included the adding back of certain items that are capital in nature in the amount of USD9.02 million, namely cash settlement of currency forwards manager's fee paid in units and amortization of loan arrangement fees.

## Financial Position

The appraised value of the CCP Property by Knight Frank Petty Limited ("**Knight Frank**" or the "**Principal Valuer**") was RMB9,028.00 million (equivalent to USD1,331.39 million) as at 30 June 2017, representing an appreciation of RMB23.00 million or approximately 0.3% in RMB terms over the valuation as at 31 December 2016. 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 market rent. The capitalization rate was unchanged at 5.8% (31 December 2016: 5.8%; 30 June 2016: 5.8%).

On 13 April 2017, Spring REIT issued 114,884,000 new units at the price of HK\$3.25 per unit. Gross proceeds from the issuance amounted to approximately HK\$373.37 million. The Manager applied the gross proceeds towards: (i) partial early repayment of amounts drawn down under the Loan Facilities (as defined below); and (ii) the general working capital requirements of Spring REIT.

As at 30 June 2017, Spring REIT had in place secured loan facilities of USD470.00 million, comprising a fully drawn term loan facility of USD450.00 million (following a partial prepayment in May 2017) and an uncommitted facility of USD20.00 million that remained undrawn (the "**Loan Facilities**"). The gearing ratio, i.e. total borrowings to gross assets value, was 31.4%, compared with 34.8% and 33.2% as at 31 December 2016 and 30 June 2016 respectively.

The amount of outstanding borrowings under the Loan Facilities bear an interest margin of 2.75% per annum over 3-month USD LIBOR for the period up to 26 June 2017. On 23 June 2017, Spring REIT entered into a deed of amendment (the "**Deed**") in relation to the facilities agreement dated 18 February 2015 and a deed of amendment dated 5 February 2016 (the "**Facilities Agreements**") of the Loan Facilities. The Deed amended certain provisions of the Facilities Agreements which included a 110 basis points reduction in the interest margin from 2.75% to 1.65% for both the term loan facility and the uncommitted facility, effective from 27 June 2017. Based on the outstanding loan amount of USD450.00 million, the reduction in interest margin represents an interest saving of approximately USD4.95 million annually.

Spring REIT's investment property, rent receivables, restricted bank balances, currency forwards, ordinary shares of RCA01 (Spring REIT's special purpose vehicle, the holding company of Spring REIT's properties in Beijing, the PRC) and all future trade receivables were pledged to secure Loan Facilities. In addition, RCA01's restricted bank balances were charged to, or otherwise subject to the control of the security agent to secure term loan facilities. Throughout the Reporting Period, both Spring REIT and RCA01 have in material respects complied with all 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 USD36.12 million as at 30 June 2017, compared with USD28.83 million and USD32.79 million as at 31 December 2016 and 30 June 2016 respectively. The Group also had total undrawn bank loan facilities of USD20.00 million. With these financial resources, Spring REIT has sufficient liquid assets to satisfy its working capital and operating requirements. The cash is generally placed as short-term deposits mostly denominated in USD. The Group's liquidity and financing requirements are being reviewed regularly.

# Management Discussion and Analysis (continued)

As at 30 June 2017, the gross asset value of the Group was USD1,424.21 million representing a slight decrease of 1.4% YoY and an increase of 3.1% HoH.

## Capital Commitments and the UK Acquisition

Reference is made to the announcements dated 6 December 2016, 20 January 2017, 17 March 2017, 17 May 2017 and 25 May 2017 and the circular dated 21 March 2017, each made by Spring REIT in connection with the acquisition of Hawkeye Properties 501 Limited (“**Hawkeye 501**”), which holds 84 separate commercial properties (“**UK Portfolio**”) in the United Kingdom (“**UK**”).

Subsequent to the Reporting Period, completion took place on 14 July 2017 following the satisfaction of all the conditions under the share purchase agreement. Spring REIT has, through RUK01 Limited (a newly-established special purpose vehicle of Spring REIT incorporated in Jersey) (“**RUK01**”) and Hawkeye 501, become the sole owner of the UK Portfolio. Spring REIT paid to the seller of Hawkeye 501 a completion payment of £36.72 million (equivalent to approximately USD46.64 million). This amount was calculated by deducting the outstanding loan of approximately £36.09 million (equivalent to approximately USD45.83 million) which will continue to be owed by Hawkeye 501 after completion from £73.50 million (equivalent to approximately USD93.35 million), which was the agreed price for the UK Portfolio plus relevant adjustments. At completion, the payment of £36.72 million (equivalent to approximately USD46.64 million) plus total fees and charges of USD2.70 million was settled by a combination of Spring REIT’s internal resources and £37.00 million drawn down by RUK01 from a new facility of £37.00 million which bears an interest rate of LIBOR plus 2.15% per annum.

## New Units Issued

As at 30 June 2017, the total number of units in issue was 1,251,315,163. A total of 120,752,223 new units were issued during the Reporting Period.

Date	Particulars	No. of Units
31 December 2016	Beginning balance of total number of units in issue.	1,130,562,940
27 March 2017	Issue of new units to the Manager at the price of HK\$3.299 per unit (being the Market Price as defined in the Trust Deed) as payment of 80% of the Manager’s Base Fee for the 3 months period ended 31 December 2016.	+ 2,615,069
21 April 2017	Issue of new units to China Orient Stable Value Fund Limited at the price of HK\$3.250 per unit under a subscription agreement.	+ 114,884,000
28 April 2017	Issue of new units to the Manager at the price of HK\$3.257 per unit (being the Market Price as defined in the Trust Deed) as payment of 100% of the Manager’s Base Fee for the 3 months period ended 31 March 2017.	+ 3,253,154
30 June 2017	Ending balance of total number of units in issue.	1,251,315,163

# Management Discussion and Analysis (continued)

## Net Assets Attributable to Unitholders

As at 30 June 2017, net assets attributable to the unitholders stood at USD940.75 million.

The net asset value per unit as at 30 June 2017 was HK\$5.87 (31 December 2016: HK\$5.95; 30 June 2016: HK\$6.41). This represented a 72.7% premium to the closing price of the unit of HK\$3.40 as at 30 June 2017, the last trading day in the Reporting Period.

## Employees

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

## Outlook

Provided that the Beijing office market remained steady, the Manager believes the outlook for Spring REIT, will improve as the strategic initiatives undertaken during the Reporting Period which included the loan margin reduction and the acquisition of the UK Portfolio begin to bear fruit.

The Beijing office market has so far been resilient despite the pipeline of new supply. Rental in the Beijing Central Business District area is likely to remain well-supported by sustainable net absorption attributable to pent-up demand from the domestic finance and IT sectors. We anticipate mild rental reversion for new lettings and renewals as well as a steady occupancy at the CCP Property which remains one of the most sought-after business location for both domestic and foreign tenants. Barring unforeseen circumstances, contribution from the CCP Property in RMB terms is on track to register modest improvement in FY2017 as long as the Beijing office market remained stable.

The Manager has undertaken a number of important capital management initiatives during the Reporting Period with a view to alleviate the adverse effect caused by asset and liability mismatch. The Manager had considered hedging the currency mismatch but in the case where a restrictive currency such as RMB was concerned, the availability of economic options were limited. As such, we have decided instead, to manage the mismatch by reducing the amount of debt that is denominated in USD with the proceeds from an equity issuance. While the move was intended to form part of our risk management strategy, it will also strengthen Spring REIT's balance sheet going forward.

During the Reporting Period, the Manager has also successfully negotiated with the existing lenders to Spring REIT, amongst other things, a reduction in the margin of Loan Facilities from 2.75% to 1.65%, effective from 27 June 2017. The benefit of interest saving is expected to contribute from the second half of FY 2017 onwards.

Beginning from the second half of 2017, Spring REIT's financial results will be further supported by the completion of the acquisition of the UK Portfolio. As the transaction was funded by debt, the gross rental yield of 6.1% will be immediately accretive. However, we believe the benefit of the UK portfolio goes beyond immediate accretion to the bottom line. Despite the UK Portfolio is considered as a "non-core" asset by the Manager, we believe the cash flow of Spring REIT will be strengthened, given the long-term nature of the leases, upward-only adjustment mechanism for future rent as well as having a credible tenant as the counterparty.

Going forward, we remain committed to diversification and growth, and believe this can be achieved through continuous acquisitions. While sourcing, timing, pricing and market conditions and operation efficiency are all important factors when assessing a target, accretion and quality of cash flow remain the key considerations for the Manager.

# Corporate Governance

With the objective of establishing and maintaining high standards of corporate governance, certain policies and procedures have been put in place to promote the operation of Spring REIT in a transparent manner and with built-in checks and balances. The corporate governance policies of Spring REIT have been adopted with due regard to the requirements under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), with necessary changes as if those rules were applicable to real estate investment trusts in Hong Kong.

The Manager was established for the sole purpose of managing Spring REIT. The Manager is committed to maintaining good corporate governance practices and procedures. The current corporate governance principles emphasize on accountability to all stakeholders, resolution of conflict of interest issues, transparency in reporting, and compliance with relevant procedures and guidelines. The Manager has adopted a compliance manual (the “**Compliance Manual**”) for use in relation to the management and operation of Spring REIT, which sets out the key processes, systems and measures, and certain corporate governance policies and procedures to be applied for compliance with all applicable legislation and regulations. The Board plays a central supportive and supervisory role in the corporate governance duties. It will regularly review 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.

Throughout 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 Trust 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 25 May 2017 to note the audited financial statements of Spring REIT together with the independent auditor’s report for the year ended 31 December 2016 and the re-appointment of the independent auditor of Spring REIT and for meeting with unitholders and answering their questions, if any. There was an extraordinary general meeting held on the same date to seek unitholders’ approval on the continuing connected party transaction with regard to the Lease CCT, as more particularly set out in the section headed “Lease CCT” in the circular dated 21 March 2017.

## Authorization Structure

Spring REIT is a collective investment scheme constituted as a unit trust and authorized by the Securities and Futures Commission (the “**SFC**”) under section 104 of the SFO and regulated by the SFC pursuant to the applicable provisions of the SFO, the Code on Real Estate Investment Trusts (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 of the Manager), Mr. Nobumasa Saeki (Executive Director of the Manager) and Mr. Chung Wai Fai (Senior Vice President of the Manager) are the responsible officers of the Manager (“**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 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.

During the Reporting Period, Mr. Lau Jin Tin, Don retired as an Executive Director of the Manager and ceased to be a RO of the Manager with effect from 31 May 2017. He also ceased to be an approved person of the Manager on 31 May 2017.

# Corporate Governance (continued)

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 of 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 both financially and economically.

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

## Board of Directors of the Manager

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

### Non-executive Directors

Toshihiro Toyoshima (*Chairman*)  
Hideya Ishino

### Executive Directors

Leung Kwok Hoe, Kevin (*appointed on 10 March 2017*)  
Nobumasa Saeki  
Lau Jin Tin, Don (*retired on 31 May 2017*)

### Independent Non-executive Directors

Simon Murray  
Lam Yiu Kin  
Qiu Liping

As disclosed in the announcements of Spring REIT dated 10 March 2017 and 31 May 2017 respectively, Mr. Lau Jin Tin, Don retired from his position as an Executive Director of the Manager with effect from 31 May 2017.

## Conflicts of Interest and Business Competitions with Mercuria

Mercuria may exercise influence over the affairs of Spring REIT through its control over the Manager and RCA Fund 01, L.P. ("**RCA Fund**"). As at 30 June 2017, issued shares in the Manager were owned by Mercuria as to 90.2% and some of the Non-executive Directors of the Manager were and still are also directors and/or senior executives of Mercuria. Besides, RCA Fund, which is managed by Mercuria pursuant to a management agreement between Mercuria and RCA Fund (acting through its general partner, RCAC), held 27.59% interests in the units of Spring REIT as at 30 June 2017. Mercuria can therefore exercise influence on RCA Fund and its exercise of rights as a unitholder in respect of the affairs of Spring REIT (in particular, in relation to matters that are subject to voting by the unitholders, on

## Corporate Governance (continued)

which RCA Fund is not required to abstain from voting), including in relation to the approval of significant corporate transactions, such as acquisitions and disposals. In addition, Mercuria has interest in the units of Spring REIT directly or through various subsidiaries; including, in particular, the Manager which has received and will continue to receive units of Spring REIT by virtue of all or part of its entitlement to the fees for asset management services rendered to Spring REIT.

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

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

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

## Corporate Governance (continued)

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

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

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

### Compliance with the Dealings Code

To monitor and supervise any 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 the “**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 price sensitive 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, 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 Directors Remuneration Arrangement

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



## Corporate Governance (continued)

Independent Non-executive Director	Remuneration for the Reporting Period <sup>(i)</sup> (HK\$)	Election for Percentage of fee to be paid in the form of Units during the Reporting Period	Units paid as Remuneration during the Reporting Period <sup>(ii)</sup>
Mr. Simon Murray	180,000	100%	53,000
Mr. Qiu Liping	180,000	100%	53,000
Mr. Lam Yiu Kin	180,000	100%	53,000

Notes:

- (i) Each Independent Non-executive Director's remuneration remained unchanged during the Reporting Period. This fee was determined after arm's length negotiation between each Independent Non-executive Director and the Manager, with reference to market conditions and the experience and qualifications of each Independent Non-executive Director.
- (ii) For each Independent Non-executive Director's current beneficial interests in units of Spring REIT and the change (if any) in their respective beneficial interests in units of Spring REIT during the Reporting Period, please see the section headed "Disclosure of Interests" below.

### Review of Interim Report

The consolidated unaudited financial statements 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 unaudited financial statements of Spring REIT for the Reporting Period have been reviewed by the independent 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.

### Change in Information of Directors of the Manager

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

Director	Change in information
Mr. Simon Murray	<p>Ceased to act as a director of Cheung Kong Property Holdings Limited, a company listed on the Stock Exchange (stock code: 1113), with effect from 11 May 2017</p> <p>Changed his title from non-executive chairman to chairman of General Enterprise Management Services Limited with effect from 1 May 2017</p>
Mr. Leung Kwok Hoe, Kevin	<p>Appointed as an executive director of Spring Asset Management Limited, the Manager of Spring REIT, with effect from 10 March 2017</p> <p>Appointed as a director of RCA01, a special purpose vehicle of Spring REIT which holds Spring REIT's properties in Beijing, with effect from 13 March 2017</p> <p>Appointed as a director of RUK01 Limited, a special purpose vehicle of Spring REIT which holds Spring REIT's properties in the United Kingdom, with effect from 9 June 2017</p>

## Corporate Governance (continued)

Director	Change in information
Mr. Nobumasa Saeki	Appointed as a director of RUK01 Limited, a special purpose vehicle of Spring REIT which holds Spring REIT's properties in the United Kingdom, with effect from 9 June 2017
Mr. Qiu Liping	Ceased to act as a director of Trina Solar Ltd, a company listed on New York Stock Exchange (NYSE: TSL), with effect from 23 March 2017
Mr. Lam Yiu Kin	Ceased to act as a director of Mason Financial Holdings Limited, a company listed on the Stock Exchange (stock code: 273), with effect from 24 May 2017  Appointed as a director of CITIC Telecom International Holdings Limited, a company listed on the Stock Exchange (stock code: 1883), with effect from 1 June 2017

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

### Purchase, Sale or Redemption of Units

During the Reporting Period, there was no purchase, sale or redemption of the units by the Manager on behalf of Spring REIT or any of the special purpose vehicles that are owned and controlled by Spring REIT.

### 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 2017.

### New Issue of Units

Except for an aggregate of 5,868,223 new units issued to the Manager as payment of part of the Manager's fees and 114,884,000 new units issued under the subscription agreement dated 13 April 2017 entered into between the Manager and China Orient Stable Value Fund Limited (further details of which were disclosed in the announcement of Spring REIT dated 13 April 2017), there were no other new units issued during the Reporting Period.

### Investment in Property Development and Relevant Investments

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

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

Spring REIT met the criteria of "regularly traded on a recognized securities market" for the calendar year of 2016 and should therefore be excluded from having "financial accounts" under FATCA for the calendar year 2017, and hence was not required to perform account due diligence, reporting or withholding for its account holders under FATCA for the calendar year 2017.

# Connected Party Transactions

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

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

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

Notes:

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

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

Based on the best knowledge of the Manager after due and careful enquiry, set out below is the information in respect of connected party transactions during the Reporting Period involving Spring REIT and/or RCA01 (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 2017 RMB
MIBJ Consulting (Beijing) Co., Ltd.	Associated company of the Manager and associate of a director of the Manager <sup>1</sup>	Leasing	483,472	284,809
PAG Investment Consulting (Beijing) Co., Limited (太盟投資管理諮詢(北京)有限公司)	Subsidiary of a significant holder of Spring REIT <sup>2</sup>	Leasing	1,052,655	1,010,358
ITOCHU (China) Holding Co., Ltd.	Associated company of the Manager <sup>3</sup>	Leasing	2,723,427 <sup>3</sup>	N/A <sup>3</sup>

Notes:

1. MIBJ Consulting (Beijing) Co., Ltd. is wholly-owned by Mercuria, which in turn holds 90.2% 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 MIBJ Consulting (Beijing) Co., Ltd.
2. PAG Investment Consulting (Beijing) Co., Limited (太盟投資管理諮詢(北京)有限公司) is a non-wholly owned subsidiary of PAG Holdings Limited, a significant holder of Spring REIT, and therefore a connected person of Spring REIT pursuant to paragraph 8.1(g) of the REIT Code, from 9 March 2017 onwards. Please refer to further information in the section “PAG Lease” below.
3. The income stated comprises lease payment by ITOCHU (China) Holding Co., Ltd. between 1 January 2017 and 1 May 2017 pursuant to the lease transaction. Prior to 2 May 2017, ITOCHU Corporation held more than 20% of the total issued share capital of Mercuria which in turn held 90.2% of the issued shares of the Manager. From 2 May 2017, ITOCHU Corporation no longer held more than 20% of Mercuria, therefore ceased to be an associated company of the Manager and connected person of Spring REIT. As such, the lease transaction with ITOCHU (China) Holding Co., Ltd. was no longer a connected party transaction from 2 May 2017 and therefore the income derived between 2 May 2017 and 30 June 2017 of the Reporting Period did not form part of the continuing connected party transactions disclosed above. For details, please refer to the announcement of Spring REIT dated 17 May 2017 regarding the update on proposed continuing connected party transaction in relation to the leases.

## PAG Lease

PAG Investment Consulting (Beijing) Co., Limited (太盟投資管理諮詢(北京)有限公司) (“**PAG Investment**”) entered into a lease for a fixed term of 3 years that commenced on 1 November 2016 (the “**PAG Lease**”) as a tenant in relation to certain office premises owned by the Group at China Central Place located at Nos. 79 and 81 Jianguo Road, Chaoyang District, Beijing, People’s Republic of China. Based on disclosure of interests notification made by PAG Holdings Limited (“**PAG Holdings**”) (the holding company of PAG Investment), PAG Holdings increased its interest in units to 10.02% on 9 March 2017. As a result, PAG Investment became a connected person of Spring REIT, and the leasing transaction under the PAG Lease became a continuing connected party transaction of Spring REIT on 9 March 2017. Further details in relation to the PAG Lease were disclosed in the announcement of Spring REIT dated 29 March 2017.

## Connected Party Transactions (continued)

### Connected Party Transactions – Expenses

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

Name of Connected Person	Relationship with Spring REIT	Nature of the Connected Party Transaction	Expenses for the Reporting Period RMB
Beijing Hua-re Real Estate Consultancy Co., Ltd.	Associated company of the Manager <sup>1</sup>	Property management	5,387,019

Note:

1. Beijing Hua-re Real Estate Consultancy Co., Ltd. is 40% owned by Mercuria, which in turn holds 90.2% shareholding in the Manager.

### 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 (as defined in the offering circular dated 25 November 2013) during the Reporting Period:

Name of Connected Person	Relationship with Spring REIT	Nature of the Connected Party Transaction	Income/(Expense) for the Reporting Period RMB
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#### Leasing Transactions

Deutsche Bank AG and its associated companies	Trustee Connected Persons	Leasing	25,748,127 <sup>1</sup>
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#### Ordinary Banking and Financial Services

Deutsche Bank AG	Trustee Connected Person	Interest income received/receivable on bank deposits	1,521,767
Deutsche Bank AG	Trustee Connected Person	Loan interest	(4,758,090) <sup>2</sup>
Deutsche Bank AG	Trustee Connected Person	Prepayment Premium	(75,440)
Deutsche Bank AG	Trustee Connected Person	Cost for unwinding of currency forward contract	(14,958,431) <sup>3</sup>
Deutsche Bank AG	Trustee Connected Person	Bank charges	(11,003)

## Connected Party Transactions (continued)

### Notes:

- As at 30 June 2017, a rental deposit of RMB7,051,988 was held by the Group from Trustee Connected Persons. A rental deposit by way of bank guarantee provided by Deutsche Bank (China) Co., Ltd. was held by RCA01 (a special purpose vehicle wholly owned and controlled by Spring REIT) as at 30 June 2017.
- On 30 April 2015, RCA01 concluded the USD500.00 million term loan and revolving facilities with a syndicate of banks. Deutsche Bank AG, London Branch was appointed as one of the mandated lead arrangers, underwriters and bookrunners and acted as one of the lenders for the financing. The outstanding principal balance of these facilities was USD 450.00 million as at 30 June 2017, following a partial prepayment of these facilities in the principal amount of USD 30.00 million in 1H 2017 (in relation to which prepayment premium of USD 0.15 million was paid to lenders). On 20 June 2017, Deutsche Bank AG transferred the entirety of its portion in these facilities. As at 30 June 2017, Deutsche Bank AG was no longer a lender in the term loan facilities.
- A currency forward with notional amount of USD120 million was unwound on 16 March 2017 at a consideration of USD2.17 million which was paid to Deutsche Bank AG.

### 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 the whole of 27th and 28th floors of Tower 1, China Central Place and signage income	15,030,738
Zhong De Securities	Trustee Connected Person	Lease for the whole of 22nd and 23rd floors of Tower 1, China Central Place and signage income	10,717,389

### Confirmation by the Independent Non-executive Directors

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

- in the ordinary and usual course of business of Spring REIT;
- 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
- 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.

## Connected Party Transactions (continued)

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

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

During the Reporting Period, the aggregate amount of fees payable by Spring REIT and/or RCA01 to the Manager was USD3.43 million. The Manager's fee paid in the form of units amounted to HK\$19.22 million and the Manager's fee (including base fee and variable fee) paid in the form of cash amounted to HK\$7.69 million. The Manager had elected for 20% of its base fee to be paid in the form of cash and 80% of its base fee to be paid in the form of units for the year ending 31 December 2016. On 6 December 2016, the Manager had elected for the base fee to be paid in the form of units entirely for the year ending 31 December 2017. During the Reporting Period, variable fees of HK\$5.93 million was also paid to the Manager, entirely in the form of cash as elected by the Manager.

During the Reporting Period, the fee payable to the Trustee under the Trust Deed was USD0.12 million.

During the Reporting Period, approximately USD0.23 million in aggregate was paid for services rendered to Spring REIT by Knight Frank (the Principal Valuer). This included approximately USD0.01 million which was the valuation fee incurred for services rendered by Knight Frank in its capacity as the principal valuer of Spring REIT, the rest relate to a fee of USD0.22 million paid for valuation services rendered in relation to the acquisition of the UK Portfolio by Spring REIT, where Knight Frank was engaged as an independent property valuer and the principal valuer of Spring REIT to appraise the value of the UK Portfolio, being properties owned by the target company of the acquisition, as detailed in the announcement of Spring REIT dated 17 March 2017.

Particulars of services provided by the Trustee, the Manager and the Principal Valuer are set out in notes 8, 11 and 8 to the consolidated financial statements of Spring REIT for the Reporting Period, respectively.

# Disclosure of Interests

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

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

As at 30 June 2017, 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 2017		As at 31 December 2016		Change in % of interest
		Number of Units Interested in (Long Position)	Approximate % of interest <sup>5</sup>	Number of Units Interested in (Long Position)	Approximate % of interest <sup>5</sup>	
<b>The Manager</b>						
Spring Asset Management Limited <sup>1</sup>	Beneficial owner/ Beneficial interest	17,059,163	1.36%	17,045,940	1.51%	-0.15%
<b>Directors</b>						
Toshihiro Toyoshima	Beneficial owner/ Personal interest	700,000	0.06%	700,000	0.06%	0.00%
Nobumasa Saeki	Beneficial owner/ Personal interest	400,000	0.03%	400,000	0.04%	-0.01%
Hideya Ishino	Beneficial owner/ Personal interest	49,000	0.00%	49,000	0.00%	0.00%
Simon Murray <sup>2</sup>	Beneficial owner/ Personal interest	293,000	0.02%	240,000	0.02%	0.00%
Qiu Liping <sup>3</sup>	Beneficial owner/ Personal interest	293,000	0.02%	240,000	0.02%	0.00%
Lam Yiu Kin <sup>4</sup>	Beneficial owner/ Personal interest	266,000	0.02%	213,000	0.02%	0.00%
<b>Senior Executive</b>						
Alice Yu	Beneficial owner/ Personal interest	170,000	0.01%	170,000	0.02%	-0.01%
<b>Former Executive Director</b>						
Lau Jin Tin, Don <sup>6</sup>	Beneficial owner/ Personal interest	200,000	0.02%	200,000	0.02%	0.00%

Notes:

- Following the issuance of an aggregate of 5,868,223 new units to the Manager during the Reporting Period as payment of part of the Manager's fee, the Manager beneficially owned 17,059,163 units as at 30 June 2017 (31 December 2016: 17,045,940 units).
- Mr. Simon Murray received these units in lieu of cash pursuant to the announcement made by the Manager on 24 October 2014 regarding the arrangement for remuneration of Independent Non-executive Director paid out of the Manager's own assets (the "INED Remuneration Announcement"). As at 30 June 2017, there had been no change to (i) the Independent Non-executive Director's remuneration; and (ii) the annual election made by this Independent Non-executive Director.
- Mr. Qiu Liping received these units in lieu of cash pursuant to the INED Remuneration Announcement. As at 30 June 2017, there had been no change to (i) the Independent Non-executive Director's remuneration; and (ii) the annual election made by this Independent Non-executive Director.
- Mr. Lam Yiu Kin received these units in lieu of cash pursuant to the INED Remuneration Announcement. As at 30 June 2017, there had been no change to (i) the Independent Non-executive Director's remuneration; and (ii) the annual election made by this Independent Non-executive Director.



## Disclosure of Interests (continued)

- The percentages expressed herein are based on the total number of issued units of 1,251,315,163 as at 30 June 2017 and 1,130,562,940 as at 31 December 2016 respectively.
- Mr. Lau Jin Tin, Don retired as an Executive Director on 31 May 2017. His interest in units stated under “As at 30 June 2017” above represents his interest as at 31 May 2017 (the date of his retirement).

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 or held any short position in the units as at 30 June 2017 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).

### Interests Held by Significant Unitholders

As at 30 June 2017, based on the information available to the Manager, each of the following persons was considered as a “significant unitholder” 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 2017		As at 31 December 2016		Change in % interest
		Number of Units Interested in (Long Position)	Approximate % of Issued Units <sup>1</sup>	Number of Units Interested in (Long Position)	Approximate % of Issued Units <sup>1</sup>	
RCA Fund <sup>2</sup>	Beneficial owner/ Beneficial interest	345,204,000	27.59%	345,204,000	30.53%	-2.94%
RCAC <sup>2</sup>	Interest of controlled corporation/corporate interests	345,204,000	27.59%	345,204,000	30.53%	-2.94%
PAG Holdings Limited <sup>3</sup>	Interest of controlled corporation/ corporate interests	138,762,000	11.09%	79,210,000	7.01%	+4.08%

Notes:

- The percentages expressed herein are based on the total number of issued units of 1,251,315,163 as at 30 June 2017 and 1,130,562,940 as at 31 December 2016 respectively.
- 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 deemed to have corporate interest in the units held by RCA Fund.
- These 138,762,000 units comprise the interests of (i) 64,010,000 units held by BT Cayman Limited; and (ii) 74,752,000 units held by Spirit Cayman Limited. Based on disclosure of interests notification made by PAG Holdings Limited dated 11 May 2017, each of PAG Real Estate Limited, PARE (Cayman) Limited and PAG Investment Advisors Pte. Ltd. was interested in the same parcel of 138,762,000 units in which PAG Holdings Limited was interested.

Based on disclosure of interests notifications: (a) each of SCREP V Management (Cayman), LLC, SCREP V Feeder B L.P. and Secured Capital Real Estate Partners V, L.P. was interested in 64,010,000 units, being the same parcel of units held by BT Cayman Limited as referred to in (i) above; and (b) each of SCREP VI Management, L.L.C., SCREP VI Feeder A, L.P. and SCREP VI, L.P. was interested in 74,752,000 units, being the same parcel of units held by Spirit Cayman Limited as referred to in (ii) above. The interests of each of the above were also disclosed in the disclosure of interests notification made by PAG Holdings Limited dated 11 May 2017.

In addition, based on the disclosure of interests notifications made on 11 May 2017, Spirit Cayman Limited acquired 1,172,000 units on 9 May 2017 and was interested in a total of 75,924,000 units. Accordingly, each of SCREP VI Management, L.L.C., SCREP VI Feeder A, L.P. and SCREP VI, L.P. was interested in 75,924,000 units, being the same parcel of Units held by Spirit Cayman Limited. Such additional 1,172,000 units were not included in the disclosure of interests notification made by PAG Holdings Limited dated 11 May 2017 (which stated the interest as at 9 May 2017).

Please also refer to the interest of persons interested in 5% or more but below 10% of units disclosed in the section “Interests Held by Substantial unitholders under the SFO” below, which include the same parcels of 64,010,000 units and 75,924,000 units.

## Disclosure of Interests (continued)

Save as disclosed above and the information available to the Manager, no other significant unitholders had beneficial interests (or were deemed to be interested) in any units or held any short position in the units as at 30 June 2017 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 2017, the interests and short position in the units held by persons, other than the Manager, Directors or senior executives and officers of the Manager or significant unitholders of Spring REIT, who were interested in 5% or more but below 10% of the units which were required to be disclosed to the Manager and the Stock Exchange pursuant to the provisions of Part XV of the SFO are set out below:

Name	Capacity/ Nature of interest	As at 30 June 2017		As at 31 December 2016		Change in % interest
		Number of Units Interested in (Long Position)	Approximate % of Issued Units <sup>1</sup>	Number of Units Interested in (Long Position)	Approximate % of Issued Units <sup>1</sup>	
Zeng Yuyu <sup>2</sup>	Interest of controlled corporation/ corporate interest	114,884,000	9.18%	0	0.00%	+9.18%
Asuka Asset Management Co., Ltd.	Investment manager/ other interest	72,560,000	5.80%	77,861,000	6.89%	-1.09%
BT Cayman Limited <sup>3</sup>	Beneficial owner/ Beneficial interest	64,010,000	5.12%	64,010,000	5.66%	-0.54%
Spirit Cayman Limited <sup>4</sup>	Beneficial owner/ Beneficial interest	75,924,000	6.07%	15,200,000	1.34%	+4.73%

Notes:

- The percentages expressed herein are based on the total number of issued units of 1,251,315,163 as at 30 June 2017 and 1,130,562,940 as at 31 December 2016 respectively.
- These 114,884,000 units are beneficially owned by China Orient Stable Value Fund Limited, which is wholly owned by Long Hills Capital Ltd. The latter is wholly owned by Long Hills Holdings International Ltd., which in turn is wholly owned by Zeng Yuyu. The interests of China Orient Stable Value Fund Limited, Long Hills Capital Ltd and Long Hills Holdings International Ltd are also disclosed in the notice of disclosure of interests of Zeng Yuyu dated 25 April 2017.
- These 64,010,000 units were beneficially owned by BT Cayman Limited. Please refer to Note 3 in the section "Interests Held by Significant Unitholders" above.
- These 75,924,000 units are beneficially owned by Spirit Cayman Limited. Please refer to Note 3 in the section "Interests Held by Significant Unitholders" above.

Save as disclosed above and the information available to the Manager, the Manager is not aware of any other substantial unitholders under the SFO who had beneficial interests (or were deemed to be interested) in 5% or more but below 10% of the units or held any short position in the units as at 30 June 2017 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 2017, save as disclosed above and the information available to the Manager, the Manager is not aware of any other connected persons of Spring REIT, including the Trustee and the Principal Valuer, whose interests (or deemed interests) in the units were required to be notified to the Manager and the Stock Exchange pursuant to the REIT Code or pursuant to the Trust Deed.

# Report on Review of Interim Financial Information

**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 27 to 50, 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 2017 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and net assets attributable to Unitholders, condensed consolidated statement of cash flows and statement of distributions for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board. The directors of the Manager are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

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

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 23 August 2017

# Condensed Consolidated Income Statement

For the six months ended 30 June 2017

	Note	Six months ended 30 June	
		2017 (Unaudited) US\$'000	2016 (Unaudited) US\$'000
<b>Revenues</b>	6	<b>35,604</b>	39,376
Property operating expenses	7	<b>(9,234)</b>	(8,900)
<b>Net property income</b>		<b>26,370</b>	30,476
General and administrative expenses	8	<b>(4,970)</b>	(4,493)
Fair value gain of investment property	13	<b>3,378</b>	101,601
Other losses, net	9	<b>(6,976)</b>	(5,071)
<b>Operating profit</b>		<b>17,802</b>	122,513
Finance income		<b>222</b>	272
Finance costs on interest-bearing borrowings	10	<b>999</b>	(21,740)
<b>Profit for the period, before transactions with Unitholders</b>		<b>19,023</b>	101,045
Distributions paid to Unitholders:			
– 2015 final distribution		<b>–</b>	(18,238)
– 2016 final distribution (note i)		<b>(14,568)</b>	–
		<b>4,455</b>	82,807
Represented by:			
Change in net assets attributable to Unitholders, excluding issuance of new units		<b>23,597</b>	63,410
Amount arising from exchange reserve movements regarding translations of financial statements		<b>(19,142)</b>	19,397
		<b>4,455</b>	82,807

Notes:

- (i) 2016 final distribution of US\$14,568,000 for the year ended 31 December 2016 was paid during the six months ended 30 June 2017. Total distribution for the six months ended 30 June 2017 is presented in the 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 12.

The notes on pages 33 to 50 are an integral part of these condensed consolidated interim financial information.

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

	Note	Before transactions with Unitholders (Unaudited) US\$'000	Transactions with Unitholders (note i) (Unaudited) US\$'000	After transactions with Unitholders (Unaudited) US\$'000
<b>For the six months ended 30 June 2017</b>				
Profit for the period		19,023	(38,165)	(19,142)
Other comprehensive loss:				
<i>Items that may be reclassified to condensed consolidated income statement</i>				
Exchange gains on translation of financial statements		19,142	–	19,142
<b>Total comprehensive income for the period</b>	ii	<b>38,165</b>	<b>(38,165)</b>	<b>–</b>
<b>For the six months ended 30 June 2016</b>				
Profit for the period		101,045	(81,648)	19,397
Other comprehensive loss:				
<i>Items that may be reclassified to condensed consolidated income statement</i>				
Exchange losses on translation of financial statements		(19,397)	–	(19,397)
<b>Total comprehensive income for the period</b>	ii	<b>81,648</b>	<b>(81,648)</b>	<b>–</b>

Notes:

- (i) Transactions with Unitholders comprise the distributions paid to Unitholders of US\$14,568,000 (2016: US\$18,238,000), and change in net assets attributable to Unitholders excluding issuance of new units, which is an increase of US\$23,597,000 (2016: US\$63,410,000).
- (ii) In accordance with the Trust Deed, Spring REIT is required to distribute not less than 90% of total distributable income to Unitholders for each financial year. Accordingly, the units contain contractual obligations of Spring REIT to pay cash distributions. The Unitholders' funds are therefore classified as a financial liability rather than equity in accordance with International Accounting Standard 32: Financial Instruments: Presentation. Consistent with Unitholders' funds being classified as a financial liability, the distributions to Unitholders and change in net assets attributable to Unitholders, excluding issuance of new units, are part of finance costs which are recognized in the condensed consolidated income statement. Accordingly, the total comprehensive income, after transactions with Unitholders is zero.

The notes on pages 33 to 50 are an integral part of these condensed consolidated interim financial information.

# Statement of Distributions

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 (Unaudited) US\$'000	2016 (Unaudited) US\$'000
<b>Profit for the period, before transactions with Unitholders</b>	<b>19,023</b>	101,045
Adjustments:		
– Fair value gain of investment property	(3,378)	(101,601)
– Net fair value losses of derivative financial instruments	8,082	4,862
– Manager's fee expenses in units in lieu of cash	2,743	2,196
– Amortization of transaction cost for the bank borrowings	896	2,492
– Unrealized foreign exchange (gains)/losses	(12,155)	11,427
<b>Distributable income for the period (note i)</b>	<b>15,211</b>	20,421
Total distributions of the period (note ii)	15,211	18,828
Percentage of total distribution over distributable income for the period	100%	92%
<b>Distributions per unit to Unitholders for the period</b>		
– Interim distribution per unit, paid (note iii and iv)	HK9.5 cents	HK13.0 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 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. As disclosed in the offering circular dated 25 November 2013, it is the Manager's intention to distribute 100% of Spring REIT's total distributable income for the period from the Listing Date to 31 December 2014, and thereafter not less than 90% of its total distributable income for each subsequent financial period. The Manager also has the discretion to make distributions over and above the minimum 90% of Spring REIT's total distributable income if and to the extent Spring REIT has funds surplus to meet its business requirements.
- (iii) Interim distribution per unit of HK9.5 cents for the six months ended 30 June 2017 is calculated based on the interim distribution to be paid to Unitholders of US\$15,211,000 for the first half of 2017 and 1,251,315,163 units in issue as at 30 June 2017, without taking into account any consideration or subdivision of units which may have occurred between the dates of declaration of the distribution and Date (the "Record Date"). Distributions to Unitholders for the six months ended 30 June 2017 represent a payout ratio of 100% (2016: 92%) of Spring REIT's total distributable income for the period. The interim distribution for the six months ended 30 June 2017 is expected to be paid on 22 September 2017. Such interim distribution per unit, however, is subject to adjustment upon the issuance of new units between 1 July 2016 and Record Date, if any.
- (iv) All distributions to Unitholders are determined and paid in Hong Kong dollar.

The notes on pages 33 to 50 are an integral part of these condensed consolidated interim financial information.

# Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Note	As at 30 June 2017 (Unaudited) US\$'000	As at 31 December 2016 (Audited) US\$'000
<b>Non-current assets</b>			
Investment property	13	1,331,387	1,296,616
Prepayments	15	1,775	–
Total non-current assets		1,333,162	1,296,616
<b>Current assets</b>			
Trade and other receivables	15	2,337	2,421
Derivative financial instruments	14	–	2,670
Restricted bank balances	16	52,593	50,631
Cash and cash equivalents	16	36,119	28,825
Total current assets		91,049	84,547
<b>Total assets</b>		<b>1,424,211</b>	<b>1,381,163</b>
<b>Current liabilities</b>			
Trade and other payables	17	13,003	13,342
Rental deposits	17	22,660	20,640
Total current liabilities		35,663	33,982
<b>Non-current liabilities, excluding net assets attributable to Unitholders</b>			
Interest-bearing borrowings	18	447,795	480,499
<b>Total liabilities, excluding net assets attributable to Unitholders</b>		<b>483,458</b>	<b>514,481</b>
<b>Net assets attributable to Unitholders</b>		<b>940,753</b>	<b>866,682</b>
Units in issue ('000)	19	1,251,315	1,130,563
Net asset value per unit attributable to Unitholders			
In US\$		0.75	0.77
In HK\$		5.87	5.95

The notes on pages 33 to 50 are an integral part of these condensed consolidated interim financial information.

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

**Leung Kwok Hoe, Kevin**  
*Executive Director*

**Nobumasa Saeki**  
*Executive Director*

# Condensed Consolidated Statement of Changes in Equity and Net Assets attributable to Unitholders

For the six months ended 30 June 2017

	Reserves (note) US\$'000	Net assets attributable to Unitholders US\$'000
<b>As at 1 January 2017</b>	–	866,682
Profit for the period, before transactions with Unitholders	–	19,023
Exchange gains on translation of financial statements	19,142	–
Amount arising from exchange reserve movements	(19,142)	19,142
Distributions paid to Unitholders:		
– 2016 final distribution	–	(14,568)
Change in net assets attributable to Unitholders for the six months ended 30 June 2017, excluding issues of new units	–	23,597
Issuance of units	–	50,474
<b>As at 30 June 2017</b>	–	940,753
As at 1 January 2016	–	864,224
Profit for the period, before transactions with Unitholders	–	101,045
Exchange losses on translation of financial statements	(19,397)	–
Amount arising from exchange reserve movements	19,397	(19,397)
Distributions paid to Unitholders:		
– 2015 final distribution	–	(18,238)
Change in net assets attributable to Unitholders for the six months ended 30 June 2016, excluding issues of new units	–	63,410
Issuance of units	–	2,205
As at 30 June 2016	–	929,839

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 33 to 50 are an integral part of these condensed consolidated interim financial information.



# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Note	Six months ended 30 June	
		2017 (Unaudited) US\$'000	2016 (Unaudited) US\$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	20	23,086	25,101
Interest received		222	272
<b>Net cash generated from operating activities</b>		<b>23,308</b>	25,373
<b>Cash flows from financing activities</b>			
Proceeds from issuance of new units		48,001	–
Repayment of borrowings and other incidental borrowing costs		(33,750)	–
Interest paid		(8,774)	(8,027)
Settlement of derivative financial instruments		(5,412)	–
(Increase)/decrease in restricted bank balances		(1,281)	2,686
Distributions to Unitholders		(14,568)	(18,238)
<b>Net cash used in financing activities</b>		<b>(15,784)</b>	(23,579)
<b>Net increase in cash and cash equivalents</b>		<b>7,524</b>	1,794
Cash and cash equivalents at the beginning of the period		28,825	30,857
Exchange (losses)/gains on cash and cash equivalents		(230)	143
<b>Cash and cash equivalents at end of period</b>		<b>36,119</b>	32,794

The notes on pages 33 to 50 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 authorized under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Spring REIT was established on 25 November 2013 and its units are listed on the main board of The Stock Exchange of Hong Kong Limited (the “**HKSE**”) on 5 December 2013. Spring REIT is governed by the Trust Deed entered into between Spring Asset Management Limited (the “**Manager**”) and DB Trustees (Hong Kong) Limited (the “**Trustee**”) on 14 November 2013 as amended by First Supplemental Deed dated 22 May 2015 (together the “**Trust Deed**”), and the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong (the “**REIT Code**”). The addresses of the registered offices of the Manager and the Trustee are Room 2801, 28/F, Man Yee Building, 68 Des Voeux Road Central, Hong Kong and 52/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, respectively.

The principal activity of Spring REIT and its subsidiaries (together, the “**Group**”) is to own and invest in income-producing real estate assets.

The condensed consolidated interim financial information are presented in United States dollars (“**US\$**”). 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 2017 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 2016, 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 2016 as described in those annual financial statements.

### Amendments to existing standards adopted by the Group

The Group has adopted all of the new standards, amendments and improvements to existing standards issued by the International Accounting Standards Board that are relevant to the Group’s operations and mandatory for annual accounting periods beginning 1 January 2017.

Amendments to existing standards effective in 2017 which are relevant to the Group’s operations:

IAS 7 Amendments	Disclosure Initiative
IAS 12 Amendments	Recognition of Deferred Tax Assets for Unrealized Loss
IFRS 12 Amendments	Disclosure of Interests in Other Entities

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.

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

## 3 Accounting policies (Continued)

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

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

		<b>Effective for accounting periods beginning on or after</b>
IAS 40 Amendments	Transfers of Investment Property	1 January 2018
IFRS 2 Amendments	Classification and measurement of Share-based Payment Transactions	1 January 2018
IFRS 4 Amendments	Applying IFRS9 Financial Instruments with IFRS4 Insurance Contracts	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Annual Improvements Project	Annual Improvements to IFRS 2014 – 2016 Cycles	1 January 2018 (except for IFRS 12 Amendments which are effective for accounting periods beginning on or after 1 January 2017)

The Group will apply the above new standards, amendments and improvements 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 improvements to existing standards, and anticipated that the adoption of new standards and amendments to existing standards will not have a material effect on the Group's operating result or financial position.

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

## 4 Critical accounting estimates and judgements

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

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

### (a) Estimates of fair value of investment property

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 13.

### (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 year with reference to market data such as interest rates and exchange rates. Actual results may differ when assumptions and selections of valuation technique changes.

### (c) Taxation

The Group is a foreign enterprise established outside the People's Republic of China (the "PRC"). The Group is subject to various taxes in the PRC. 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 recognizes 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 2016.

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 an investment property in the PRC and is principally engaged in property investment. Revenue mainly consists of rental income from tenants. The Manager 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 the Manager reviews the operating results of the Group on an aggregate basis, no segment information is therefore presented.

The Group's revenues from tenants are derived solely from its operation in the PRC and the non-current assets of the Group are also mainly located in the PRC.

An analysis of revenues of the Group is as follows:

	Six months ended 30 June	
	2017 (Unaudited) US\$'000	2016 (Unaudited) US\$'000
Revenues		
Rental income (note i)	34,911	37,699
Car park income	250	319
Other income (note ii)	443	1,358
	35,604	39,376

Notes:

- (i) With effect from 1 May 2016, the business tax formerly applicable to the Group was replaced by the value-added tax ("VAT"). VAT is a tax detached from selling price and pursuant to the IFRS, the rental income from 1 May 2016 onwards is presented in the financial statements as excluding any VAT collected by Spring REIT on behalf of the relevant tax authorities. Relevant business tax of rental income borne by the Group before 1 May 2016 was included in property operating expenses (note 7).
- (ii) Other income mainly represents compensation paid by tenants for early termination of lease.

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

## 7 Property operating expenses

	Six months ended 30 June	
	2017 (Unaudited) US\$'000	2016 (Unaudited) US\$'000
Property management fee	784	796
Property tax (note i)	4,205	1,901
Business and other taxes (note ii)	506	1,822
Withholding tax (note iii)	3,520	3,976
Leasing commission	159	339
Others	60	66
	<b>9,234</b>	8,900

Notes:

- (i) Property taxes represent real estate tax and land use tax. With effect from 1 July 2016, 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. Prior to the change, real estate tax was charged at the rate of 1.2% of the residual value of the property.
- (ii) Business and other taxes represent business tax, urban construction and maintenance tax, education surcharge and stamp duty. With effect from 1 May 2016, the business tax formerly applicable to the Group was replaced by the VAT.
- (iii) Withholding tax in the PRC is calculated based on 10% of the revenues received from rental operation.

## 8 General and administrative expenses

	Six months ended 30 June	
	2017 (Unaudited) US\$'000	2016 (Unaudited) US\$'000
Manager's fee (note i)	3,429	3,579
Trustee fee	120	119
Valuation fee	8	8
Auditor's remuneration	109	104
Legal and other professional fee (note ii)	960	659
Others	344	24
	<b>4,970</b>	4,493

Notes:

- (i) The breakdown of the Manager's fee was set out in note 11.
- (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 losses, net

	Six months ended 30 June	
	2017 (Unaudited) US\$'000	2016 (Unaudited) US\$'000
Net fair value losses on derivative financial instruments at fair value through profit or loss	8,082	4,862
Foreign exchange (gains)/losses	(1,108)	206
Other miscellaneous losses	2	3
	6,976	5,071

## 10 Finance costs

	Six months ended 30 June	
	2017 (Unaudited) US\$'000	2016 (Unaudited) US\$'000
Interest expenses on bank borrowings (note i)	9,898	10,519
Foreign exchange (gains)/losses on bank borrowings (note ii)	(11,047)	11,221
Other incidental borrowing costs	150	–
	(999)	21,740

Notes:

- (i) Interest expenses on bank borrowings comprised contractual loan interest and amortized loan arrangement fee, which were recognized using the effective interest rate method.
- (ii) Foreign exchange (gains)/losses on bank borrowings arise upon translating the bank borrowings denominated in foreign currencies to Renminbi ("RMB"). The exchange (gains)/losses on bank borrowings during the six months ended 30 June 2017 and 2016, were mainly arisen from the appreciation/depreciation of RMB against US\$.

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

## 11 Manager's fee

	Six months ended 30 June	
	2017 (Unaudited) US\$'000	2016 (Unaudited) US\$'000
Base fee	2,637	2,747
Variable fee	792	832
	<b>3,429</b>	3,579

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 (all of the assets of Spring REIT, as defined in the Trust Deed) ("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 9 December 2015 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%, and Variable Fee to be paid to the Manager in the form of cash entirely, arising from any real estate of Spring REIT for the year ending 31 December 2016 in accordance with the Trust Deed.

On 6 December 2016, the Manager notified the Trustee in writing of its election for the Base Fee to be paid to the Manager in the form of Units entirely, and the Variable Fee to be paid to the Manager in the form of cash entirely, arising from any real estate of Spring REIT for the year ending 31 December 2017 in accordance with the Trust Deed.



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

## 12 Earnings per unit

	Six months ended 30 June	
	2017 (Unaudited) US\$'000	2016 (Unaudited) US\$'000
Profit for the period, before transactions with Unitholders	19,023	101,045
Weighted average number of units for the period for calculating basic earnings per unit	1,178,165,219	1,122,383,752
Adjustment for units issuable in respect of the Manager's fee	3,104,388	2,427,696
Weighted average number of units for the period for calculating diluted earnings per unit	1,181,269,607	1,124,811,448
Basic earnings per unit based upon profit before transactions with Unitholders	US1.6 cent	US9.0 cent
Diluted earnings per unit based upon profit before transactions with Unitholders	US1.6 cent	US9.0 cent

Distribution per unit is presented in the statement of distributions on page 29 of the condensed consolidated interim financial information.

## 13 Investment property

	For the period ended 30 June 2017 US\$'000	For the year ended 31 December 2016 US\$'000
At beginning of the period/year	1,296,616	1,283,552
Additions	–	1,124
Exchange differences recognized in other comprehensive income	31,393	(88,537)
Changes in fair value recognized in consolidated income statement	3,378	100,477
At end of the period/year	1,331,387	1,296,616

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

## 13 Investment property (Continued)

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

As at 30 June 2017 and 31 December 2016, the Group had no unprovided contractual obligations for future repairs and maintenance of the investment property.

As at 30 June 2017 and 31 December 2016, the investment property was pledged to secure the Group's bank borrowings (note 18).

### Valuation process

The Group's investment property was valued by an independent professionally qualified valuer not connected to the Group who holds a recognized relevant professional qualification and has recent experience in the locations and segments of the investment property 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 2017 and 31 December 2016, the fair values of the investment property have been determined by Knight Frank Petty Limited. The independent valuer adopted the income capitalization approach and cross-checked by the direct comparison approach for the valuation.

### Valuation techniques

The income capitalization approach estimates the values of the properties on an open market basis by capitalizing rental income on a fully leased basis having regard to the current passing rental income from existing tenancies and potential future reversionary income at the market level. In calculating the net rental income, no deduction has been made from the passing rental income which is exclusive of property management fee. In this valuation method, the total rental income is divided into a current passing rental income over the existing lease term (the "**term income**") and a potential future reversionary rental income over the residual land use term (the "**reversionary income**"). The term value involves the capitalization of the current passing rental income over the existing lease term. The reversionary value is taken to be current market rental income upon the expiry of the lease over the residual land use rights term and is capitalized on a fully leased basis. It is then discounted back to the date of valuation. In this approach, the independent qualified valuer has considered the term yield and reversionary yield. The term yield is used for capitalization of the current passing rental income as at the date of valuation whilst the reversionary yield is used to convert reversionary rental income.

The direct comparison approach is based on comparing the properties to be valued directly with other comparable properties which recently changed hands.

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

## 13 Investment property (Continued) Fair value hierarchy

	Fair value measurements at 30 June 2017 using		
	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000
Recurring fair value measurements			
<b>As at 30 June 2017</b>	–	–	1,331,387
As at 31 December 2016	–	–	1,296,616

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

### Key unobservable inputs used to determine fair values

#### (a) Capitalization rate

This is estimated based on the market lease over market value on comparable. The higher the capitalization rates used, the lower the fair values of the investment property. In the 30 June 2017 valuation, a capitalization rate of 5.8% (31 December 2016: 5.8%) is used in the income capitalization 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 property. The average gross monthly office unit base rent of RMB407 (31 December 2016: RMB405) per square meter exclusive of VAT is used in the valuation.

As at 30 June 2017, if the market value of investment property had been 5% higher/lower with all other variables held constant, the carrying value of the Group's investment property would have been US\$66.6 million (31 December 2016: US\$64.8 million) higher/lower.

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

## 14 Derivative financial instruments

	As at 30 June 2017 (Unaudited) US\$'000	As at 31 December 2016 (Audited) US\$'000
<b>Current</b>		
Fair value of the forward contracts	–	2,670

Note:

The Group has entered into a currency option and forward contracts as part of its financial risk management but did not account for these as accounting hedges under IAS 39. Fair value gains or losses on derivative financial instruments were charged to the consolidated income statement (note 9). Plain vanilla currency option and forward contracts were used to hedge the relevant foreign exchange rate risk.

The aggregate notional principal amount of the currency option was US\$480 million and was matured on 16 December 2016. The aggregated notional principal amount of the forward contracts was US\$240 million and were settled in March 2017.

At the reporting date, the Group did not have any derivative financial instruments outstanding.

## 15 Trade and other receivables

	As at 30 June 2017 (Unaudited) US\$'000	As at 31 December 2016 (Audited) US\$'000
Rent receivables	441	178
Deferred rent receivables	1,643	1,871
Prepayments	2,028	372
	4,112	2,421
Less: Non-current prepayments	(1,775)	–
Current portion included in current assets	2,337	2,421

Notes:

- (i) Trade and other receivables are denominated in RMB 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 receipts from car parks are received from the car park operators in arrears.
- (ii) The Group's exposure from outstanding rent receivables is generally fully covered by the rental deposits from the corresponding tenants (note 17).
- (iii) As at 30 June 2017 and 31 December 2016, the Group's rent receivables and all future rent receivables were pledged to secure the Group's bank borrowings (note 18).

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

## 16 Restricted bank balances and cash and cash equivalents

	As at 30 June 2017 (Unaudited) US\$'000	As at 31 December 2016 (Audited) US\$'000
Restricted bank balances	52,593	50,631
Cash and cash equivalents	36,119	28,825
	<b>88,712</b>	79,456

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

	As at 30 June 2017 (Unaudited) US\$'000	As at 31 December 2016 (Audited) US\$'000
US\$	38,212	49,873
RMB	31,621	28,103
HK\$	18,879	1,480
	<b>88,712</b>	79,456

Restricted bank balances are related to bank accounts restricted under the bank borrowing facility agreements and were charged to the facility agent, The Australia and New Zealand Banking Group Limited, of the Group's bank borrowings (note 18). Prior consent from facility agent must be obtained before transfer and withdrawal of funds in the restricted bank accounts.

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

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

## 17 Rental deposits and trade and other payables

	As at 30 June 2017 (Unaudited) US\$'000	As at 31 December 2016 (Audited) US\$'000
<b>Rental deposits</b> (note i)	<b>22,660</b>	20,640
<b>Trade and other payables:</b>		
Rental receipts in advance	7,530	7,676
Provision for other taxes (note ii)	16	15
VAT payable	71	21
Accrued expenses and other payables	5,386	5,630
	<b>13,003</b>	13,342

Notes:

- (i) Rental deposits are classified as current liabilities on the basis that it is expected to be realized in the Group's normal rental business operating cycle. The ageing analysis is as follows:

	As at 30 June 2017 (Unaudited) US\$'000	As at 31 December 2016 (Audited) US\$'000
Within 1 year	4,900	5,204
Over 1 year	17,760	15,436
	<b>22,660</b>	20,640

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

The carrying amounts of rental deposits and trade and other payables approximate their fair values and mainly denominated in RMB.

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

## 18 Interest-bearing borrowings

	As at 30 June 2017 (Unaudited) US\$'000	As at 31 December 2016 (Audited) US\$'000
<b>Non-current</b>		
Bank borrowings	447,795	480,499

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

	As at 30 June 2017 (Unaudited) US\$'000	As at 31 December 2016 (Audited) US\$'000
6 months or less	447,795	480,499

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

The Group's bank borrowings are denominated in US\$.

Notes:

- (i) The term loan facility will be repayable in full on 29 April 2020. On 12 May 2017, the Group early repaid part of the term loan of an amount of US\$30 million, reducing the outstanding principal amount to US\$450 million. On 27 June 2017, the interest rate of the term loan facility was reduced by 110 basis point, from 2.75% above 3-month US dollar LIBOR to 1.65% above 3-month US dollar LIBOR. The Group also had in place a US\$20 million undrawn uncommitted revolving facility. Both the term loan facility and uncommitted revolving facility are guaranteed by the Trustee. The Group's subsidiary's shares were pledged to secure the Group's term loan facility and uncommitted revolving facility.
- (ii) As at 30 June 2017 and 31 December 2016, the Group's investment property (note 13), derivative financial instruments (note 14), rent receivables and all future rent receivables (note 15), restricted bank accounts (note 16) and the Group's shares of RCA01 were pledged to secure the Group's term loan facility.

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

## 19 Units in issue

	Number of units
Balance as at 31 December 2016	1,130,562,940
New units issued for Manager's fee	5,868,223
Placing of units (note i)	114,884,000
Balance as at 30 June 2017 (note ii)	1,251,315,163

Notes:

- (i) On 21 April 2017, an aggregate of 114,884,000 new Units were placed to China Orient Stable Value Fund Limited at the price of HK\$3.25 per Unit, with net proceeds of the subscription of HK\$372.99 million intended to be applied towards partial early repayment of bank loan and general working capital purposes.
- (ii) Traded market value of the units as of 30 June 2017 was HK\$3.40 per unit. Based on 1,251,315,163 units, the market capitalization was US\$544.94 million.

## 20 Notes to statements of cash flows

### Cash generated from operating activities

	Six months ended 30 June	
	2017 (Unaudited) US\$'000	2016 (Unaudited) US\$'000
Profit for the period, before transactions with Unitholders	19,023	101,045
Fair value gain of investment property	(3,378)	(101,601)
Net fair value losses on derivative financial instruments	8,082	4,862
Manager's fee expenses in units in lieu of cash	2,472	2,205
Interest income	(222)	(272)
Finance costs on interest-bearing borrowings	(999)	21,740
Foreign exchange (gains)/losses	(1,108)	206
Increase in trade and other receivables and prepayments	(1,644)	(2,151)
Increase/(decrease) in rental deposits	1,521	(592)
(Decrease)/increase in trade and other payables	(661)	(341)
	<b>23,086</b>	25,101

Material non-cash movements:

- (i) The Manager's fee amounting US\$2,472,000 (2016: US\$2,205,000) was settled by issuance of new units.



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

## 21 Future minimum rental receivables

As at 30 June 2017, the analysis of the Group's aggregate future minimum rental receivable under non-cancellable leases is as follows:

	As at 30 June 2017 (Unaudited) US\$'000	As at 31 December 2016 (Audited) US\$'000
Within 1 year	67,111	67,519
After 1 year, but within 5 years	117,456	120,201
After 5 years	1,454	3,901
	<b>186,021</b>	191,621

Note: Most of the operating leases are on fixed terms and of terms of 3 years (2016: 3 years).

## 22 Connected party transactions and related party transactions and balances

For the period ended 30 June 2017, 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 summarizes 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 2017:

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")*	Significant Unitholder of Spring REIT
PAG Investment Consulting (Beijing) Co., Limited# ("PAG Beijing")(Note i)	Significant Unitholder of Spring REIT
Mercuria Investment Co., Ltd.*	Parent company of the Manager
ITOCHU (China) Holding Co., Ltd. ("ITOCHU") (Note ii)	An associated company of the Manager
MIBJ Consulting (Beijing) Co., Ltd. ("MIBJ")*	An associated company of the Manager and associate of a director of the Manager
Beijing Hua-re Real Estate Consultancy Co., Ltd. ("HuaRe")	An associated company of the Manager
Knight Frank Petty Limited	The Principal Valuer
Deutsche Bank AG, Hong Kong Branch ("DBHK")	Trustee Connected Persons
Deutsche Bank (China) Company Ltd. ("DB China")	Trustee Connected Persons
Deutsche Bank AG, London Branch ("DBUK")	Trustee Connected Persons
Zhong De Securities ("ZDS")	Trustee Connected Persons

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

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

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

## 22 Connected party transactions and related party transactions and balances

(Continued)

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

	Note	Six months ended 30 June	
		2017	2016
		(Unaudited) US\$'000	(Unaudited) US\$'000
Rental revenue from ITOCHU	(i)(iii)	396	634
Rental revenue from MIBJ	(iii)	70	74
Rental revenue from DB China and ZDS	(iii)	3,745	3,500
Rental revenue from PAG Beijing	(iii)	153	–
Interest income from DBHK	(iv)	222	272

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

	Note	Six months ended 30 June	
		2017	2016
		(Unaudited) US\$'000	(Unaudited) US\$'000
Management fee to HuaRe	(v)	784	796
Trustee's fee paid and payable to the Trustee	(vi)	121	119
Manager's fee to Spring Asset Management Limited	(vii)	3,429	3,579
Valuation fee to the Principal Valuer	(viii)	227	8
Interest expense to DBUK	(ix)	692	767
Bank charges to DBHK	(iv)	2	1
Prepayment premium to DBUK	(ix)	11	–
Settlement of a derivative financial instrument with DBHK	(iv)	2,169	–

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

## 22 Connected party transactions and related party transactions and balances

(Continued)

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

	Note	As at 30 June 2017 (Unaudited) US\$'000	As at 31 December 2016 (Audited) US\$'000
Lease deposit from ITOCHU	(ii)(x)	–	362
Lease deposit from MIBJ	(x)	42	41
Lease deposit from DB China and ZDS	(x)	1,040	976
Lease deposit from PAG Beijing	(i)(x)	149	–
Derivative financial instrument from DBHK	(xi)	–	1,462

Notes:

- (i) On 9 March 2017, PAG Beijing became a connected person of Spring REIT.
- (ii) On 2 May 2017, ITOCHU became an independent third party of Spring REIT and not a connected party of Spring REIT.
- (iii) Rental revenue was charged in accordance with the terms of the relevant agreements with the connected/related parties.
- (iv) Interest income received on bank deposits, bank charges and settlement of a derivative financial instrument were charged in accordance with the terms of the relevant agreements with DBHK.
- (v) Property management services fees were charged based on mutually agreed terms between the parties.
- (vi) 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 US\$9,000 per annum.
- (vii) Fee to the Manager was charged in accordance with the Trust Deed.
- (viii) Valuation fee were charged based on mutually agreed terms between the parties.
- (ix) Interest expense and prepayment premium were charged in accordance with the terms of the relevant agreements with DBUK.
- (x) Lease deposits were received in accordance with the terms of the relevant lease agreements.
- (xi) Fair value of derivative financial instrument was recognised in accordance with bank quote obtained from DBHK (note 13).

No transaction was entered with the directors of the Manager (being the key management personnel) for the period ended 30 June 2017 (2016: Nil).

## 23 Event after the reporting period

On 17 March 2017, DB Trustee in its capacity as trustee of Spring REIT entered into a share purchase agreement pursuant to which Spring REIT agreed to purchase 84 commercial properties in the United Kingdom. The completion of the acquisition took place on 14 July 2017. On the same day, the completion payment of £36.7 million was settled and the payment has been financed by debt.

## 24 Approval of the condensed consolidated interim financial information

The condensed consolidated interim financial information were authorized for issue by the Manager on 23 August 2017.

# Performance Table

<b>As at 30 June</b>	<b>2017</b>	<b>2016</b>
Net assets attributable to unitholders	<b>USD940.75 million</b>	USD929.84 million
Net assets per unit attributable to unitholders	<b>HK\$5.87</b>	HK\$6.41
Total borrowings as a percentage of gross assets ("Gearing Ratio")	<b>31.4%</b>	33.2%
Gross liabilities as a percentage of gross assets	<b>34.0%</b>	35.6%
Market capitalization <sup>1</sup>	<b>USD544.94 million</b>	USD488.78 million
Units issued	<b>1,251,315,163</b>	1,125,370,516
<b>For the six months ended 30 June</b>	<b>2017</b>	<b>2016</b>
Highest traded unit price	<b>HK\$3.43</b>	HK\$3.42
Highest premium of the traded unit price to net assets per unit	<b>N/A</b>	N/A
Lowest traded unit price	<b>HK\$3.12</b>	HK\$2.65
Highest discount of the traded unit price to net assets per unit	<b>46.8%</b>	58.7%
Distributions per unit <sup>2</sup>	<b>HK9.5 cents</b>	HK13.0 cents
Net yield per unit <sup>2</sup>	<b>2.8%</b>	3.9%
Net yield (annualized) per unit <sup>2</sup>	<b>5.6%</b>	7.8%

Notes:

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

# Corporate Information

## The Manager

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

Mr. Toshihiro Toyoshima

## Executive Directors

Mr. Nobumasa Saeki  
Mr. Leung Kwok Hoe, Kevin

## Non-executive Director

Mr. Hideya Ishino

## Independent Non-executive Directors

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

## Responsible Officers of the Manager

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

## Company Secretary of the Manager

Fair Wind Secretarial Services Limited

## Auditor

PricewaterhouseCoopers

## Internal Auditor

BDO Financial Services Limited

## Trustee

DB Trustees (Hong Kong) Limited

## Principal Valuer

Knight Frank Petty Limited

## Legal Advisors

### As to Hong Kong and United States laws

Baker & McKenzie  
Clifford Chance  
DLA Piper Hong Kong

### As to PRC law

Zhong Lun Law Firm

### As to Cayman Islands law

Maples and Calder

## Unit Registrar

Computershare Hong Kong Investor  
Services Limited  
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## Property Manager

Beijing Hua-re Real Estate Consultancy Co., Ltd

## Investor Relations

Mr. Chung Wai Fai  
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## Stock Code

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# SpringREIT

**Spring Real Estate Investment Trust**

春泉產業信託

Stock Code : 01426

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

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**Spring Asset Management Limited**



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